

# Trade union support for labour cooperatives: An experiment in cooperation between Brazil and Canada

**Pierre Patry**

Confédération des syndicats nationaux, Québec

**Claude Dorion**

Développement solidaire international

**Arildo Lopez Mota**

UNISOL Brasil

**João Antônio Felício**

International Relations Secretariat, Central Unica dos Trabalhadores, Brazil

**Léopold Beaulieu**

Fondaction

**Jean Bergevin**

Caisse d'économie Solidaire Desjardins

(Pierre: This list of authors has been compiled from the box at the end of the article: please see if you want any more detailed information here)

The Confédération des syndicats nationaux (Confederation of National Trade Unions – CSN) in Quebec, Canada has promoted the creation of a group of autonomous organizations aiming at socially responsible economic development. The mission of these organizations is to provide technical managerial services and financial products in order to maintain and create jobs, giving priority to support for solidarity economy enterprises, including labour cooperatives.

Meanwhile in Brazil, the Metalworkers' Union of the ABC, an affiliate of the Central Unica dos Trabalhadores (Central Union of Workers – CUT) in the São Paulo conurbation, has been supporting the salvaging of bankrupt enterprises by labour cooperatives since 1997. In these salvaged firms, as well as other experiments with self-managed enterprises, lie the origins of the Cooperative and Self-Managed Enterprise Centre UNISOL (Central de Cooperativas e Empreendimentos Solidários), which has become a major grouping of labour cooperatives and solidarity enterprises right across Brazil.

With the participation of the Inter-Trade Union Department of Statistical and Socio-Economic Studies (Departamento Intersindical de Estatística e Estudos Socioeconômicos – DIEESE) and the financial support of the Bank of Brazil, a partnership was built up between UNISOL in Brazil and Développement solidaire international (DSI) in Canada, aimed at developing an original analytical approach to supporting social economy enterprises and solidarity enterprises in Brazil and laying the foundations of a service and counselling bureau for collective entrepreneurship. The prospects are good for inter-union cooperation between the CUT and the CSN, via their partner organizations, in order to build a financial and technical support network for the Brazilian solidarity economy.

This article describes the solidarity cooperation action between the organizations within the trade union movement in Quebec (Canada) and Brazil with a view to assisting groups of workers to set up labour cooperatives aimed at maintaining and creating jobs. Concretely, this assistance consists of offering financial products and technical services in support of management, governance and economic efficiency aimed at facilitating the achievement of the social aims being pursued. These goals are the maintenance and creation of jobs, participative management of the workplace and access to collective entrepreneurship. The Brazilian and Quebec trade union movements have thus been instrumental in the creation of autonomous technical and financial instruments that are close to the trade unions and in harmony with their values. They chose to work together in order to share their experience and develop best practices that serve their members.

### **Capitalism in crisis, trade unionism and collective entrepreneurship in Brazil**

The origins of the Metalworkers' Trade Union of the ABC (Sindicato dos Metalúrgicos do ABC – SMABC) in Brazil's São Paulo conurbation date back to 1933. This union experienced strong growth from the 1950s onwards at a time of industrial development, particularly in the automobile industry. From the 1970s, when its President was Luiz

Inácio “Lula” da Silva (1975–1980), the SMABC played an important part in the struggle against the military dictatorship and in the gradual return to democracy. Mobilization against the rise in the cost of living, strikes and factory occupations culminated in the general strike of 1979, the first mass demonstration by Brazilian labour since the military coup of 1964. Its major contributions to the political and trade union life of Brazil, notably the creation of the Workers’ Party (PT) in 1980 and the main Brazilian trade union confederation, the Central Única dos Trabalhadores (CUT) in 1983, have made the SMABC a real beacon of social progress in Brazil ([www.smabc.org.br](http://www.smabc.org.br)). To this day, the ABC metalworkers’ union has remained one of the most influential Brazilian trade unions.

Concentrated in the São Paulo conurbation are the major industries, which at that time attracted in many migrants who had abandoned the semi-arid land of the North-East in search of jobs and a better life in the metropolis. At the beginning of the 1990s, Brazilian domestic production began to suffer the negative effects of the country’s opening up to foreign trade. This region was then hit hard by the new situation. Factory closures, internal delocalization, rising unemployment, hyperinflation (1149 per cent in 1992), the federal government’s “seizure” of a large part of people’s savings and a campaign of massive privatization of state firms created a real economic and social crisis. This new state of affairs also led to new forms of trade union struggle.

The ABC metalworkers’ union, like other unions in Brazil, had maintained relations with European trade union organizations ever since the 1980s. These exchanges led Brazilian trade unionists to view the active participation of workers in enterprises, through co-management, self-management or the creation of labour cooperatives, as a coherent means of attempting to tackle the crisis and of broadening the spectrum of trade union action. Even if the cooperative model sometimes prompted questions and sparked ideological debates about the proper trade union role and dynamics towards workers/cooperators who collectively owned a business, the ABC metalworkers’ union and other CUT unions supported the Conforja workers when they took over Latin America’s largest industrial forge. This support first of all made co-management of the firm possible and then, from 1997 onwards, enabled the creation of a first worker cooperative, which gradually took over all of the firm’s operations when it went bankrupt. Today, the activities are grouped within the Workers’ Central Industrial Metalworking Production Cooperative UNIFORJA ([www.uniforja.com.br](http://www.uniforja.com.br)), which currently has 500 waged cooperative members.

### **The creation of UNISOL**

UNISOL was founded in February 2000 at the request of the cooperatives that had been formed with the institutional support of SMABC and the city of Sorocaba, and that of the ABC chemical workers’ union. UNISOL’s role is to gather together the cooperatives formed with support from other unions, first and foremost in the territory of the State of São Paulo. Meanwhile, in 1999 the CUT had launched the Agency for Solidarity-based Development (ADS/CUT), with the aim of organizing and supporting local development in various parts of the country.

