



Worker co-operatives and the phenomenon of *empresas recuperadas* in Argentina: an analysis of their potential for replication

Melanie Howarth



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Acknowledgements

Front Cover: Factory of bolts in Isidro Casanova near Buenos Aires.
“Empresa recuperada” which became a workers’ co-operative society.

Back Cover: Member of an “empresa recuperada” of the printing sector organized as a workers’ co-operative society (Cooperativa Obrera Gráfica Campichuelo Ltda)

Both pictures are courtesy of Periódico Acción.

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Abbreviations

ANTEAG	Associação Nacional de Trabalhadores e Empresas de Autogestão (National Association of Self-Managed Workers and Companies)
CGT	Confederación General del Trabajo de la República Argentina (General Confederation of Workers)
FECOOTRA	Federación Nacional de Cooperativas de Trabajo (National Federation of Worker Co-operatives)
FENCOOTER	Federación Nacional de Cooperativas de Trabajo de Empresas Reconvertidas (National Federation of Worker Co-operatives of Reconverted Companies)
GDP	Gross Domestic Product
IFI	International Financial Institution
ILO	International Labour Organisation
IMF	International Monetary Fund
MNER	Movimiento Nacional de Empresas Recuperadas (National Movement of Recovered Companies)
MNFR	Movimiento Nacional de Fábricas Recuperadas (National Movement of Recovered Factories)
SME	Small- and Medium-sized Enterprise
UBA	Universidad de Buenos Aires (University of Buenos Aires)

Preface

“The co-operative ideal is as old as human society. It is the idea of conflict and competition as the principle of economic progress that is new. The development of the ideal of co-operation in the nineteenth century can best be understood as an attempt to make explicit a principle which is inherent in the constitution of society, but which had been forgotten in the turmoil of rapid economic change.”

“It is against the background of the Industrial Revolution and of the dislocation that accompanied it that the early ideas of co-operation and the origins of the co-operative movement must be judged.”¹

The Argentinian experience detailed in this paper takes place over 150 years after the industrial revolution in the UK. Yet in many ways it is a common response by human society to turmoil and disintegration brought about by rapid economic change, resulting in workers’ livelihoods and those of their families being placed in jeopardy.

The workers’ response was instinctive – to work together to safeguard jobs, and the skills and competencies on which their livelihoods and those of their communities depended. They did not know of, did not work with, and did not draw upon the vast collective memory and experience of the global co-operative movement. They simply organised collectively to take over and keep the businesses running. They set up co-operatives – even if they did not use that term or even know that is what they were doing.

As in the early-nineteenth century, it is virtually impossible to distinguish between what we would consider today to be the realm of trade union activities and those of a co-operative. The same impulse is to be found in case studies featured in *Organising Out of Poverty – Stories from the Grassroots*, How the Syndicoop approach has worked in East Africa (Co-operative College paper number 8), so it is not the label that matters; what matters is how people decide to combine to protect themselves and their livelihoods.

The examples described in this paper illustrate how the role of the trade unions in defending workers' rights and jobs can lead to recognition that the best way they can do that is by sustaining their enterprise. In the face of closures the only way to do that is taking over and running it collectively – a co-operative enterprise. It is the same story that is told so powerfully by Tyrone O'Sullivan of the miners' struggle to save Tower Colliery in South Wales, where jobs and livelihoods were saved by workers taking over the enterprise – albeit in Tower's case by purchase rather than occupation!

There are also parallels with the rapid success of co-operative movements elsewhere in response to economic adversity. Perhaps the best Twentieth Century examples are the Antigonish movement in Atlantic Canada which gave birth to hundreds of co-operatives as a response to severe poverty in the Great Depression or the success of the Mondragón movement in the Basque Country of Spain from the mid-1950s onwards.

But there the similarities end. Argentina did not have the catalyst of the inspirational leadership provided by Tompkins and Coady in Antigonish or Arizmendiarieta in Mondragón, who were all faith leaders motivated by the Catholic social tradition. In Argentina, it was primarily a grassroots response to an external threat.

What the study also shows is how the Argentinian workers frequently create practices consistent with co-operative values – autonomously and without their being aware of that movement's practices.

For all co-operators it is an inspiring read, and another challenge to notions that co-operatives are an anachronism in a Twenty-First Century economy – the legacy from a particular period in history. Instead it provides a powerful reminder that, where crisis creates pressing needs, people will find a way to combine to build co-operative solutions.

Mervyn Wilson

Chief Executive and Principal
The Co-operative College
June 2007

¹ From the introduction to the classic text on co-operation *Consumers' Co-operation in Great Britain*, an examination of the British co-operative movement compiled and edited by a group of academics headed by A M Carr-Saunders, P Sargant Florence and R Peers published in 1938.

Introduction

Argentina experienced its most devastating economic crisis in December 2001, which plunged much of the country, the lower and middle classes alike, into poverty. The crisis coincided with the emergence of a phenomenon which has since been qualified as revolutionary: the *empresas recuperadas*, literally translated as recuperated or recovered companies. Essentially, the term refers to businesses, for the most part factories, whose management has been taken over by their workers. This is usually in response to the bankruptcy and/or closure of the factory, with the objective of resuming production in order to maintain the workers' source of labour.

This phenomenon is by no means entirely new, nor is it limited to Argentina. There have been similar instances of factory takeovers by their workers since the nineteenth century in other contexts. The Argentine initiatives, however, appear to form part of a more substantial movement, which may prove to be longer-lasting. The purpose of this report, therefore, is to examine the phenomenon of recovered companies in Argentina, and the context in which it arose, in order to analyse the potential for reproducing such initiatives in similar situations. This report seeks to:

1. Explain how and why the phenomenon of recovered companies became so widespread in Argentina from December 2001 onwards.
2. Provide an overview of the nature of the phenomenon, its extent, as well as some of the common characteristics of *empresas recuperadas*. Determine whether they can be construed as a successful means for workers to preserve their source of employment during the most dramatic crisis in Argentine history.
3. Examine similar experiences of factory takeovers in different historical contexts and periods in order to provide a basis for comparison. Determine the extent to which such initiatives could be replicated in other contexts as a means of safeguarding employment, by identifying the conditions that enabled the rise of recovered factories in Argentina and elsewhere.

This research is particularly important in light of the almost total lack of English-language material on this topic. The existing Spanish-language material consists essentially of in-depth studies into the nature of *empresas recuperadas* themselves, their impact on the livelihoods of workers, and the organisational changes these companies have gone through as a result of the recuperation process. As such, this report attempts to fill a gap in the literature regarding the potential replicability of such initiatives, particularly in relation to the wider question of development through employment. It attempts to determine whether this phenomenon could provide the means of co-operating out of poverty, even in the most adverse circumstances. This report could therefore form the basis for further analysis into the potential for International Labour Organisation (ILO) action to promote such initiatives in Argentina and elsewhere, if this proves to be both beneficial and feasible.

The combination of a number of political, economic and social factors led to an unprecedented crisis in Argentina in December 2001 and the subsequent rise of recovered companies. The first part of the report will identify and analyse these factors not only to aid our understanding of the nature and importance of this phenomenon, but also to determine the extent to which it is specific to the Argentine context. The second segment, based on available studies, will establish the scope and range of the phenomenon itself and identify some of the common characteristics shared by companies and workers going through the recuperation process. The final section provides an overview of similar historical experiences throughout the nineteenth and twentieth centuries in order to attempt to establish the necessary conditions and pre-requisites, if any, for the replication of the phenomenon. The report will identify a number of factors that enabled the rise of *empresas recuperadas* in Argentina and in light of the similar experiences discussed. This should permit a preliminary conclusion as to whether this phenomenon can be replicated, and where ILO action should be focused in order to do so.

Part One - Factors leading to the rise of *empresas recuperadas*

The emergence of the phenomenon of *empresas recuperadas* in Argentina can only be understood in relation to the considerable deterioration in both working and living conditions for the majority of the population. As such, it is necessary to highlight the national context which led up to the crisis and popular protest that took place in December 2001, analysing the combination of factors that led to the unprecedented economic, financial and political crisis in Argentina and the subsequent rise of *empresas recuperadas*.

The impact of a variety of economic policies implemented by successive Argentine governments since the 1970s is clearly visible through the evolution of sectors and companies in crisis, as well as their wider impact on the labour market. The emergence of social phenomena such as the *empresas recuperadas* is closely linked to the evolution of unemployment and under-employment as a result of such policies. Many of these policies are the product of the conditionality of loans from institutions such as the International Monetary Fund (IMF) and the World Bank, whose neoliberal monologue shaped Argentine economic policy throughout the 1980s and the 1990s. Recent work by Stiglitz (2002) and Martínez (2004) argues for a direct causal relationship between these reforms and the crisis in various sectors and companies at the turn of the century.

1.1 Privatisation of national enterprises

One of the most significant policies undertaken by the Argentine government, in terms of its impact on small- and medium-sized enterprises (SMEs), relates to the privatisation of its national enterprises. This policy was adopted in

much of Latin America in the 1970s, with a significant acceleration in the 1990s in Argentina. This was the result of the 1989 Public Sector Reform Law and Economic Emergency Law, which enabled the privatisation of goods and services provided by the state, with the objective of both reducing public expenditure and increasing productivity in the public sector (Calvert 1996). The legislation was intended to raise capital in order to pay off Argentina's national debt. The majority of these privatised companies passed into foreign ownership due to national companies' lack of resources, and there were no mechanisms in place at the time enabling the state to maintain any degree of public control over these privatised utilities.

This privatisation process bore significant consequences. Firstly, on an economic level, the process of acquiring state assets enabled the consolidation of important economic actors, including foreign firms, internal creditors and local economic groups. A further result of this privatisation process was the consequent limited capacity of the government to influence the economy, traditionally considered a sign of state weakness (Calvert 1996). State monopolies were more often than not replaced by private ones and the pressures to increase efficiency and slash labour costs led to significant increases in unemployment. It has been estimated that between 1991 and 1994, as many as 200,000 jobs were eliminated (Martínez 2004). One study shows that between 1990 and 1998, the privatisation of seven state-owned enterprises in various sectors of the economy led to a 68.9% reduction in their collective labour force (Rodríguez-Boetsch 2005). These job cuts were for the most part implemented through voluntary retirement and severance pay, the financing of which came almost exclusively from World Bank loans.

Aside from a surge in the unemployment level, the privatisation programme led to considerable adverse effects for consumers. Service fees were often raised prior to privatisation in order to make investments seem more attractive to potential buyers. The cost of utilities in the telephone, mail, air transportation, water and sewage, electricity, railway and natural gas sectors became increasingly unaffordable for consumers. Immediately preceding the privatisation of the telephone provider ENTEL, for example, the price of a telephone line increased by 711% (Rodríguez-Boetsch 2005).

1.2 Flexibilisation of the labour market

Labour flexibilisation is labour market deregulation, the gradual reduction and/or removal of the state's protection of workers in the face of a competitive labour market. Such deregulation includes the introduction of temporary and short-term contracts, the removal of major legal obstacles to firing workers as well as making redundancy a cheaper and more accessible option for employers.

The flexibilisation of the labour market was one of the central tenets of the loan conditions posed by the international financial institutions (IFIs) in the 1990s. Labour regulation ceased to form part of domestic policy. The Argentine government began to reverse its protection of work and workers, historically based on state intervention and encouraging stability in labour relations. With the objective of instilling a competitive model of labour relations, several laws were passed between 1990 and 2000 in order to reduce employer contributions, modify the system of indemnities, and decentralise collective negotiation (Cardelli 2003; Martínez 2004; Tirachini 2004). Prior to this, a first wave of flexibilisation took place in the mid-1970s, pushed through by the military dictatorship. This revoked a number of constitutional articles relating to the right to strike and relegated the concept of the minimum wage to a mere declaration. This first wave paved the way for the reforms which took place throughout the 1990s:

- *Ley Nacional de Empleo* (National Employment Law) 1991
The purpose of this law was to stimulate employment in the formal sector through the introduction of temporary and training contracts, and introduced trial periods for permanent contracts. This is widely viewed as a failure, as it merely succeeded in substituting stable contracts for temporary ones, significantly reducing employers' social security contributions. It also attempted to introduce an unemployment benefit, which was equally unsuccessful due to the extent of informality in the labour market. The trial periods merely enabled employers to fire workers without cause or indemnity. As a result, the intended benefits of this piece of legislation failed to materialise, and the temporary contracts were more commonly known as *contratos basura*, literally translated as 'rubbish contracts'. In addition, this law created a commission whose role it was to periodically set the minimum wage in relation to the socio-economic situation. The minimum wage thus went from being established in law to being a negotiated concept.

- *Ley de Riesgos de Trabajo* (Workplace Hazard Law) 1995
This law aimed to limit employer liability for workplace accidents and illnesses. Accidents taking place at work increased significantly as a result of this piece of legislation, due to a generalised disregard for workplace safety on the part of employers.
- *Ley 25.013* 1998
Although this law eliminated the previously introduced temporary contracts, or *contratos basura*, it also limited the protection against redundancy for workers below a certain degree of seniority.
- *Ley 25.250* 2000
The objective of this law was to decentralise collective negotiation.

As a result of the process of labour flexibilisation outlined above, not only was the objective of employment creation not met, the 1990s in fact saw a significant increase in unprotected and precarious work. There was a parallel increase in the unregistered workforce, which was concentrated in smaller companies. Whereas 30% of the workforce in 1990 was estimated to be unregistered, this percentage jumped to 45% in 2003 (Martínez 2004). This wave of legislation ensured the institutionalisation of unstable labour relations and limited access to social benefits. The flexibilisation of labour manifested itself in a variety of ways, with employers taking it upon themselves to ‘flexibilise’ the workforce through the use of worker co-operatives in order to avoid the cost of hiring workers. This potential loophole lay in the fact that members of a co-operative were not classified as salaried employees, resulting in the transfer of social security protection to individual members of the co-operative. This process led to a linking of worker co-operatives with labour fraud, considerably discrediting this form of organisation (Palomino 2004).

A direct result of the labour flexibilisation legislation was the destruction of labour rights in Argentina, in particular the minimum wage and worker stability. Years of legal victories in favour of worker protection were reversed. The Argentine constitution establishes the protection of workers against arbitrary dismissal as well as guaranteeing the stability of employment in the public sector. These were the first elements to be revoked in the flexibilisation laws, making workers extremely vulnerable by limiting their rights in the workplace and restricting their access to employment (Tirachini 2004).

1.3 Economic policies

The 1980s in Argentina are commonly known as the *década perdida*, or the lost decade. These years were characterised by low productivity, an increase in poverty levels and high levels of debt coupled with economic growth merely half what it had been in previous decades (Stiglitz 2002). The IFIs recommended the implementation of a process including the opening of the economy and the establishment of macro-economic stability through structural adjustment. The central tenet of these economic policies included measures to liberalise the economy, which the neoliberal school of thought claimed would lead to higher productivity levels. The Argentine economy however, was under-developed, uncompetitive, undiversified and both exposed and vulnerable to external shocks (Cardelli 2003). The economic policies adopted by the government at the beginning of the 1990s included the following measures (Gobierno de la Ciudad de Buenos Aires 2003; Martínez 2004; Vega Gramunt 2004):

- A substantial reduction in public spending as part of the IMF's 'zero-deficit' plan, which resulted in considerable cuts in public sector wages as well as payment in *letras de tesorería*, or government bonds.
- The opening of markets through the liberalisation of commercial policy and deregulation in the financial markets, including the complete liberalisation of foreign capital flows.
- The introduction of a new monetary and exchange rate system in order to stabilise and control inflation, based on pegging the Argentine peso to the US dollar.

The combination of privatisation and economic liberalisation led to a process of deindustrialisation which crippled a considerable part of the industrial sector. The manufacturing sector suffered most from this process, resulting in the highest number of redundancies, and the replacement of permanent by temporary workers. This was largely due to the necessity of reducing costs and improving productivity in order to compete on the international market (Vega Gramunt 2004).

1.4 Crisis of representation

In addition to the government policies described above, which led to the crisis of December 2001 and the subsequent rise of recovered companies, a host of political and institutional breakdowns help to explain the need for such self-reliance on the part of Argentine workers at a time of unparalleled economic turmoil. Some commentators argue that representative democracy is no longer a mechanism for representation in Argentina. The will of the citizens, expressed through their vote, is not respected by their supposed representatives. This fiction of political representation has led to what Rodríguez (2001) has identified as three breaks with traditional representative democracy. These fractures demonstrate a high level of popular discontent with the ruling classes and institutions – in part as a result of the near-total collapse of the economy, but mostly due to the generalised feeling that every government since 1983 has misrepresented the people.

The first instance of a break with traditional, representative democracy took place during the legislative elections of October 2001, when opposition parties did not absorb the loss of votes. Since then, there has been a systematic rise in absenteeism, as well as blank and spoiled ballots. The second break took place in the week of 19 December 2001, during the *cacerolazos* – widespread popular protests which succeeded in ousting two presidents as well as Domingo Cavallo, the Minister for the Economy responsible for many of the unpopular reforms. The final break with democracy was exemplified in the rise of neighbourhood assemblies, the *asambleas bariales*, which developed alternative, horizontal forms of representation.

This decline in trust in traditional forms of representation in Argentina is evident in the results of the 2004 Latinobarómetro poll, which showed that support for democracy dropped from 71% in 1996 to 65% in 2002. In addition, there was an increase in support for the statement “in certain circumstances an authoritarian government can be preferable to a democratic one” between 1996 and 2004, from 15% to 20%. Seventy-one per cent of respondents agreed that the government benefits a powerful few rather than the majority, and 46% responded that they would not mind a non-democratic government if it resolved economic problems. Finally, over 60% of respondents claimed to be dissatisfied with the way democracy worked in Argentina in 2004, an increase on the previous year (*The Economist* 2004).

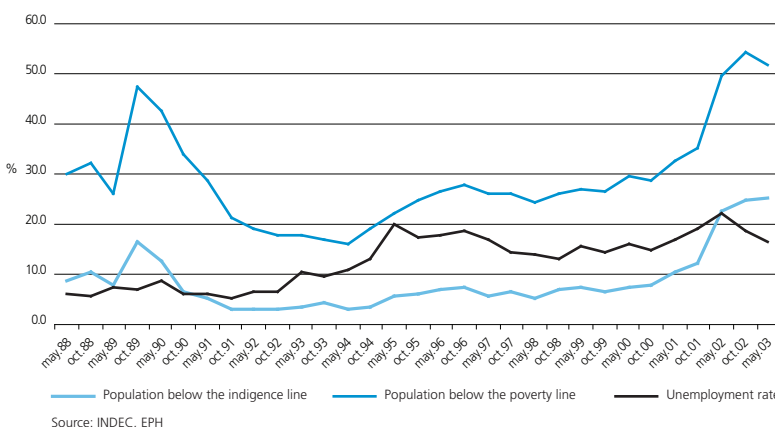
1.5 December 2001 crisis

The Argentine government's flexibilisation programme continued throughout the 1990s despite worsening economic times. Like other Latin American countries, Argentina's financial sector was hit hard by the Mexican Tequila crisis in the mid-1990s. A recession in 1998 led to a deeper depression at the end of the decade resulting in a considerable deterioration in both living and working conditions for the majority of the Argentine population. The decade was characterised by hyper-inflation, which rendered wages and savings virtually worthless, as well as hyper-unemployment, with rates rising steadily throughout the decade and peaking in 1995. In 2001, 60% of the population was below the national poverty line, or 21 out of 37 million people (Dinerstein 2003).

Unemployment and under-employment combined reached its peak at 35% of the working population in 2001 (Ranis 2005) and the same year saw a 30% decrease in state workers' wages as a result of the zero-deficit plan (Dinerstein 2003). This policy also ensured the contraction of public spending on traditional welfarist safety nets such as unemployment benefit. The privatisation of state utility companies, with their subsequent access fees and price increases, further reduced the capacity of the people to overcome the crisis. As a result of the surge in unemployment, poverty and indigence rose to unprecedented levels (Kritz 2002).

Figure 1 below shows the evolution of unemployment, indigence and poverty rates in Greater Buenos Aires between 1988 and 2003, which are

Figure 1: Evolution of unemployment, indigence and poverty rates Greater Buenos Aires 1988 - 2003



fairly parallel. It is interesting to note that the poverty rate is systematically greater than the unemployment rate, which indicates that unemployment is only part of the explanation for high poverty rates. The other factor is substantially lower incomes, as a result of devaluation (World Bank 2003).