Today, UNISOL groups more than 750 organizations right across the country's 27 states and represents more than 70,000 workers in various sectors (family-scale agriculture, food, bee-keeping, handicrafts, textiles and garments, civil construction, social cooperatives, recycling, fruit farming, metalworking and polymers). In 2011, the combined turnover of UNISOL's cooperatives and solidarity enterprises came to more than US\$1.25 billion.

A real federation of worker cooperatives, UNISOL has set itself the mission of “organizing, representing and concerting, in a broad and transparent manner, the cooperatives, associations and other self-managed enterprises of the solidarity economy through the promotion of intercooperation, social and economic equality, human dignity and sustainable development”. It aims to bring together cooperatives and collective enterprises created by workers in order to promote the socio-economic improvement of its members and to guarantee work and revenues with dignity. UNISOL works in eight different fields to service its member organizations (figure 1).

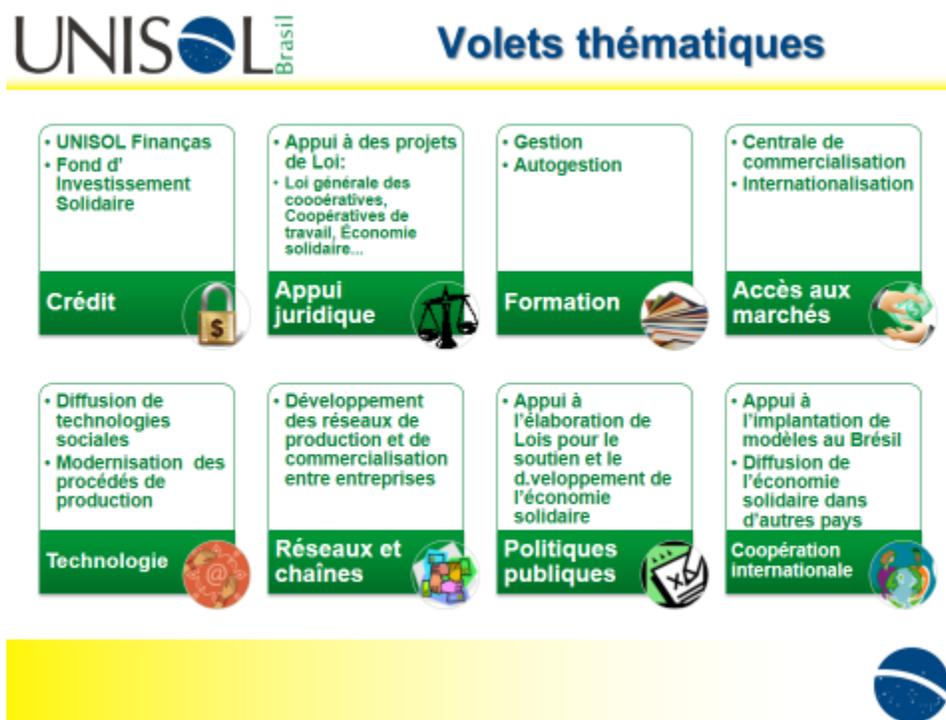


Figure 1. UNISOL: Fields of activity

<ul style="list-style-type: none"> <li>• UNISOL Finanças</li> <li>• Solidarity Investment Fund</li> </ul> <p><b>Credit</b></p>	<ul style="list-style-type: none"> <li>• Support for draft laws:</li> <li>• General law on cooperatives, worker cooperatives, solidarity economy, etc.</li> </ul> <p><b>Legal support</b></p>	<ul style="list-style-type: none"> <li>• Management</li> <li>• Self-management</li> </ul> <p><b>Training</b></p>	<ul style="list-style-type: none"> <li>• Marketing centre</li> <li>• International markets</li> </ul> <p><b>Market access</b></p>
• Dissemination of social	• Development of	• Support for the drafting	• Support for the adoption

technologies • Modernization of production processes  <b>Technology</b>	production and marketing networks among enterprises  <b>Networks and links</b>	of laws to assist and develop the solidarity economy  <b>Public policy</b>	of various approaches in Brazil • Dissemination of the social economy in other countries  <b>International cooperation</b>
--	--	--	---

UNISOL and its members have committed themselves to the pursuit of the following aims ([www.unisolbrasil.org.br](http://www.unisolbrasil.org.br)):

- sustainable, solidarity-based development of enterprises and of the regions in which they are located;
- practical work focused on the economic, educational and environmental fields;
- improving the quality of life of the workers involved in the enterprises and related activities;
- stimulating and supporting the organization of workers and of populations affected by poverty or unemployment, as well as the groups threatened with job losses;
- achieving economic efficiency and excellence in the development and marketing of goods and services, as a basic mechanism for ensuring the continuation and progress of the enterprise; and
- respecting occupational health and safety standards and working for their continuous improvement.

In seeking to strengthen partnerships in the institutional field with representative national and international trade union bodies, UNISOL's aim is to reinforce cooperation and the solidarity economy with those bodies that share its principles of solidarity, self-management, collective participation in decision-making, and the promotion of equality, social justice and development.

Twenty-five enterprises have been salvaged in six Brazilian states, as shown in figure 2.



**Figure 2. Salvaged enterprises in Brazil**

**25 enterprises salvaged  
in 6 states  
(RS, SC, PR, SP, MG and BA)**

Note: Enterprises that were shut down and then relaunched as worker cooperatives or other self-managed enterprises.

Source: UNISOL.

### **The CUT’s position in favour of cooperatives and the solidarity economy**

The CUT also supports solidarity-based development, as is shown by these extracts from resolutions adopted by its 10th National Plenary in May 2002 (box 1).