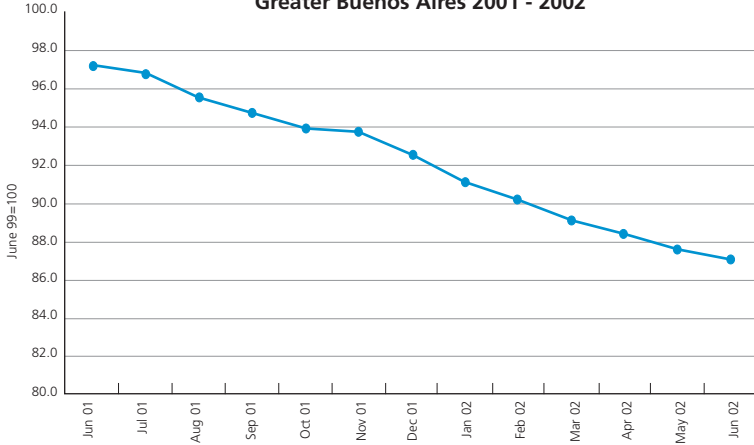
Poverty and indigence

- Extreme poverty, or indigence, refers to the population that has insufficient income to satisfy their basic food requirements.
- Relative poverty refers to the population that has sufficient income to satisfy these basic food requirements; however, their income is insufficient to allow them to satisfy other basic needs, such as clothing, transport, education, health, etc.
- Poverty and indigence are combined to calculate total poverty.

The deteriorating economic situation culminated in December 2001 in an unprecedented national economic, political and institutional crisis. The situation came to a head when former President Fernando de la Rúa imposed restrictions on cash withdrawals, in an effort to pay Argentina's foreign debt. The freeze on bank deposits prevented Argentines from accessing and withdrawing their funds, which were subsequently rendered worthless by inflation – even those who had access to personal safety nets in the absence of public ones were unable to use them. At their peak in the early crisis period, the poverty and indigence levels hovered around 50% and 25% of the population respectively. A wave of protests, street riots, and looting of shops caused de la Rúa to resign as well as his successor, Interim President Adolfo Rodríguez Saa. In an attempt to end the country's economic and political turmoil, on New Year's Day the country's legislative assembly appointed Eduardo Duhalde as Argentina's new President until December 2003. Nonetheless, the crisis left Argentina with a decimated middle class and over half of its population living in poverty.

Figure 2 plots the evolution of formal employment in Greater Buenos Aires, from the six months preceding the crisis, to the six months after. The severe drop in the level of formal employment during this period is paralleled by the rise in the proportion of temporary workers and the increase in workers without benefits in those posts that are permanent (Fiszbein *et al* 2002). Kritz (2002) estimates that 800,000 jobs were destroyed in the period from May 2001 to May 2002 – all in the private sector, and 90% of these corresponding to formal jobs.

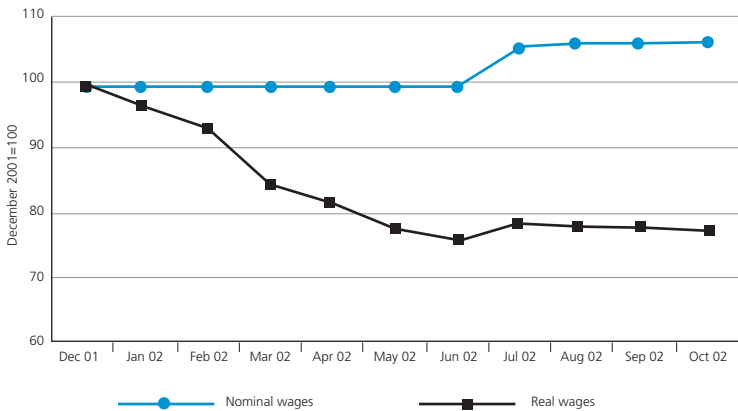
**Figure 2: Evolution of formal employment
Greater Buenos Aires 2001 - 2002**



Source: EIL 2002

Figure 3 plots the evolution of nominal and real wages during the peak of the crisis, demonstrating that, alongside a rise in unemployment, hyperinflation leading to a considerable fall in income levels was one of the major causes of the rise in poverty and indigence.

**Figure 3: Evolution of nominal and real wages
December 2001 - October 2002**



Source: Kritz 2002

The World Bank estimates that in 2002, Argentina's fourth consecutive year of recession, the GDP level dropped by 10.9%, leading to a total decline in GDP of 20% since 1998. While Argentina was not alone in experiencing major crises in this period – notably Mexico's Tequila crisis in 1994-5, the East Asian tigers in 1997-8, and Russia in 1998-9 – the World Bank noted that the 2001 crisis in Argentina "is second only to Indonesia in terms of decline in GDP and the drop in real manufacturing wages, ranks first in terms of the drop in the exchange rate, and [is] one of the highest in terms of the resulting rate of unemployment and increase in poverty" (World Bank 2003).

1.6 Impact on SMEs

Small- and medium-sized enterprises in Argentina suffered severely from the impact of the crisis and of the structural reforms implemented during the 1990s, in particular through the concentration of capital as well as the deregulation and liberalisation of the economy, which affected the competitiveness of this sector. It has been estimated that the nature of the changes in the exposure of SMEs to external markets, as well as the difficulty in accessing credit, can be said to explain up to 40% of SME closures during the 1990s (Fernández and Telado 2002). The manufacturing sector in particular ceased to contribute to Argentina's GDP. The duality of the market was highlighted by the expansion of a few large companies, while SMEs suffered the consequences of these macroeconomic changes. This led to a general contraction of the manufacturing sector. Approximately 300,000 jobs disappeared, while 50% of the country's industrial production was concentrated in little over 100 companies (Gobierno de la Ciudad de Buenos Aires 2003).

Faced with uncompetitive prices compared with imported products, a continual drop in demand on the domestic market and inadequate access to financing, the majority of SMEs had to adjust their labour force in order to reduce costs. The displacement of domestic products by cheaper imports was a direct cause of the closure of many industrial enterprises and the conversion of others into assembling plants or mere distributors of imported products (Martínez 2004).

Part Two - How *empresas recuperadas* work

The first part of this report highlighted the principal economic, political and social factors which enabled the rise of the *empresas recuperadas* in Argentina. The second section will examine the recuperation process itself, as well as the common characteristics of the companies involved. It will then identify the reasons for the adoption of the co-operative form and its implications, the legislative and government responses, and offer an overview of the *empresas recuperadas* and the extent of the phenomenon.

2.1 The recuperation process

The structural reforms implemented during the 1990s and the simultaneous context of economic and social crisis had severe repercussions for the Argentine economy, in particular for SMEs in the industrial sector. This situation led to the collapse and bankruptcy of many industrial companies. The subsequent appearance of workers' movements were an attempt to reactivate paralysed companies in order to prevent their closure and the subsequent redundancy of the entire workforce. Although the *empresas recuperadas* rose to prominence in the aftermath of the December 2001 crisis, the recovery of companies was by no means a new phenomenon – recoveries took place throughout the 1990s. Many recovered companies shared certain common characteristics prior to their bankruptcy – they were affected by cheap imports, or had experienced difficulties in exporting. As a result, the original businesses went bankrupt, declared themselves insolvent, or were abandoned by their owners (Palomino 2003; 2004).

In the majority of cases, the recovery of a company is preceded by either total or partial abandonment on the part of its owners. Recuperation implies a transition to a new legal form in which workers take over responsibility for production, establish relationships with suppliers and

customers, and fix worker salaries. Prior to the economic crisis, many of these companies had competitive products and production lines in good condition, which favoured their successful recuperation – although this type of productive entity generally found itself in a highly vulnerable situation (Martínez 2004).

One objective of the factory takeover is to salvage the buildings and machinery, in order to prevent them from being liquidated to pay off the company's debts (Echaide 2003). Another goal is for workers to maintain a source of 'honourable work' (*trabajo digno*), rather than living off the state or joining the unemployed workers movement (considered less dignified options by many Argentines). For these workers, the loss of a job represents a lack of access to the formal economy, marginalisation, and a future of precarious and badly-paid work (Godio 2004).

The process followed by the majority of recovered companies begins by taking over control of the company, through occupation if necessary. This is followed by the formation of a worker co-operative, while attempting to negotiate a provisional arrangement with the owners or through the courts in order to achieve temporary expropriation by the state. Production is then resumed as soon as possible.

Generally speaking, recovered companies are not highly complex operations with diverse production systems; nor are they highly stratified. This internal proximity facilitates the horizontalisation process, which is advantageous for takeovers under the co-operative form (Fajn 2003). In most cases, the workers themselves are also creditors, due to the frequent breach of contracts prior to the company's crisis, leading to the non-payment of salaries and social security contributions, as well as payment in vouchers in some cases. The threatened closure of these companies presents itself as an impossibility to the workers, who, faced with a deepening and prolonged crisis which shows no sign of abating, are increasingly aware of the limited possibilities for re-entry into the labour market once unemployed. The context in which this phenomenon takes place is crucial: in the face of growing poverty and unemployment, the response of conventional economists is deemed largely unsatisfactory. The view that unemployment can be reduced only in the long term, as a result of economic growth, is not an alternative for desperate workers.

The predominantly industrial aspect of the phenomenon is particularly important. The industrial sector was an area of the economy where the crisis was most strongly felt and where worker layoffs were the most

common response. In addition, the industrial sector is characterised by its workers' high level of unionisation. Because the companies most likely to be recovered are those hardest hit by the crisis in the industrial sector, as well as being SMEs, they can be considered relatively peripheral to the economy. Therefore the recuperation process is likely to generate less resistance (Fajn and Rebón 2005). The phenomenon of recovered companies cannot be said to be of major economic importance to the extent that it does not reach companies with considerable productive importance (Montiel 2003).

Another key aspect of the phenomenon is that recovery does not tend to take place as a spontaneous decision in each company, but rather as the result of communication with other companies in similar circumstances. In many cases, the recovery hinges on the demonstration by others that it is possible to construct an alternative to what appears at first to be an inevitable closure. This role is carried out by movements of recovered factories, and, in some cases, by unions and political parties. The recoveries form part of a process of trial and error, and of accumulation of both knowledge and viability (Fajn and Rebón 2005). The first successful recoveries often form the basis from which subsequent recuperations take place, and are central to the diffusion of information about their survival and success (Ghibaudi 2005).

2.2 The adoption of worker co-operatives as legal form

It is crucial to highlight the fact that the formation of co-operatives is, in the majority of recuperations, purely instrumental: the co-operative as a legal entity enables the realisation of economic activities. As such, the decision to form a co-operative rather than another legal form is little more than a question of opportunity cost in light of the urgent need for workers to form a legal entity, and thus be able to resume production (Palomino 2004). According to various studies, the majority of *empresas recuperadas* have adopted the co-operative legal form. A minority of recuperated companies are established as *sociedad anónima* or *sociedad a responsabilidad limitada* (forms of limited liability company), or as attempts at nationalisation under worker control, although there are a variety of arrangements for the use of premises and machinery (Fajn 2003, see Figures 4 and 5).