**Box 1. Extracts from resolutions of the 10th CUT National Plenary, May 2002**

“The 7th National Congress of the CUT approved the construction of a solidarity economy as a strategy of its political action. The solidarity economy is regarded as a class project built around the CUT’s historic demands. The main tasks for the CUT in this respect are:

- organizing waged labour
- struggling for the creation of financial products and public policies suited to the

cooperatives

- carrying out joint mobilization to defend employment
- implementing an education programme about the solidarity economy
- acting to found new cooperatives
- combatting bogus cooperatives

“The solidarity economy is a project to consolidate self-management of enterprises, and constitutes an alternative source of employment and income for workers. These are concrete experiences of new working relationships that break away from the subordination of labour to capital and foster the establishment of democratic relations within the management of work and production. Self-management of production is a fundamental educational process for the building of democracy within society.

“The solidarity economy is an important strategy for social inclusion and the promotion of a sustainable development model, an initiative that must be rolled out. In this context, the CUT is developing, through the Agency for Solidarity-based Development (ADS) and UNISOL, strategic policies and action leading to the organizational and institutional strengthening of solidarity-based enterprises.

“The solidarity economy is an historic and authentic initiative of the working class ... which endows the workers with new gains so that they can collectively take on the task of managing enterprises in accordance with democratic, egalitarian principles. The success of the solidarity economy depends on a process that is both economic and political ... towards strengthening the workers' technical capacities and the economic conditions that step up their production and management.”

### **The CSN, “collective instruments” and international cooperation**

For its part, the Confédération des syndicats nationaux (CSN) in Quebec has historically initiated or supported the creation of “collective instruments”, i.e. complementary organizations set up to tackle the challenges of employment, democratization of the economy and the mobilization of collective savings ([www.csn.qc.ca](http://www.csn.qc.ca)). Today, the term “collective instruments” is applied to nine organizations founded between 1971 and 2008 that share the same values, have specific complementary missions and are run autonomously. These are:

- The Caisse d'économie solidaire Desjardins (a financial products cooperative, founded in 1971)
- MCE Conseils (a consultancy group on management and collective entrepreneurship, 1987)
- Bâtirente (a complementary retirement savings scheme, 1987)

- Fondation – the CSN Fund for cooperation and employment (a risk capital and development fund financed by workers' savings, 1995)
- Filaction (a development fund, 2000)
- Neuvaction (counselling on organizational development, 2000)
- Développement solidaire international (international cooperation, 2004)
- The Caisse d'économie Desjardins Le Chânon — Honoré-Mercier (2005)
- Plandaction (counselling on individual financial planning, 2008).

Thus, the CSN has promoted the creation of a set of autonomous organizations aiming at socially responsible economic development. Their mission is to provide technical management services as well as financial products, with a view to maintaining and creating jobs. These organizations give priority to supporting solidarity economy enterprises, including worker cooperatives. Thousands of enterprises are financed by this network, which has made it possible to convert tens of troubled enterprises into worker cooperatives.

### **The CSN's position in favour of cooperatives and the solidarity economy**

The CSN has been supporting the development of worker cooperatives as a path towards social change for several decades now; in fact, this has been part of what the CSN is all about since it first began. This is clear from its declaration of principles, which states: "economic development that is not aimed at social development is meaningless". In a world where economic power is more and more centralized, the CSN maintains that development should serve the interests of all, rather than being diverted into profits for the well-off few. The conditions for sustainable development must be established and rigorously applied (CSN, 1990). In its statutes and regulations, the CSN declares that it will "foster the creation of any institutions capable of assisting the workers, including cooperatives".

It also needs to be understood that the CSN's approval of the cooperative movement has never meant unconditional support for established cooperative groups and systems. Rather, it is the goals of the cooperative formula that the CSN supports, i.e. an ideal of fairly shared created wealth, appropriation and collective control of the means of production and management mechanisms by the workers, autonomous determination of their destiny, and democratization of the working and living environments.

The CSN has always held the same conviction about the affinity between trade unions and cooperatives, despite the often difficult context formed by the anti-unionism of broad sectors of the traditional cooperative movement. The CSN believes that those who are hostile to trade unions are actually denying cooperativism itself, as historically it has the same origins as the trade union organizations. To the CSN, the solidarity economy is and must remain a channel for democratization, collective ownership, autonomy and justice.

### **The role of collective instruments in supporting the solidarity economy**

The CSN's collective instruments are not concentrated in the solidarity economy alone; a good part of its assets is invested in socially responsible private enterprises. The contribution of the CSN to maintaining and creating employment goes far beyond its own internal interests and serves the whole of Quebec – provided that the partners respect some non-negotiable basic values. But together, they make up a significant force for action, with 140,000 workers who pay dues or are members, 230 technicians and professionals and CAD2.3 billion (I'm assuming this means Canadian dollars, but is this correct?) worth of assets invested in the Quebec economy (see box 2).

**Les outils collectifs de la CSN**



DÉVELOPPEMENT SOLIDAIRE INTERNATIONAL  
Réseau CSN de coopération internationale pour la finance solidaire et socialement responsable.