Figure 4: Legal form adopted by recovered companies

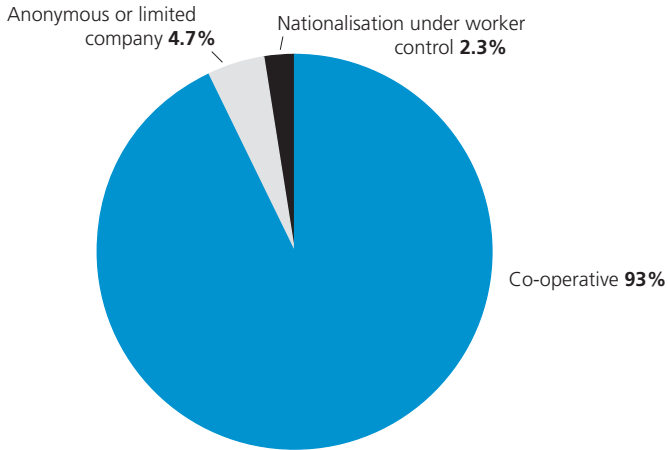
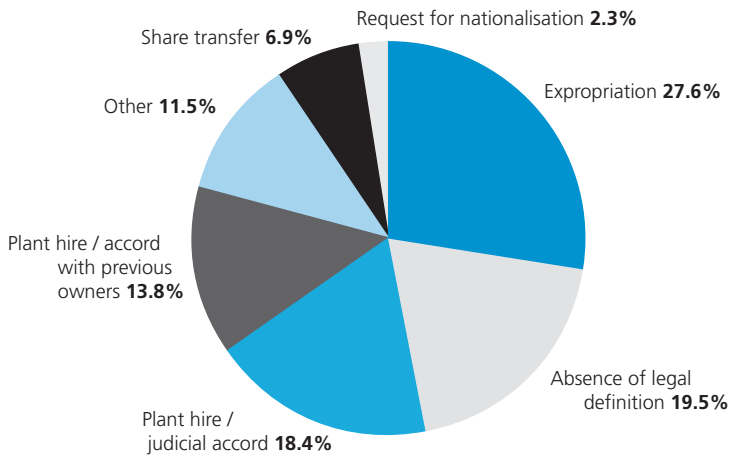


Figure 5: Arrangements for the use of premises, machinery and patents



However, there do exist a few high-profile cases of recovered companies that have not adopted the co-operative form. The workers of the Zanón and Brukman factories, influenced by left-wing political parties, are demanding nationalisation under worker control. These cases have been particularly violent, in that there have been several attempts to evict the workers, who find themselves in greater difficulty from not having adopted a recognised legal form.

The reasons for the prominence of co-operatives, however, are evident. There are various legal benefits, namely that the application takes only 30 days, although the co-operative can begin to function from day one. Co-operatives are not responsible for previous debts, and the bankruptcy laws make it mandatory to take into account the demands of workers who are united in a worker co-operative, in order to favour the continued existence of the company. In the case of limited liability companies, however, the previous debts remain, and nationalisation under worker control is not a legally recognised entity (Fajn 2003). According to one study, companies interviewed came to the conclusion that the formation of a co-operative was the most viable option for recuperation, enabling workers to resume production with little or no capital, with an expropriation order (thanks to which workers benefit from two years of labour security, during which time the state expropriates the former owner), as well as benefiting from a number of tax exemptions.

Many Argentine worker co-operatives are set up by workers who have little or no prior knowledge of co-operatives or the co-operative form of management. Ninety-one per cent claim to have no prior knowledge of co-operation, on a theoretical, ideological or pragmatic level. The remainder claim to have only a vague idea (Meyer and Pons 2004). All concur that there were no alternatives enabling workers (rather than businessmen) to take over control of a company. A crucial factor in their formation, therefore, is the presence of other social actors responsible for advising workers on the legal forms they can adopt. In 80% of cases, workers received advice from other co-operatives or co-operative movements, whereas in the 20% of remaining cases, workers were influenced by the church, judges or acquaintances (Meyer and Pons 2004). The lack of internal knowledge of co-operatives can be extremely problematic, not only because it prevents members from working according to co-operative values and principles, but also because this ignorance constitutes a barrier to greater awareness of their rights and obligations. This can lead in turn to both co-operatives and their members being taken advantage of or being manipulated by various movements at the local or national level.

The fight for legal status is a central part of the success of the recuperation process. Failure to obtain such a status implies the risk of eviction, and this creates further difficulties for continued production. The adoption of the worker co-operative as the entity under which the recovered company resumes production is by no means the result of a co-operativist mindset. On the contrary, the co-operative form is adopted simply due to the fact that it is the pre-existing legal form which can be best adapted to the workers' objectives (Fajn and Rebón 2005). It is important, however, to highlight the fact that each case has its particularities, both legal and organisational, which makes generalisation extremely problematic. Some co-operatives reach an agreement with the previous owners of the company, generally through renting the property. In other cases, the owners hand over shares or the management of the business to their workers. In still others, the previous owners and managers join the co-operative alongside the workers (Godio 2004).

2.3 Legislative and government response

Despite the marginal nature of the phenomenon in terms of its economic impact, the *empresas recuperadas* represent a significant initiative, if only in terms of the repercussions it has had on both legislative and government bodies. In the legal sphere this social movement, by its own initiative, has changed the legal framework by making necessary legal reforms such as the law of expropriation, modified in 2002 (Defensoría del Pueblo de la Nación 2003). At both the national and regional government levels, there is a considerable degree of support for the movement.

The liquidation stage of a bankrupt company is a serious danger for worker co-operatives formed in this context, due to the lack of legislation that gives priority to a worker collective attempting to take over its management. If workers wish to purchase the buildings and materials, they have to compete with other potential buyers. The legal vacuum created by the bankruptcy law did not enable the prioritisation of interests, namely those of workers attempting to maintain their jobs within a failed company. The use of the expropriation law thus became more widespread as a result of workers' representatives lobbying the Province and City of Buenos Aires. The expropriation of goods and buildings can only take place if stipulated by a law making a declaration to this effect. Each expropriation, therefore, is the result of a specific law.

The use of the expropriation law was combined with a decree about the temporary occupation of buildings, stipulated for two years. Thus both buildings and goods were granted by the state to the workers organised in worker co-operatives (Gobierno de la Ciudad de Buenos Aires 2003).

2.4 Overview of the *empresas recuperadas* and extent of the phenomenon

Although it is vital to highlight the specificity of the different organisational contexts which gave rise to the recovery of companies, it is possible to underline certain recurring factors.

2.4.1 *Empresas recuperadas* defined and counted

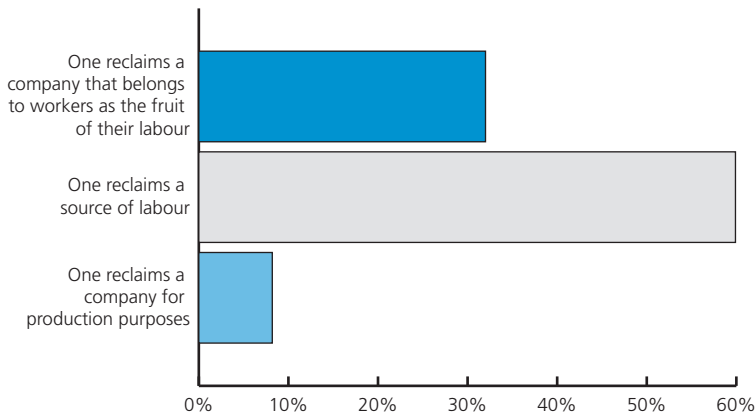
The phenomenon is relatively problematic to quantify, due to the variety of definitions of recovered companies: the numbers will vary according to whether those in the process of recuperation, or only those for which the recuperation is complete, are included. There are a variety of legal situations in which companies can find themselves – eg unionised conflict, bankrupt companies, occupation without legal recognition from the state, or institutionalisation through legal expropriation. The data, therefore, will vary according to whether a strict or relatively loose definition of recuperation is implied. Due to the fact that the context is fairly volatile, companies can move in and out of conflict relatively fast. This implies that the moment at which a count is taken is extremely important (University of Buenos Aires [UBA] 2003). It has been estimated unofficially that of the approximately 200,000 SMEs facing bankruptcy or otherwise abandoned by their owners, around 1,800 are in the process of being recovered by their workers, with the sole purpose of maintaining their source of income. According to the MNER (*Movimiento Nacional de Empresas Recuperadas*, or National Movement of Recovered Companies) however, close to 150 are currently operating under this system, providing for the livelihoods of over 12,000 workers, both directly and indirectly (Defensoría del Pueblo de la Nación 2003). Estimates vary from 136 to over 200 recovered companies to date (Meyer and Pons 2004; Fajn and Rebón 2005; UBA 2003; UBA undated; Rebón 2004).

In defining the *empresas recuperadas*, it is interesting to note the variations in terminology used, depending on the aspect of the phenomenon different actors wish to emphasise. *Ocupadas* (occupied) emphasises the use of

various forms of struggle. *Usurpadas* (usurped) refers to the criminal offence these forms of struggle represent. *Autogestión* (self-management) refers to the absence of hierarchy in the organisation post-recuperation. *Reconvertidas* (reconverted) hints at the non-expropriatory character of the process of resuming production. *Recuperadas* (recuperated) is the most commonly used term to describe the phenomenon, both by the workers themselves, as well as the press, the state and academic investigators. There is a certain ambiguity implicit in this term, resulting from its revolutionary undertones and the implicit value placed on continued production (Rebón 2004).

What, then, is being recuperated? It is interesting in this context to look to the workers themselves in order to paint a clearer picture of what it is they mean by recovering a company and the objective of such action. Figure 6 shows that a considerable number see the recuperation as legitimate because the factory is the fruit of their labour (in terms of salaries owed them rather than added value). The majority consider the recuperation a defence of their occupational identity.

Figure 6: What is meant by reclaimed company



Source: Rebón 2004

2.4.2 Worker profile

The workers involved in the recovery of their companies generally have a series of attributes which favour their participation in the recuperation. They are usually workers in the formal economy, having worked a considerable length of time in the company (often over 10 years). They are usually in positions requiring relatively few qualifications (63% of jobs require operational qualifications while 25% require none whatsoever). They are mostly men, heads of families, and usually have significant previous experience of social organisations and collective demands. Most are over 40 years old. These factors explain the limited possibilities to re-enter the labour force as well as the desperation that drives them to forms of collective action to maintain their source of income. Not all workers participate in the process (just 42%), often as a result of their lack of trust in the success of the initiative, having found another job, retired, or reached a compromise with the previous owners (Fajn and Rebón 2005; Martínez 2004; Fajn 2003; Rebón 2004).

2.4.3 Company profile and timeline of recuperations

The *empresas recuperadas* have a significant industrial bias, with 70-80% of workers belonging to this sector, while the remaining 20-30% are part of the services sector. The majority of recovered companies therefore, are factories. There is an additional urban bias, with the majority of recovered companies located in urban conglomerates, and 80% in Buenos Aires and its suburbs. In recent years, a greater number of recuperations have taken place in more rural areas.

Overall, 73% of companies acquired new customers during and after the recuperation, while just 27% kept the same ones. In terms of the number of years companies had been operating prior to their recuperation, it is interesting to note that the majority (65%) were created prior to 1976, before the implementation of reforms that affected industrial production so drastically. Just 26% of the companies were created after 1976, and only 12% of these were founded in the 1990s. In all cases, the workers who took over production had lived through part of, if not the entire process of industrial deterioration as well as labour flexibilisation.

The vast majority of recovered companies are relatively small, mostly comprising fewer than 50 workers, with 37% of companies having between 5 and 20 workers, and 60% between 5 and 30 workers. From 2000, a greater number of smaller companies (with fewer than 20 workers) began to take part in recuperations. The process of recuperation grew in importance over time, with exponential growth of the phenomenon until

2003. The crisis of December 2001 was a major factor in the expansion – just under half (44%) were recovered between 2002 and 2003. (UBA 2003; Rebón 2004; Meyer and Pons 2004; UBA undated; Martínez 2004).

2.4.4 Previous experience of collective action

It is generally believed that workers in recovered companies have little or no prior experience of collective struggles, and that a culture of struggle is not pervasive in this context: 61% of workers did not, prior to the recuperation, participate in collective action, whether in the form of protests, strikes, or by any other means. Despite this, the 39% of workers who *had* previously participated in such action is over-represented in relation to participation levels of the population of Buenos Aires in general. As such, it is impossible to assert that a certain culture of conflict (or previous experience of it) is absent (Rebón 2004).

2.4.5 Support from various actors

The *empresas recuperadas* generally benefit from a wide network of support from various other actors in society, the most important of which are usually the movements of recovered companies, whose active role in lobbying the government for support and funds greatly aids the establishment of new initiatives. Data suggests that although 37% of recovered companies are independent, 63% are affiliated to one of the movements of recovered companies or worker co-operatives (MNER, MNFR, FECOOTRA or FENCOOTER) (Meyer and Pons 2004).

Figure 7: Support from various actors (Source: Rebón 2004)

Actors	% of cases
Reclaimed factory movements	76.5
Government and State	47.1
Students/universities	29.4
Assemblies and neighbourhood residents	29.4
Syndicates	23.5
Political parties	17.6
Other companies	11.8
Clients and suppliers	11.8
Others	29.4

In the climate of economic crisis, various factions of the political class and local government showed a significant amount of tolerance and support for the recuperations. Factory recuperations also generated a host of additional allies, such as neighbourhood assemblies, salaried workers, university groups and *piqueteros*¹ (or members of unemployed workers' movements), as identified in Figure 7 above (Fajn 2003; Fajn and Rebón 2005).

2.4.6 Initial difficulties

There are numerous potential difficulties encountered by the workers at the beginning of the recuperation process, in large part due to the legal status for the occupation of the property, as previously discussed. Additional difficulties arise from the following factors:

- The absence of capital and extremely limited access to credit (44% of cases).
- A lack of qualifications for the roles taken on by workers.
- A lack of information and co-operative education.
- Debts to major suppliers.
- Commercialisation problems (46%).
- Problems in the acquisition of raw materials (26%).
- Technological backwardness.

In the majority of cases factories under-produce in relation to the workforce that has been kept on in the formation of the co-operative. In 2003, 17% of recovered companies were not producing, and of those that were, 36% were producing at a third of their capacity; 29% were producing between 31% and 60% of their capacity, while only 18% were producing at over 60% of their capacity. On average, production levels did not reach 50% of capacity. This situation was significantly aggravated for smaller companies.

Another issue is the quality of the work effectively recovered by workers, who often work long hours for insufficient pay at the beginning of the recuperation, when social security and pension contributions are non-existent. Due to the lack of capital in many of the recovered companies,

¹ Part of the *movimiento piquetero*, or the picketing movement, so named after the use of pickets to blockade major roads across the country. The picketers, as they are called, organise nationwide highway blockades, essentially as mobilisations against job cuts and plant shutdowns as a result of the neoliberal project (Petras 2002).

significant problems arise in the acquisition of raw materials, leading to the extensive use of *trabajo a façon*, or custom work contracts². This is a very commonly used strategy in the early stages of the recuperation, until the company has the necessary capital for the acquisition of raw materials. It transpires, however, that even among those companies having recovered a significant part of their production capacity, there remains a high proportion of this type of contract, in certain cases representing 40% of total production (Martínez 2004; UBA 2003; Fajn 2003; Meyer and Pons 2004).

2.4.7 Organisational changes

Important transformations take place in most of the recovered companies. In light of the absence of previous management and administrative layers, it is fairly rare for recovered companies to maintain some level of internal hierarchy (only 20% of the total), although it is more common to retain administrative staff (45%). As such, in the majority of cases the need to fill these roles enables greater job rotation as well as flexibility in the division of tasks. Workers themselves become responsible for fixing salaries and prices, reconnecting utilities, obtaining an expropriation law or tenancy agreement, re-establishing relationships with customers and suppliers, and obtaining raw materials and capital. Machine operators in recovered factories are thus in a position where they need to learn and fulfill management and administrative roles such as sales, invoicing, purchasing and finance. This process develops alongside the adoption of participative democracy as well as complete horizontality of decision-making. It has been estimated that 72% of workers in recovered companies undertake activities they did not undertake in the previous company. This is a result of both changes in their principal activities and taking on new secondary activities. In addition, 19% of workers occupy positions that require more qualifications than their previous positions.

In terms of the evolution in worker salaries, the recuperation prompts a levelling process. In the vast majority of cases, following recuperation there are no subsequent distinctions for the types of work carried out within the co-operative. All members are remunerated equally for their work. In addition, the salaries are predictably higher for workers in co-operatives that have been in existence longer. Figure 8 shows the majority of positive organisational changes, as identified by workers themselves (Fajn 2003; Meyer and Pons 2004; Rebón 2004).

² These contracts imply work given to a person or company to whom the customer will supply the materials required (Fajn 2003).

Figure 8: Positive changes in reclaimed companies in relation to their predecessors (Source: Rebón 2004)

Freedom to work in the company	20%
The company is ours/our project	11%
More commitment and responsibility	11%
Greater perspective on progress	7%
Solidarity/equality	7%
Self-management	6%
Better management of the company	6%
Payment on time	5%
Higher salary	5%
Security and stability	5%
Able to work	4%
Equal distribution of income	4%
Better quality of production	4%

2.4.8 Conflict levels

The conflict levels in different recuperation processes vary according to the extent to which the company was affected by the crisis. Recuperations that come about from bankruptcies, factory closures or management desertion are more likely to give birth to low-conflict situations. Thus the intensity of the conflict will depend on the interests represented. When workers struggle against factory owners for control of the factory, the conflict is more pronounced and considerably more problematic to resolve. In addition, the more intense the conflict, the more support from various social actors and movements the co-operative can expect to receive (Rebón 2004; Fajn and Rebón 2005).

2.5 Successful means of battling unemployment

Despite the common characteristics highlighted above, it is important to bear in mind the fact that the movement of recovered companies is made up of a great variety of cases, each with its legal, political, ideological and organisational specificities. Some *empresas recuperadas* demand subsidies in order to guarantee a certain level of income to their workers. Most recovered companies, once they have reached and surpassed subsistence levels, request assistance to make their self-managed enterprises economically viable in order to overcome their precarious legal position (Palomino 2004).

Yet despite the complexities and heterogeneity of the phenomenon of recovered companies, it is possible to conclude overall that their experience has successfully overcome a first hurdle in preserving both jobs and production facilities. In addition, the phenomenon has shown that – to different extents, and generally through trial and error – workers are capable of successfully taking over and managing a company (Gobierno de la Ciudad de Buenos Aires 2003). This process is rendered easier by the efficiency of the co-operative form, with the reduced cost of management, greater flexibility in both hours worked and remuneration, reduced internal conflict levels and greater involvement in production management. The success of these initiatives is often greater, therefore, in those companies which suffered from higher conflict levels and in which more significant changes were brought about (Fajn 2003). It is important to note, however, that despite the breadth of data collected on a variety of samples of recovered companies, there is an almost total lack of reference to those that may not have survived their recuperation, or subsequently collapsed.

The success of the phenomenon is exemplified by the fact that the average wage in recovered companies is significantly higher than the state assistance given to the unemployed. Thus even in the early periods of crisis and struggle, there is a high degree of success in achieving the prime objective of recuperation: the maintenance of workers' source of work in order to ensure a relatively dignified salary and avoid falling prey to structural unemployment (UBA undated). In addition, these enterprises build up significant strengths in the face of adversity, such as human capital, an enterprising orientation, an educative process within the co-operatives, as well as adhering to such values as democracy, participation, horizontality and solidarity (Meyer and Pons 2004).

Part Three - How replicable are *empresas recuperadas*?

The final part of this report examines the phenomenon of recovered companies in Argentina in an attempt to determine the extent to which it could be replicated in other contexts. In order to do so, we attempt to draw from similar experiences of factory occupation in various contexts and during a variety of historical periods since the nineteenth century. Knowledge of the social, economic and political context in which these similar experiences of factory occupation arose will enable a preliminary synthesis of the conditions that can lead to the rise of recovered factories in Argentina and elsewhere. In addition to this analysis, the final section will conclude by highlighting the factors that help determine the success or failure of such initiatives in Argentina. The objective, therefore, is to conclude as to whether such phenomena can be replicated, and if so, where the ILO can focus both attention and resources in order to promote the recuperation of companies in the face of unemployment and redundancy on a massive scale.

3.1 Historical experiences of factory occupation

3.1.1 The Paris Commune

The Paris Commune emerged in the aftermath of the Franco-Prussian War, when France was defeated and Paris was under siege. This socialist government came to power as a result of a popular uprising within Paris, due to growing discontent at the widening disparities between social classes, the disappearance of many low-skilled jobs during the war, food shortages and the German occupation and bombings (Felix 1983). This insurrection succeeded largely as a result of the power vacuum caused by the flight of political authorities and factory owners due to the proximity of German troops during the siege. The provisional Republican government

and its army evacuated to Versailles under the leadership of Adolphe Thiers. The Commune itself was the first attempt in France to establish a form of direct and participatory democracy (Scurrah and Podesta 1986). The Commune attempted to maintain public services, and introduced a number of progressive decrees which included the separation of church and state and the introduction of women's right to vote. One such decree gave workers the right to take over the management and production of factories abandoned by their owners, who were to receive compensation. All closed or abandoned workshops and factories were thus handed over to the management of workers (Marx 1921). The institutionalised self-management of factories was short-lived however, as the Commune, which had come to power in March 1871, suffered a brutal repression on Thiers' orders and was dismantled by the end of May 1871.