- 9 organisations
- 140.000 membres ou participants
- 230 collaborateurs
- 2,3 Milliards \$ d'actifs
- Contribution au maintien et à la création de 40.000 emplois au Québec
- 2.900 entreprises collectives et privées financées







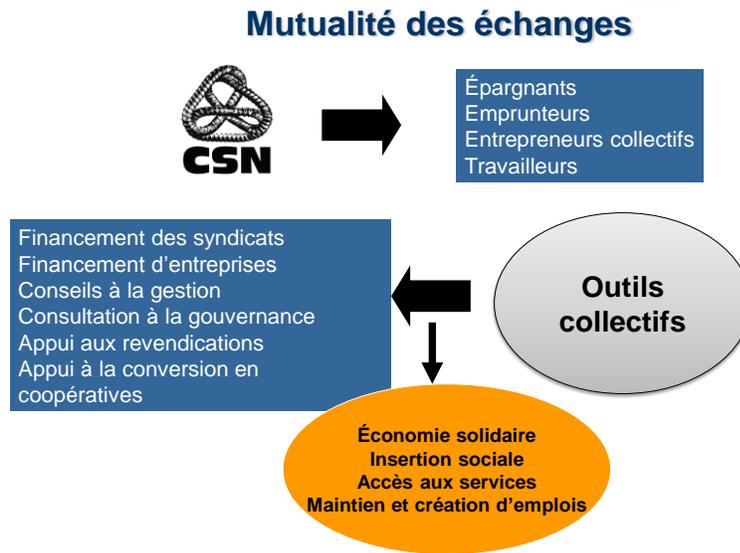
13

### Box 2. The CSN's collective instruments

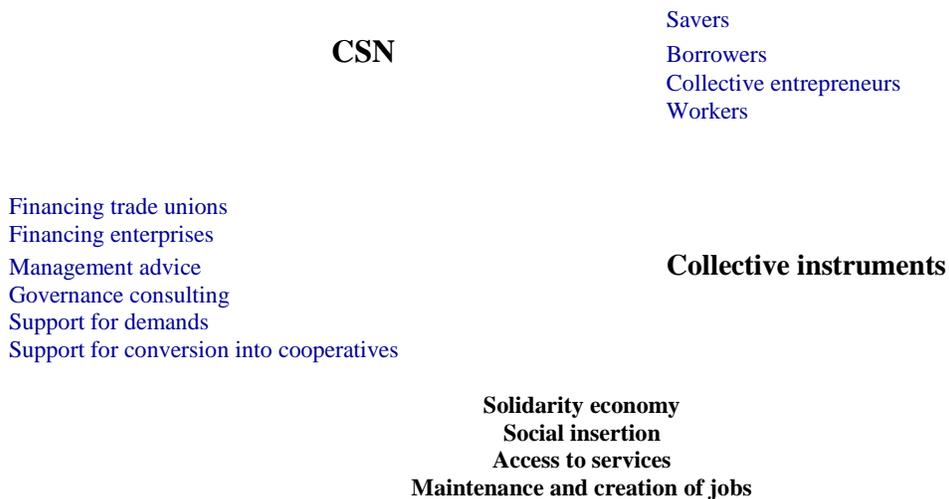
- 9 organizations
- 140,000 members or participants
- 230 staff
- CAD 2.3 billion in assets
- Contribution to the maintenance and creation of 40,000 jobs in Quebec
- 2,900 collective and private enterprises financed

(I suggest this be done as a box and the illustrations be deleted)

These organizations operate in line with the CSN's values and provide synergies with the affiliated unions. Workers become dues-payers, savers, borrowers and solidarity-based entrepreneurs with the support of these collective instruments, which offer them savings, investment and credit products together with technical advice on finance, management and governance, thus supporting their demands or their projects as collective entrepreneurs. It is a relationship of mutual exchange (see figure 3).



**Figure 3. CSN: Mutual exchange**



Drawing on the experience and know-how of the CSN and the organizations that make up the collective instruments, Développement solidaire international (DSI) is the CSN international cooperation network for solidarity-based, socially responsible finance. DSI offers a whole range of expertise rooted in the values of democracy, freedom, justice, responsibility and solidarity.

## Partnership between DSI and UNISOL

DSI and UNISOL came into contact in 2007 during a first international cooperation experiment in Brazil resulting from the trade union relations between the CSN and the CUT.

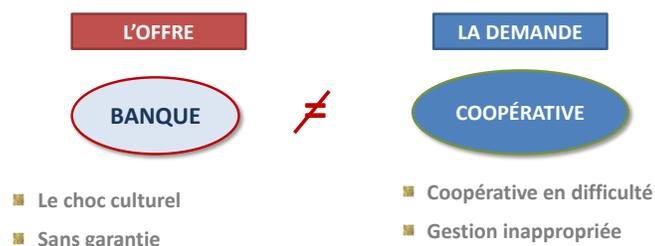
The issue of how to finance collective enterprises in Brazil was clearly a major concern for UNISOL. There are specialized organizations in Quebec such as the Caisse d'économie solidaire, which has financial products for cooperatives and associations, or MCE Conseils, which offers specially tailored professional services that promote access of collective enterprises to finance. In Brazil there are no comparable organizations with specific missions. In April 2010 a Brazilian delegation composed of two members of the UNISOL executive, the treasurer of the ABC metalworkers' union and an economist from the Inter-Trade Union Department of Statistics and Socio-Economic Studies (DIEESE) visited Quebec. The relevance to Brazil of Quebec's experience was confirmed, not as a model to be transposed but as a source of inspiration for developing initiatives there, in line with its own legal, regulatory and institutional framework for support to collective entrepreneurship. In addition to the specificity of the products and services offered to collective enterprises by organizations that are among the CSN's collective instruments, the fact that the Quebec experience had trade union roots rapidly created a climate of confidence and a will to move on to concrete action.

### Complementary financing

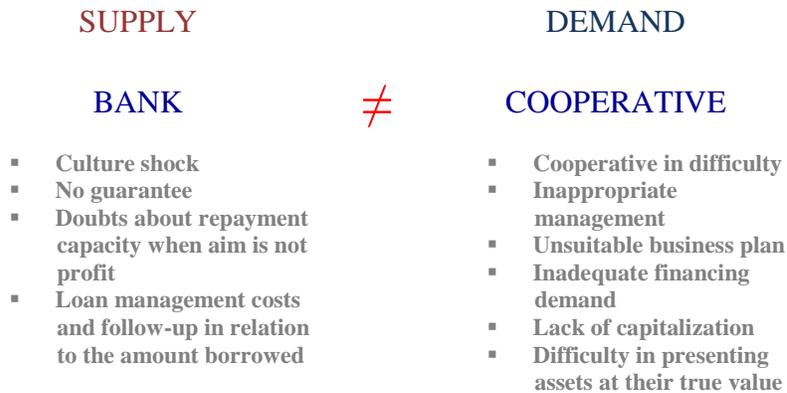
The initial work concerned the cooperatives' financing strategy. One of the issues when building a support network for the start-up and development of the solidarity economy is to make available a set of financial products that strike a good balance between the needs for capitalization, investment and responsible, constructive borrowing.

There is a divide between collective entrepreneurship and the banking sector. This sometimes stems from badly formulated funding applications, but more often from cultural resistance to the solidarity economy and, more objectively, from an absence of capitalization or of adequate collateral, together with doubts about repayment capacity (see figure 4).

## MARCHÉ DU FINANCEMENT



**Figure 4. Difficulties for cooperatives in the finance market**



The question of access to credit is crucial and can be resolved in two ways. The first reflex is to substitute oneself for the traditional banking sector, which generally shows clear resistance to collective entrepreneurship projects, both for reasons of rational internal logic and due to cultural and ideological prejudices. So here, the approach is to create the solidarity economy's own financial organizations. But complementarity is another possible scenario – an attempt can be made to build up complementary instruments that will make it possible to attract the financial sector by meeting its technical objections.

The Quebec strategy is to acquire complementary instruments that use both supply and demand for borrowable funds to improve the quality of exchanges among the actors and to offer them strengthening elements, so as to promote a balance between the cooperatives' capacities and the lenders' requirements. This complementarity is built around improved formulation of applications for financing, the presence of credit cooperatives dedicated to the social economy, a public system of credit guarantees, and risk capital funds drawn from workers' savings and open to solidarity economy projects.

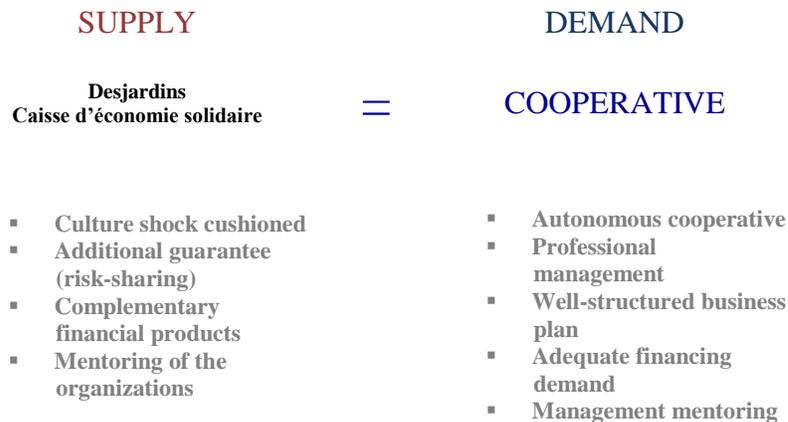
The exchanges between DSI and UNISOL caused the latter to reflect upon the construction of its own funding guarantee instruments, as well as approaching government partners who were willing to engage in exchanges about cooperatives' needs and their capacity for rigorous management (see figure 5).

# LES OUTILS



10

Figure 5. Funding guarantee instruments



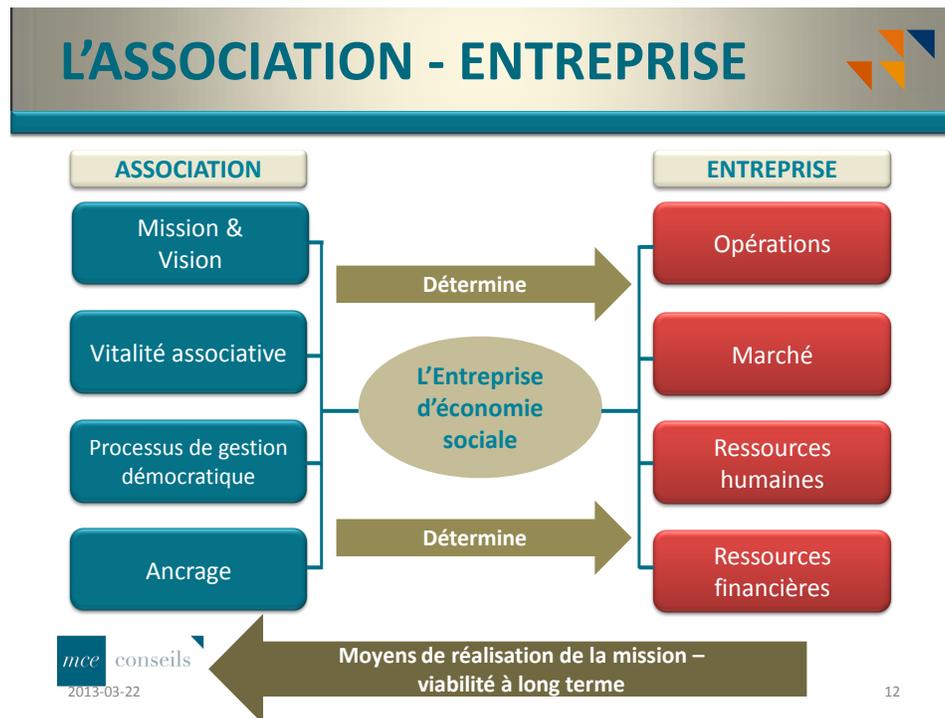
## The first project

The first project was to make available to the Brazilian partners Quebec's experience of managing and financing social economy enterprises. This meant providing strategic and operational information about the models existing in Quebec and assisting UNISOL to develop a toolkit that would help to promote the growth of solidarity enterprises. The central element in this project was a mechanism for analysing social economy enterprises, so as to provide a basis for dialogue with the Brazilian financial actors and demonstrate that UNISOL was competent to take part in financing arrangements. This involved:

- capitalizing on the example set by the *Guide to the analysis of social economy enterprises* (RISQ, 2005) written by the protagonists of solidarity-based finance in Quebec;
- getting the Brazilian and Quebec organizations better acquainted with each other's origins, mission, services, networks and ways of operating;
- presenting the general analysis framework for solidarity economy enterprises with reference to the need for a balance between the organizations' associative and economic facets, and then making such adjustments as were required by the Brazilian approach;
- identifying the components needed for the analysis, and structuring a Brazilian reference tool for the overall framework in this analytical approach; and
- building a training approach to sharing the reference tool with the support networks for collective enterprises.

This cooperation scenario was to a large extent based on the principles that an association's aims and the various facets of the enterprise must be mutually reinforcing if a social economy enterprise is to be efficient in serving its members and fulfilling its mission.

Striking this balance means that the association's vision must not compromise the enterprise's economic efficiency and the enterprise's objectives must not contradict the association's values (see figure 6). This reasoning was shared with Brazilian lenders and helped to build dialogue on the financing of cooperatives.



**Figure 6. Dynamics of the association and the enterprise**

<b>ASSOCIATION</b>		<b>ENTERPRISE</b>
Mission and vision	govern	Operations
Associative vitality	Social economy enterprise	Market
Democratic management process		Human resources
Anchoring	govern	Financial resources
	Means of achieving the mission – long-term viability	

(See *Social enterprises' analytical model. Participant's workbook*, at [communitywealth.org/-pdfs](http://communitywealth.org/-pdfs), where 'association' is translated as 'organization' in this figure. I don't think it's sufficiently clear until page 16 in the present article (under 'Training before the cooperative is set up' that what is actually being discussed here is the dynamic between a cooperative and the enterprise that owns it; i.e. it's not clear what 'association' refers to. )

#### The second project, supported by Brazilian lenders

Under the first project, DIEESE, UNISOL Brasil and the Foundation of the Bank of Brazil had produced an analytical methodology that suited solidarity enterprises. Its main aim was to enable a more appropriate analysis of enterprises of this type, including cooperatives, so as to support their economic structuring and encourage the provision to them of accessible funding and credit. The second project, currently in progress, aims to contribute to the development of a large chain of processing cooperatives in the dairy sector and to analyse these projects by means of the reference tool. It thus has two objectives:

1. Mentoring and facilitating the application of the Brazilian reference tool methodology to the analysis of solidarity economy enterprises in the dairy sector of the state of Paraná, thus enabling the analysis and designation of applications to lenders for the funding of cooperative projects.
2. Contributing to the modelling and strategic planning of a Counselling and Support Office for solidarity economy projects, with the aim of structuring draft business plans and encouraging lenders to fund them.

#### **Success factors: Some lessons learned**

This action to support the creation and development of cooperatives is based on a number of lessons learned. Various elements promote the success of cooperative projects, whether they are built from scratch or from converted private enterprises. Several such

factors are cited in the Quebec *Guide to the analysis of social economy enterprises*, and were adapted for the Brazilian reference tool:

- technical and financial feasibility
- the cultural predispositions of the group promoting the project
- the objective conditions of understanding with the financial partners
- governance and the separation of powers
- membership training
- respect for cooperative values, including transparency towards the members
- balance and complementarity between democratic ownership and managerial effectiveness
- the partners' roles in the project (including financial roles)

The role of the supporting adviser complements that of the financial partners. By and large, it serves to check that the cooperative project is feasible and is therefore a good thing for its members. If that is the case, the role then becomes one of bringing the promoters and the financial partners closer together and securing the best possible financing terms. Supporting advice has to be given at many levels. It starts with a market analysis and feasibility study, so as to make sure that the cooperative has a real chance of succeeding in its aim of improving its members' economic and social conditions. If the answer to this is positive, the next steps are to formally establish the cooperative, put the financing package together, set up an efficient internal operating structure, seek out and negotiate funding, and provide management support. In parallel, broad-based training has to be offered to the cooperative members so as to ensure that when they invest in a project, they are fully aware of the benefits and risks of doing so, and of the conditions needed in order to succeed.

- ▶ **Training before the cooperative is set up.** Introduction of all workers to the cooperative model, the legal and financial obligations and responsibilities of the members, the decision-making structure, and the cooperative's structured democratic operation and its consequences for the internal operation of the enterprise. Training should permit a shared understanding of the dual role of anyone who is both a member of the cooperative and a unionized employee of the enterprise that owns the cooperative. Similarly, this training should demonstrate the balance to be struck between a collective, democratic property-sharing association and the efficiency demanded of an enterprise in a market economy. The project's business plan should be presented, so that everyone understands its benefits and risks.
- ▶ **Training the board of directors.** Presentation of roles and responsibilities in relation to the cooperative's mission and towards the internal and external stakeholders in the cooperative enterprise. The cooperative's functioning, the decision-making mechanisms, and in-house communication. The directors' role is distinct from that of the managers, but ensures that they act in line with the cooperative's values. Means of selecting and supervising those entrusted with operational management and providing them with a clear mandate for which they are answerable.

- ▶ **Follow-up training.** After the cooperative enterprise has been in operation for a fairly short time, training sessions that include reminders about cooperative principles and which tackle the experiences that the organization has gone through so far. Presentations on problem-solving mechanisms and how to read accounts.

## Technical resources to support cooperatives

Technical resources can serve a social mission at many levels when supporting a group of workers who wish to found a cooperative or to restructure its funding.