3.1.2 The Russian Revolution

The climate in which the Russian Revolution took place and Lenin came to power at the head of the Bolsheviks is critical in understanding the surge of factory takeovers by their workers throughout 1917. The 'soviets', or factory councils, came into being in St Petersburg in 1905 and set the rhythm for the revolution, although they were subsequently quashed along with the counter-revolutionary reaction (Guillerm and Bourdet 1977). Workers and peasants suffered extensively during the early part of the First World War, due to rationing, food shortages and falling productivity coupled with rising living costs (Engel 1997; Trotsky 1980). Industrialists colluded to arrange a series of factory lockouts with the objective of stopping the imminent revolution in its tracks. Between March and July 1917, nearly 600 factories closed down, claiming lack of funds, raw materials and fuel as justification for leaving over 100,000 workers jobless. Workers requested that these enterprises be nationalised by the government (Trotsky 1980). The creation of 'soviets' was largely spontaneous, and occurred independently of the revolutionary parties of the time. The Bolshevik leadership, however, was quick to repress this initiative as counter to its conception of worker 'obedience' and Lenin's emphasis on a prominent place for former capitalists in factory management. As such, the Soviet government showed no support for worker management initiatives, even where the only alternative was factory closure (Wallis 1978). The self-managed factory councils were therefore the object of severe repression, which lasted from 1918 to 1921 (Guillerm and Bourdet 1977).

3.1.3 Europe between the wars

The deterioration in both living and working conditions leading up to and surrounding the First World War not only enabled the occurrence of the Russian Revolution and its initiatives in worker management, but also saw the rise of similar experiences in much of Western Europe. Between 1919 and the mid-1930s, a serious threat to the capitalist class arose in Italy and Spain, although this class was subsequently able to re-establish itself in both countries through fascism and brutal forms of repression (Wallis 1978). The 1930s also saw the rise of worker self-management in the United States, in response to the deterioration of social conditions during the Great Depression (Jackall and Levin 1984). This process was facilitated in the US by the sanctioning of Chapter 11 of the Bankruptcy Law, which was never subsequently modified (Meyer and Pons 2004). Germany was the first country in which factory workers followed in Russian footsteps with the formation of factory councils to take over the management of factories. This was possible in part due to the non-alignment of the German Communist Party with the Bolsheviks. After the death of Rosa Luxemburg however, the party was swiftly aligned with Moscow, and despite the resistance of factory councils, these were subsequently dismantled, helped in part by conditions leading to the fascists' rise to power.

The Italian factory occupations of 1920 were spontaneous in their occurrence and fairly limited in their duration, lasting under a month. These initiatives were largely prompted by popular discontent resulting from sluggish industrial employment and rapid inflation (Franzosi 1997). The occupations began in Turin, where workers took over the means of production in factories in all industrial sectors, and resumed production. The factory councils were grouped around the newspaper *L'Ordine Nuovo*, which included anarchists and communists influenced by Antonio Gramsci (Guillerm and Bourdet 1977; Sirianni 1980). The response from industrialists was tempered by their unwillingness to destroy factories and materials and by the depression in domestic demand. The factory seizures represented a considerable defeat in the eyes of the bourgeoisie, and it has been argued that this 'red scare' justified new means of repression, instigated by the fascist takeover in 1922 (Wallis 1978; Franzosi 1997). Although by this time the crux of the movement had already passed, the government army's repression provided the fatal blow to the occupied factories, with workers forced to hand over their management.

The Spanish wave of factory occupations occurred considerably later. The Spanish Civil War enabled the implementation of worker control in all sectors of the economy, and particularly in the agricultural sector. The process was relatively radical from the outset, with collectivisation taking place after the expropriation of owners who had abandoned factories, coupled with the elimination of certain managerial positions and the equalisation of wages (Wallis 1978; Scurrah and Podesta 1986). The election of the Popular Front coalition in 1936 ensured that the favourable, if not revolutionary, government should have been receptive to workers' concerns. The Republican government, however – all the while attempting to resist Franco's Nationalist army – mobilised repression against the workers' movement, claiming a lack of international support. Meanwhile, Italian and German intervention worked in Franco's favour. Thus in 1937, two years prior to the triumph of fascism in Spain, the Republican government began the restoration of private ownership in both agricultural and industrial sectors (Wallis 1978).

3.1.4 Eastern Europe and Northern Africa

The political and social upheaval in Eastern Europe during much of the twentieth century laid the foundations for attempts at co-operative and self-management in Yugoslavia, Hungary, Poland and Czechoslovakia. The widespread creation of Worker Councils was the primary means of implementation (Scurrah and Podesta 1986; Ferreira 2005). Yugoslavia, where self-management was the official doctrine of the socialist regime, led the way. There, the process was implemented by political elites, legitimated by their fight against Nazism and their resistance to Stalin (Meyer and Pons 2004). The Yugoslav experience is a demonstration of the institutional implementation of worker management initiatives on a national scale, in a context similar to that of many developing countries (Scurrah and Podesta 1986).

The Yugoslav experience began in the 1950s, following liberation from the Nazi regime and Josip Tito's ascent to power. In 1948-1949, several spontaneous factory occupations took place, prompting the 1950 worker self-management decrees. These decrees led to the introduction of a rigid system of co-management in which workers were subject to the control of several layers of 'representation', the uppermost of which was the nomination of a director, external to the company, who then named a management team. Although occupations took place in the face of factory closures, it was generally perceived that the process should be centralised by the state (Guillerm and Bourdet 1977). This, coupled with government

repression in all other aspects of life, rendered the project of worker self-management far from democratic and as such discouraged participation. Reforms introduced in 1965 essentially reversed the self-management decrees, giving complete freedom to companies and widening the range of salaries. These reforms were for the most part introduced as a result of the 'pressures of capitalism', as well as Yugoslavia's market reforms, encouraged by the IMF (Montiel 2003).

Another experience was that of Algeria in the early 1960s, which was characterised by the precipitated abandonment of factories and businesses by colonists at the end of the liberation war in 1962. These properties, belonging to all sectors of the economy, were initially taken over by their workers with the subsequent help of a decree signed in 1963 which legalised the self-management of workers in abandoned companies. The state then decided to institutionalise these initiatives in order to maintain a degree of centralised management over the process. The recognition of workers' lack of real control over the means of production, however, led to a lack of interest on the workers' part and the gradual disappearance of industrial worker management, although it still exists officially in the agricultural sector (Guillerm and Bourdet 1977; Scurrah and Podesta 1986).

3.1.5 Europe in the 1970s

The 1970s in the West, and particularly in Europe, were characterised by a significant rise in structural unemployment, as well as increasing precariousness and social exclusion. This coincided with a period of great social, political and cultural upheaval in the 1960s and 1970s in both Europe and the United States, when the post-war affluence of some was brought into sharp contrast with visibly rising inequalities (Jackall and Levin 1984; Ferreira 2005). Britain in the 1970s was struck by economic decline brought about by inflation levels hovering around 30%, increasing unemployment, and a rise in the number of companies going bankrupt. Faced with a lack of alternatives, workers began occupying those factories that were on the brink of closure. Bradley and Gelb (1980) identify 30 cases of worker occupations in the spring of 1972 in South Lancashire alone, involving up to 30,000 workers. Under these conditions factory occupations, work-ins and sit-ins began to spread across the country in the early 1970s. Companies particularly concerned were those in depressed industries such as shipbuilding, and in deprived areas where unemployment was already rife, such as Glasgow and Liverpool (Coates 1981). Three worker co-operatives emerged out of bankrupt firms in 1974, partly funded

by the Labour government in power at the time (Bradley and Gelb 1979; Bradley and Gelb 1980; Coates 1981). The worker co-operatives survived until the then-Secretary of State for Industry, Tony Benn, was removed in 1975. Benn had put pressure on the relevant bodies to endorse plans to finance worker co-operatives through government loans, and his removal guaranteed that no further co-operative initiatives would take place, while existing co-operatives were squeezed out (Coates 1981).

France and Spain saw the rise of similar initiatives at the end of the 1960s, coinciding with social upheaval in France in the lead-up to the events of May 1968. The newly-integrated, technically-skilled workers were the only ones to make self-management demands and undertake the takeover and management of factories, for example in the Thompson-CSF case (Guillerm and Bourdet 1977). The creation of the *Sociedades Anónimas Laborales* (Limited Worker Companies) in Spain, succeeded in saving over 17,000 companies from bankruptcy (Meyer and Pons 2004; Ferreira 2005).

3.1.6 Latin America

Ever since the 1950s, there have been relatively continuous experiences of worker management as a result of factory occupations in Latin America (Meyer and Pons 2004; Montiel 2003; Petras and Veltmeyer 2002; Wallis 1978). This includes Bolivia in 1952, when factories and mines were expropriated during the popular revolution. The land and ownership were redistributed to workers organised into co-operatives. The 1970s military coup, however, resulted in the dissolution of worker co-operatives and the re-privatisation of many mines and factories.

The experience in Chile was similar. When approximately 125 factories were taken over under the favourable Allende government from 1970 to 1973, half were managed by government functionaries while the other half were managed by their workers. When Allende was overthrown by General Pinochet's military coup, severe repression ensured these worker organisations were dismantled.

In Peru, a group of nationalist officials took power in 1967 and imposed a regime of co-operatives and industrial communities. These enterprises failed, in large part due to conflicts among workers. The co-operatives were re-privatised under the neo-liberal regime and progressive labour legislation was repealed.

A wave of factory occupations took place in Argentina in May/June 1964, organised by the CGT (*Confederación General de Trabajo* or General

Confederation of Workers) as part of its wider *plan de lucha*, or working-class struggle. These occupations took place on a large scale, at national level, and were centrally managed as part of the same programme (Cotarelo and Fernández 1994). These occupations, despite setting the scene for the occupations that took place in the early 2000s, were purely intended as a means of protest. Workers did not resume production but rather paralysed the activities of their factories. Although these occupations were considered extreme provocation on the part of the CGT as well as being illegal, the Argentine minority government under Arturo Umberto Illia answered with legal suits rather than heavy-handed repression (Epstein 1979). Similar experiences have also occurred in Brazil since the early 1990s, with the number of factory occupations exceeding 200, and concerning over 30,000 workers according to the ANTEAG (*Associação Nacional de Trabalhadores e Empresas de Autogestão*, National Association of Self-Managed Workers and Companies), created in 1994 in order to support these occupations.