Initially, a tide of enthusiasm led us to believe that collectivization was a viable substitute for production expertise (often actually present) and expertise in management and sales (less frequently possessed by unionized workers). But a cooperative, democratic enterprise must also be efficient and competitive in a private market. All the expertise needed to manage it must be gathered together within the cooperative, or must operate in close partnership with it. It is essential to provide groups of workers with the following specific additional elements of expertise that are vital at the various stages of their enterprise's development.

**Techniques.** The presence of supporting advice must enable the founders and managers of cooperatives to benefit from:

- ▶ multidisciplinary expertise that makes it possible to judge the project as a whole, its feasibility and the best way of financing it;
- ▶ a process of continuous training that is directly linked to their business plan and which should cover both the business and the cooperative aspects of the project;
- ▶ a strategy of communicating regularly on the progress of work that is to the benefit of all the members;
- ▶ backing for finance negotiations with the various lenders, both institutional and governmental; and
- ▶ on-call managerial mentoring when starting up the project and when adjusting it to events.

This is a source of complementary expertise but also a source of efficiency when performing transactions.

**Approaches.** Technical resources must never become a substitute for the group that is promoting the project and is responsible for it. The group must show both the strong long-term will and the capacity to implement the project and to run the enterprise when the consultant's mandate is at an end. The consultant complements the team in order to meet specific or temporary needs, but should not be its backbone.

This is all about supporting the promoting group without replacing it. It is about helping the group to convince its partners. It is also about getting the group to do as much of the

work as possible, so as to maximize the workers' mastery and general understanding of their project.

**Ethics.** The role of the supporting adviser is not only technical. Sometimes the adviser also has to be the promoter's conscience. It is vital to judge the project's chances of success. The adviser must check that the resources placed at the project's disposal match its degree of difficulty. Any gaps have to be identified and solutions have to be found to ensure that the project is a comfortable one.

**Values.** The adviser's role is also about transmitting values. Groups that set out on the cooperative path need to share not only a project but also certain values that will shape the relationships both among themselves and with their partners. Without knowledge and ownership of these values, the cooperative formula can become a hotbed of conflicts that are dangerous for the cooperative and its members. Shared ownership of values spells collective access to entrepreneurship, efficient democratic management and fair shares of the proceeds.

**Strategy.** Finally, the supporting adviser should assist in making choices that maximize the chances of success and minimize the costs to the workers. The following four levels of balance must be ensured:

- ▶ *Balance between the financial resources and the needs of the enterprise.* Sufficient room for manoeuvre has to be available to deal with unforeseen circumstances, but without unnecessarily inflating the enterprise's financial costs.
- ▶ *Balance between ensuring that members' involvement provides sufficient capitalization and limiting their financial commitments to what they can afford.* Cooperatives are a type of enterprise that enables individuals to jointly acquire the means of meeting the economic or social needs they have in common. Collective access to entrepreneurship is therefore one of the values of the cooperative model that help to limit the individual effort called for. On the other hand, a monetary link between the cooperative and its members is needed to ensure their constant involvement and their day-to-day investment in its development. This effort is also a sign of confidence and interest, which helps persuade lenders to take part in funding the enterprise.
- ▶ *Balance between internal funding by workers and external funding through loans and the additional capitalization required.* By combining the different channels, leveraging effects and accessible funding can be achieved. This combination makes it possible to set targets for the reduction of financing costs. A funding strategy must enable a balance to be struck between savings on the interest paid, the flexibility of repayments, the availability of possible additional efforts and the adjustment of this financing to the enterprise's annual and seasonal cycles.
- ▶ *Balance among, and linkage of, the economic, social and environmental dimensions inherent in the operations and in the choice of products and services offered, as well as the way in which they are produced.*

**Diplomacy.** To a considerable extent, the supporting adviser's role is educational. General knowledge transfer to the members of the cooperative is crucial to the success of

the adviser's intervention. The members' understanding of the technical procedures is important, and more especially their understanding of the factors that are critical to the success of their enterprise project.

This understanding of one's dual role as both a member and an employee of the cooperative is not just something for the Chief Executive. It should be shared by the greatest possible number of cooperative members. They should all be familiar with the facts noted and the strategy proposed.

**Four major lessons should be applied whenever setting up a cooperative, whether from scratch or through conversion.**

**First, three concerns** at the heart of the analyses conducted in order to assess a cooperative project should be borne in mind:

1. The maintenance and creation of jobs on a sustainable basis.
2. Participative management, or else self-management.
3. The return on the financial investment made by the workers.

These issues are always present, but their relative weight varies greatly. The cooperative model remains an instrument and a means of choice for achieving these aims. But it is just a means, not an end in itself. Every opportunity to set up a cooperative must be judged on its likelihood of sustainable success, with working conditions close to the optimum in terms of the alternative possibilities open to the workers.

**Second,** a conversion project is framed by a **very particular economic situation** and has to steer a course between risk and opportunity. Enterprises have to be found that are doing badly enough for the employer to want to sell them off or shut them down, and yet well enough for it to be in the workers' interests to buy them and refocus them on activities that might be expected to make them viable.

There are three cases in which these requirements may coincide:

1. Differing assessments of the enterprise's real situation, or a strategy of enhanced management.
2. Differing expectations of returns, the main difference being the conversion of employment and wages into returns for the workers
3. Differing levels of energy available for dedication to the project, according to age, interests or networks of financial partners.

**Third,** a cooperative is a form of enterprise ownership. It is therefore **an economic operation that must be both sustainable and profitable** if it is to accomplish its long-term mission of providing its members with work under the best socio-economic conditions possible.

**Fourth,** cooperatives are a **collective entrepreneurship formula**; in our cooperation project the trade union centres involved look on it positively because they believe in its effectiveness and its democratic nature.

But it is a risky business for anybody to impose or force entrepreneurship upon a group. Individual or collective entrepreneurs can be cultivated, supported and mentored, but not

invented. The first signs of initiative have to come from the group itself. Otherwise, nobody will have taken on the task of ensuring the enterprise's future, and it will all end in disappointment, disillusionment and disputes.

The members and the elected officers have to be trained and supported so that they can do their jobs with the professionalism required. Messages about the cooperative rules, obligations and rights have to be communicated regularly to ensure a governance that respects values, makes for effective decision-making and is quick to transmit information, knowledge and motivation to the membership as a whole.

Figure 7 shows a possible procedure for the steps to be taken in setting up a cooperative.

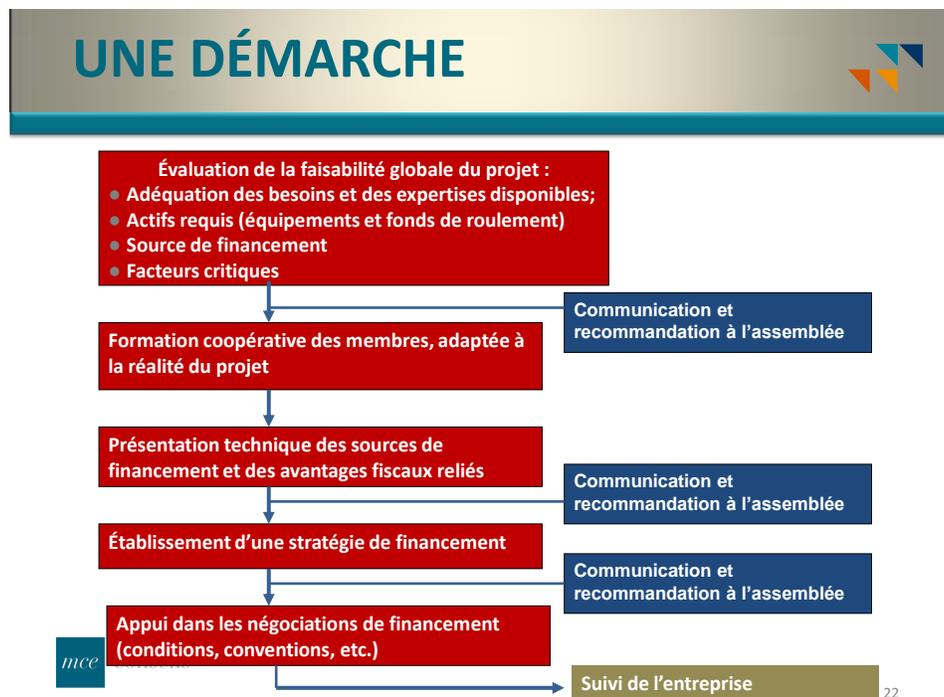


Figure 7. Setting up a cooperative: Steps to be taken

Assessment of the project's overall feasibility:

- Match between needs and available expertise
- Assets required (equipment and working capital)
- Funding source
- Critical factors

Communication and recommendation to the assembly

Cooperative training for the members, in line with the realities of the project

Technical presentation of the funding sources and related tax advantages

Drawing up a funding strategy

Support for funding negotiations (terms, agreements etc.)

Communication and recommendation to the assembly

Communication and recommendation to the assembly

Enterprise follow-up

## Conclusion: Relations between trade unions and cooperatives

Trade unions and cooperatives share the will to work to satisfy their social and economic needs, but the levers they use are different and complementary. Both structures have a democratic, collective logic, ensuring the primacy of people over capital. Nonetheless, the peaceful coexistence of the two structures is not a foregone conclusion and tensions do sometimes arise.

And yet, the ideological similarities are clear. Cooperatives are an ownership structure that promotes participative management. A cooperative association is a vehicle for collective ownership of an enterprise. Unions, on the other hand, have the aim of ensuring the development of equal relations, given the status and condition of employees within an enterprise. Nevertheless, the result is a shared representative legitimacy, which can lead to competition over labour representativity. This modifies the collective dynamics, both in the union and for the cooperative. By clarifying roles in terms of status, the logic of collective bargaining leads to porous borders, particularly in sectoral negotiations where only a minority of the employers are cooperatives. The dialogue on working conditions should be based on transparency and respect for each movement's role, since both cooperatives and trade unions are defending the interests of the same group. As regards the application of the rules, the unions' role remains a strong one and can be even increased as they become the defenders of cooperative democracy.

To sum up, the actors in this international cooperation project share the same democratic vision of the organization of economic activity, and promote collective access to entrepreneurship that serves humanity. That is why the cooperative movement can count on the support of the trade unions.

- Cooperativism is a complementary means of improving the working and living conditions of the workers, and is thus wholly in line with the objectives of trade unions.
- Cooperatives are a different type of enterprise, so there is a need for trade union action that is adjusted to this form of ownership.

- Cooperatives are not an end in themselves but a means of economic democratization serving the maintenance and creation of employment, participative management and the achievement of better working conditions.
- A private enterprise that is sick does not become healthy simply by changing its legal status.
- An outside technical support network and a set of complementary financial services are often vital before, during and after the creation of a cooperative. A federation can ensure that such a network exists.

The cooperation between Brazil and Quebec in the fields of the solidarity economy and trade union action has enriched practices within the two networks through the exchange of instruments, strategic analyses and lessons learned from the two project experiences they have worked on together, and the constraints that form the context of interventions within their very different situations. This learning has been mutually beneficial as a way of improving solidarity-based, collective capacities to act for the maintenance and creation of jobs, especially through collective entrepreneurship.

## **References**

Confédération des syndicats nationaux. 1990. *Notre présence syndicale auprès des coopératives* (Quebec).

Réseau d'investissement social du Québec. 2005. *The guide for analysis of social economy enterprises* (Quebec).