In Venezuela, worker-run factories are a fairly recent phenomenon, benefiting from the favourable Hugo Chavez government which instigated the transition of over 200 factories to a system of worker self-management or co-management (*El Correo*, 27 October 2005). Chavez is also attempting to foster a South American network of recovered factories. Representatives of worker-run factories in Brazil, Argentina, Uruguay and Venezuela met in Caracas in October 2005 in order to promote the role and activities of workers in these initiatives, as well as a forum for the exchange of experiences.³

3.2 Propitious conditions for the rise of recovered factories

3.2. 1 Economic downturn or crisis

One of the major factors that can be deduced from experiences both in Argentina and those outlined above is the state of economic crisis in which initiatives of factory occupation and recuperation by their workers emerged. In Argentina, as detailed in the first part of this report, the crisis in the industrial sector was the result of several decades of national economic policies encouraged by the IFIs which led to the bankruptcy of many companies, most of them SMEs in the manufacturing and industrial sector. This process reached its apotheosis in December 2001 when Argentina was

³ See http://www.mintra.gov.ve/encuentro_latinoamericano/

hit by its worst financial crisis. In each of the other contexts in which factory recuperations took place – instigated either by political parties, workers or their governments – they did so against a backdrop of economic downturn, if not fully-fledged crisis. In many of these cases, the declining economic situation came in the aftermath of war, such as in the case of the Paris Commune. The Russian revolutions of 1905 and 1917 and the First World War had a considerable economic impact that devastated both peasants and factory workers. In Germany and Italy in the 1920s food shortages, inflation, paralysed industries and rising unemployment were typical. The 1930s saw the devastating impact of the Great Depression in the United States, as well as the abandonment of factories during the Civil War in Spain. The Yugoslav experience took place in the aftermath of Second World War and its economic consequences, while Europe in the 1970s was characterised by a particularly harsh economic decline, as were many Latin American countries.

Factory takeovers have historically arisen in a context of factory closures due to bankruptcies in the industrial sector, or simply the abandonment of factories by their owners (as in Algeria). Although there have also been cases of fraudulent declarations of bankruptcy, particularly in Latin America, situations of economic crisis on a national or international scale are partly to blame. Whether economic downturn comes as a result of external factors such as the impact of war, or of endogenous ones such as economic reforms implemented by national governments, it appears to be a pervasive element in the rise of factory takeovers.

3.2.2 Political crisis

A context of economic downturn alone seems insufficient to lead to the rise of factory recuperations, particularly in light of the multitude of such crises which have occurred without the simultaneous development of factory takeover movements. The economic crisis in Asia in 1998, for example, did not result in such initiatives. Another crucial factor highlighted by the Argentine experience is the impact of political crises. In many cases, the political vacuum left by a climate of war or internal conflict, coupled with an economic crisis, led to the rise of factory occupations. In the cases of the Paris Commune and the Russian Revolution, the vacuum was filled by revolutionary or reactionary governments who either instigated factory occupations or were believed to be favourable to them. Latin America in particular saw fairly tumultuous political periods, with military coups and dictatorships alternating with populist governments.

It is also important to highlight the impact of the crisis of the welfare state in much of the West and in Latin America. Despite their relative success after their introduction in the 1950s, public safety nets began to be eroded during the crises of the 1970s. In a crisis situation, state assistance was significantly reduced in Argentina and much of Latin America. Europe was also hit by this phenomenon. Not only did workers face imminent redundancy as a result of factory closures, they could no longer rely on the state to provide social assistance. This was particularly difficult if political turmoil on the national level had eroded their trust in their political representatives. It is the combination of these factors and economic necessity which can lead to workers exploring other alternatives, based on self-sufficiency.

3.2.3 Unemployment and redundancy

Although closely tied to a country's economic situation, the question of unemployment itself is worth special consideration. It is often the case that redundancies, as a result of factory closures, are a direct consequence of an economic crisis or downturn. It is important to note, however, that a particular sector can enter a crisis without a broader economic crisis that affects the entire economy.

The cases of industrialisation and de-industrialisation are particularly interesting. On one hand, as in 1970s Britain, periods of industrialisation can lead to the creation of worker co-operatives in the face of redundancies as workers are increasingly displaced by machinery, even as other sectors experience a period of substantial economic growth. On the other hand, de-industrialisation can take place as a result of reduced competitiveness on the global market, leading to mass redundancies in the industrial sector, while other sectors continue to expand. Although economic crisis and unemployment often go hand in hand, this link does not necessarily stand up to closer scrutiny.

Structural unemployment itself, although a contributor to the worsening of living and working conditions, is not by itself a sufficient explanation for factory takeovers. According to Bradley and Gelb (1980), redundancy through bankruptcy is considerably more significant than unemployment alone in terms of the consequences on worker activism. The cash nexus break hypothesis claims that the declared bankruptcy of a company leads to the permanent and definitive termination of the economic link between the worker and his employer, eliminating the possibility of the worker's re-employment by the firm. In the case of a depressed sector of the economy in a concentrated geographical area, this reduces the probability of the

worker finding alternative employment. From this perspective, mass redundancies are more likely to result in the recuperation of factories by their workers than structural unemployment, which tends to lead to reduced workforces rather than factory closure – the traditional context in which recuperations take place. It is important to highlight, though, that such a snapping of the cash nexus can be the *potential* cause of radical action on the part of workers. Not only is it problematic to attempt a discussion as to the type and extent of cash nexus break required to motivate such radicalism, it is also important to note the crucial role of worker activism.

3.2.4 Social upheaval and activism

Social upheaval is an important element in the rise of factory takeovers, not only as part of the context which leads to the emergence of such phenomena and includes the economic and political context discussed above, but also as the means of arriving at the recuperation of factories. Many of the experiences of factory takeovers outlined in this part of the report took place during periods of substantial social upheaval, due to popular mobilisations against war and its economic and social repercussions, for example. It is in terms of the processes through which these recuperations could take place that the activist tradition of workers comes into play. Traditionally, the industrial sectors of the economy tend to be more organised and unionised than others, leading to the relative strength of their demands. This is particularly the case in Western Europe after its early industrialisation and in the 1970s; in Eastern Europe in the 1950s as a result of the importance placed by the Soviet Union on the role of workers; and in Latin America from the 1970s with its strong unions and socialist traditions.

3.2.5 Co-operative tradition

The incidence of factory takeovers in Argentina can be argued to be to a certain extent dependent on the existence of an established co-operative tradition. The co-operative movement in Argentina is arguably the most established in Latin America, with the largest co-operatives, representing the largest proportion of the working population on the continent. Argentina also boasts the oldest co-operative in the region, formed in 1901 (Scurrah and Podesta 1986). In addition to this strong co-operative tradition, Argentina has experienced the formation of worker co-operatives for over 70 years, the first formed in 1931, while a more significant wave of creation of worker co-operatives took place during the late 1940s and the early 1950s (Scurrah and Podesta 1986). Despite the significant and recognised

lack of knowledge of the co-operative tradition and form of management prevalent among factory workers prior to and during the rise of factory takeovers in the late 1990s and early 2000s in Argentina, this tradition forms a substantial part of Argentina's history.

The development of a co-operative tradition also took place in much of Western Europe, whose colonial influence on Latin America in particular through Spanish colonisation, but also through commerce with the rest of Europe, is the root of co-operative tradition on that continent. The development of modes of self-management is predominantly European, having been subsequently exported throughout the world. It is therefore an important factor in enabling the rise of factory occupations and takeovers through the creation of worker co-operatives.

3.3 Factors affecting the potential success of initiatives

3.3.1 Dissemination of information

In light of the impact of the existence of the co-operative tradition on the emergence of worker self-management initiatives, the dissemination of information concerning co-operatives and the co-operative principles can be paramount to the success of factory takeovers. In Argentina, workers had very little, if any, prior knowledge of what it meant to be a member of a co-operative, or how this could be beneficial to a collective of factory workers. The emphasis here is not simply on what the co-operative form can offer workers by way of tax exemptions and other benefits, which would in effect lead to the formation of 'bogus co-operatives', a persistent problem in Latin America in particular. Rather, the focus is on the fact that through the organisation of workers into co-operatives, workers themselves as well as their enterprise and their community can not only survive, but also benefit in a way which would not have been possible under the previous form of organisation. This is what is taking place today in Argentina, as workers adapt to democratic and participatory forms of management, the equalisation of wages and job rotation, etc. In order for this process to take place, it is crucial that workers are aware of the available options, while ensuring they have access to practical information about co-operative management, so that they can make informed decisions.

The dissemination of information in Argentina took place on a relatively informal level. Information was shared through word-of-mouth between

workers in different companies within the same industries; between factory workers and members of unions and national movements of recovered companies such as the MNER, MNFR or FENCOOTER; and finally between workers and community members, for example politicians and members of the legal system. Although this method appears to have succeeded in Argentina, the limited extent of the phenomenon suggests that, had this information been more accessible, instances of factory occupations and recuperations might have been more pervasive.

3.3.2 Legal vehicles

The extensive co-operative tradition in Argentina ensured the existence of the co-operative and worker co-operative as recognised legal forms. Although these have historically been relatively widespread, they were used by factory workers in the process of taking over the production and management of their factories in a somewhat pragmatic and reactive manner, rather than for proactive or strategic reasons. The worker co-operative was the only legal form in existence which enabled factory takeovers, aside from the ill-suited limited liability companies, or the non-existent 'nationalisation under worker control'. Due to the fact that an appropriate legal form, adapted to the needs of workers, did not exist, the legislation in Argentina was subsequently modified to incorporate such needs, essentially through the reform of the Law of Expropriation. It is important to note, however, that a certain number of factory takeovers had already taken place by the time the legislative body in Argentina responded. Therefore, the modifications in existing legislation served merely to legitimate a pre-existing phenomenon. Although it is difficult to say whether the movement would have gained as much popularity and strength had the legislation not been put into place, it is impossible to surmise that at least a handful of isolated cases would not have taken place.

This is particularly true of the relatively small percentage of factory recuperations in which the workers demand the nationalisation of the factory under the management of its workers. In these cases, the collective of workers receives no official legal recognition and no expropriation of the former owners, yet continues both to exist and produce, even in the face of legal threats and potential violence. When examining cases such as those of Yugoslavia and Algeria, however, where worker-managed initiatives were short-lived despite the legal vehicles put in place to support them, it remains clear that legal support for worker co-operatives and their takeover of factories is an insufficient condition for the success of such initiatives.

3.3.3 Education and training

Another important factor in the potential long-term survival of worker co-operatives like the *empresas recuperadas* is the education and training of workers in various organisational functions as well as in the co-operative principles.⁴ In the short-term, the co-operative principles themselves often appear irrelevant to workers. Over the long-term, however, their dissemination – and worker adherence to them – helps ensure to a certain extent that worker co-operatives do not revert back to a capitalist form of management that would potentially jeopardise workers' livelihoods and eliminate worker control over job security or wages. As such, workers in recovered companies and elsewhere can benefit greatly from this type of education. Arguably, it is desirable that such education also take place via the formal education system, alongside teachings on more traditional forms of organisation such as capitalist enterprise.

In addition to co-operative education, workers can benefit from training in the workplace about various administrative and managerial functions. In taking over the factory, workers not only have to take over administrative and managerial duties, they also carry out functions such as sales, marketing, finance, invoicing, purchasing, etc. Due to the relatively low level of skills and qualifications held by factory operators, training in these domains is crucial in ensuring the smooth transition to worker management and the ongoing financial health of the worker co-operative. The absence of training and education can create serious obstacles to the success of these initiatives.

3.3.4 Financing

A major issue highlighted in the second part of this report is the access to means of finance for many newly established worker co-operatives. This lack of financial support generally leads to considerable problems in the purchase of raw materials and the re-establishment of relationships with suppliers and customers. This in turn impacts the ability of workers to both maintain production and pay their salaries. Insufficient financing is the quickest and most obvious road to failure for factory takeovers, just as it is for capitalist forms of enterprise. This was exemplified in the British worker co-operatives of the 1970s, which were unable to survive their financial strangulation by the Labour government. As such, initiatives which benefit from some form of credit or subsidy are most likely to survive in the long-term.

⁴ Voluntary and open membership; democratic member control; member economic participation; autonomy and independence; education, training and information; co-operation among co-operatives; concern for the community. See <http://www.ica.coop/coop/principles.html>

Recuperated factories in Argentina suffered greatly from a lack of financial resources, in particular due to the inability of members to participate financially in the enterprise in its early stages. These worker co-operatives were able to find alternatives to external financing, for example through custom work contracts from customers and lower salaries, until they had a sufficient cash flow.

It is generally argued that worker co-operatives should not benefit from any preferential treatment on behalf of the state or private financial institutions, and should have the right to operate on “not less than equal terms than other forms of enterprise” (ILO 2001, p84). This implies that co-operatives should not be penalised for simply being co-operatives, and should have access to available forms of credit regardless of their co-operative legal status. To ensure the sustainability of these forms of enterprise, co-operatives should not be denied access to government subsidies, for example. It is also important to ascertain whether co-operatives in various countries have access to the resources available to commercial enterprises facing bankruptcy; facilitating access to these resources could lead to an increased use of the co-operative form by workers in companies facing bankruptcy.

3.3.5 Technical assistance

In most contexts in which workers take over the management of their factories, very few, if any, of the support functions outlined above are present. In many cases – including that of Argentina – the existence of organisations and bodies that support recuperated factories can be critical to the survival of such initiatives. Bodies offering technical assistance can be vehicles for the disseminating information about the existence and potential success of factory takeovers. Such organisations can provide the administrative and legal assistance required for worker co-operatives to become established and resume production at the earliest possible time. They can also provide experience and legal expertise, support lobbying efforts to influence government and judicial bodies responsible for expropriation of the factory’s previous owners, provide information on the variety of functions the workers will need to fill, assist in worker training, and assist in finding means of finance for the new enterprise. Such roles are vital for the long-term survival of the worker co-operatives formed out of the recuperation of bankrupt factories.

In Argentina, these functions are currently performed by a variety of actors. The most prominent of these are two national movements for recovered companies, the MNER and the MNFR. Despite the tensions between these

two organisations (that were once part of the same umbrella organisation, but are now vying for membership from the recovered companies), between them they fulfill a number of the functions needed by the recovered companies in order to guarantee their immediate and long-term survival.

3.3.6 Government support

The final, crucial factor that can entail the rapid success or failure of worker-managed factories is the degree of political and government support they enjoy. It is no coincidence that factory takeovers took place under Allende's rule in Chile, rather than that of General Pinochet. The role of political leadership and its favourability to worker-managed enterprises is paramount in terms of the degree of support or repression bestowed upon these enterprises. The historical overview of such experiences outlined above shows that not a single experience took place without openly declared support or repression on behalf of the state. There appears to be no such thing as government neutrality in this realm. It is also difficult to relate a government's position on the political spectrum with its stance on worker-management initiatives. Although without exception fascist and Nazi governments in Europe quashed takeovers of factories by their workers, the Communist approach was somewhat more ambivalent. Whereas Lenin and his party undertook a brutal repression of workers involved in such initiatives in Russia, Tito's influence in Yugoslavia was more benign. Socialist and populist governments in Latin America in general and in Argentina under Duhalde and current President Néstor Kirchner, tend to support these kinds of initiatives, as demonstrated by the range of such experiences on the continent.

Another key element in the development of worker-managed initiatives concerns the degree to which factory recuperations are centralised by government. According to the experiences discussed previously, in cases where factory takeovers were institutionalised and centrally managed by the state, worker interest tended to be short-lived, dying out relatively quickly. This can be said to be the case in Tito's Yugoslavia as well as Ben Bella's Algeria. As such, it appears that not only is a certain degree of political support necessary for the rise of factory takeovers to take place, it is also crucial that this type of support does not go too far the other way, crowding out workers from the process of recuperation and management. It remains to be seen whether Hugo Chavez's hands-on support for the recuperation of factories will confirm this tentative hypothesis.

3.4 Final considerations

Arguably, the experience of factory takeovers by their workers in Argentina has been considerably more widespread and successful than its historical counterparts, particularly considering the fact that it shows no sign of abating despite a gradual alleviation of the crisis situation in which these initiatives arose. This relative success is in part due to the combination of a number of factors leading to workers' search for non-traditional forms of management as an alternative to factory closures: economic catastrophe; political crisis; welfare state collapse; mass redundancies; social upheaval and worker activism; and the presence of a strong co-operative tradition. In addition to these conditions, recuperated factories in Argentina also benefit from a considerable amount of support from various bodies, the MNER and MNFR in particular. This support, although it could be developed further, particularly in terms of assistance with financing and training, was a crucial factor in the successful development of worker co-operatives. It is vital, however, to highlight the fact that even in the absence of sufficient funds to start production, without appropriate legal vehicles for co-operative formation, and lacking sufficient mechanisms for worker training and education, Argentine workers were by no means defeated by the adverse situation they faced.

As the Argentine example illustrates, it should be noted that factory takeovers are not doomed to failure if they do not meet all of the criteria outlined above. On the contrary, the variety of historical experiences in which worker-managed factories have developed demonstrates the strength and flexibility of the phenomenon. Despite the disadvantages weighing against them, at no time (aside from the previously discussed exceptions of Yugoslavia and Algeria) has a worker initiative of this type lost momentum and died a natural death. Rather, worker-managed factories have been crushed by varying degrees of opposition and repression on the part of the state. It is therefore essential to acknowledge the importance of conscious human choice and agency in such contexts. The objective of this report is by no means to result in a list of conditions in which worker self-management is likely to take place, but to identify the potential for replication of such initiatives, based on historical evidence. Indeed, this report shows that there are no conditions which automatically exclude the rise or success of such initiatives, aside from violent and sustained repression on the part of the government. There are, however, a number of conditions which can make the emergence and survival of factory recuperations more or less likely.

Conclusion

This report has analysed the specific case of the *empresas recuperadas* in relation to other documented examples of factory takeovers worldwide. As noted above, the *empresas recuperadas* are not a unique phenomenon, nor are they particularly significant in terms of GDP. Yet, as the second part of this report demonstrates, in terms of the number of companies concerned (particularly in the industrial sector) and the extent of organisational transformations undertaken by the workers themselves, the *empresas recuperadas* cannot be ignored. The breadth and depth of studies referring to recovered factories in Latin America and in Argentina in particular also shows the genuine interest and discussion these initiatives have sparked, in the academic community as well as in the political, legal, social and entrepreneurial fields. The background research for this report showed that historical interest in the similar experiences highlighted in the third section was considerably under-developed in comparison.

Despite the particularities shown by the Argentine case, it transpires from the analysis that initiatives such as factory takeovers at first glance emerged in fairly similar conditions, although these appear to have been more exaggerated in Argentina. Crises on a political, economic and social level as well as the presence of a significant co-operative tradition seemed particularly influential. Also important in favouring the rise of *empresas recuperadas* was the incidence of mass redundancies within the manufacturing sector, as one of the essential impulses for the emergence of these initiatives. It is important to stress that these do not constitute conditions as such for the emergence of factory occupations, particularly in light of the presence or absence of a variety of these in a large proportion of the historical cases highlighted. It is telling, however, that the combination of these factors led to a more sustained and arguably more successful initiative on the part of Argentine workers, than was the case in any of the other experiences described. One would conclude, therefore, that the ripeness of surrounding conditions is essential to the rise of a phenomenon of factory takeovers, although the precise nature and gravity

of these conditions tend to differ substantially from one context and historical period to another.

In addition to the context which can act as a trigger to the rise of factory takeovers, the third section of this report highlighted the factors that appear to have allowed *empresas recuperadas* in Argentina not only to exist, but to also prosper relative to their starting point as bankrupt companies. The key factors that came out of this analysis were the dissemination of information about co-operative forms of organisation and government support for recuperated factories, as well as the presence of support networks providing technical assistance to these initiatives. It is crucial, however, to caution against the assumption that the absence of one or more of these factors would automatically lead to the failure of similar initiatives, or indeed that their presence would automatically lead to their success. In fact, the lack of finance, the absence of appropriate legal vehicles prior to the initial recuperations and the significant lack of education and training for factory workers in Argentina during the rise of *empresas recuperadas* were not sufficient to doom these initiatives to failure. From the analysis provided in this report, however, it is possible to surmise the type of context in which initiatives such as factory takeovers are likely to arise, as well as the combination of factors which can enable their survival or instead precipitate their failure. As a result, it would be possible to form a basis on which civil society or international organisations such as the ILO can act in order to promote the feasibility of the survival of factory takeovers, if not their emergence.

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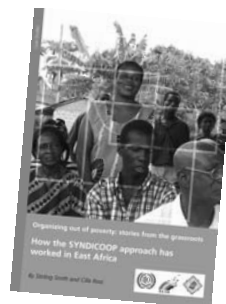
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