

Functional Barriers to Workers' Co-operatives in Getting Off the Ground: Synthesis of a Failed Case in India

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In this paper the authors examine the deficiencies, challenges, and eventual failure of an attempt by a group of separated miners¹, in response to the company's decision to shut down the quarry, to reopen a closed mine by establishing a co-operative. The study, carried out in eastern India during 2009-10 assesses the functional barriers to establishing the workers' co-operative. Evaluation of the case reveals several deficiencies in its plan, the major ones being: the relationship of the co-operative's members with the means of production and allocative efficiency, failure to generate interests among separated executives towards working for the interest of the co-operative, failure to manage distribution relations and finally the members' poor grasp of the financial feasibility and fiscal compatibility of the overall operations. The company, being a large central public sector establishment, over protected by the government's policies was also incapable of leveraging the opportunities created. All these factors led to some adverse implications insofar as the functioning of the co-operative is concerned. The authors allude to the tensions in such situations between the craving and imaginings of workers for something better and more humane than capitalism can provide in terms of management, employment conditions and work organisation, and their pragmatic concern to provide continuing employment when faced with closure. A focus on the issues of potential obstacles for members of co-operatives is of interest in the contexts of India and other developing economies, as well as in rather different contexts of developed economies.

Introduction

Justice Thakkar (1988) while delivering the historic judgment in the case of takeover by its workers of Kamani Tubes (an Indian non-ferrous metal tubes and rods manufacturing company) in then Bombay (present Mumbai), held:

Tens of thousands of similarly situated workers would be watching with anxious eyes the outcome of the experiment undertaken by the workers of Kamani Tubes Ltd. I therefore, not only hope and trust but also beseech them to rise to the occasion and do their best to make it a success. (N R Kamani and others versus R R Kamani, 1988 SCR Supl [3] 123)

Kamani workers' co-operative however, lasted a little more than two years. Two decades later, one of India's leading daily newspapers, the Financial Express, reported an uncommon story of a closed mine, which was going to be run by a workers' co-operative. Miners, on being laid off, setting up their co-operative to reopen a closed mine in India is a phenomenon that needs no special introduction², but, in the given case the co-operative was not solely being formed by labour or its unions. It gained encouragement from the state as well as the erstwhile employer. There were reasons to be optimistic about the proposed takeover of Fortune Mineral Project (FM-Project) of Fortune Minerals Ltd (FM-Ltd) by Fortune Minerals Ex-workers Co-operative Society (or Co-operative). Nevertheless, despite an extraordinarily encouraging beginning the Co-operative to-date has failed to get off the ground. Although the attempt by the Co-operative to reopen the mine was fairly structured, there were a number of disquieting features in the process, which will be elaborated and explained in this paper.

In order to identify the factors that have worked against the functioning of FMP Co-operative and eventually contributed to the Co-operative's failure, the authors examined a set of probable causes from three different levels – (a) the external condition, (b) the organisational, and (c) the participants – since strength or weakness of co-operatives usually revolve around external conditions such as the state's political role in influencing the co-operative as well as the company's role in influencing alliances with other market players (forward and backward

linkages), the organisational issues, like the co-operative's practices, functioning and systems, and finally the participant dispositions, which include the members' motivation, the 'feeling of belongingness' among them, and their mobilisation (see Fields, 2008; Gulati et al, 2002; Hammer, 2012; Navarra, 2011; Shah, 2007). Apportionment of ownership and liability between separated workers and company was examined as a primary external condition, followed by two organisational factors, viz, the fiscal compatibility of the workers' proposal of takeover and the distribution relations and finally the two participant dispositions, which are the individual member's risk taking capability and Co-operative's plan to mitigate the same, and the availability of technical and managerial expertise with the Co-operative.

The fact of shutdown has been taken for granted as the opening point of the analysis. To offer a background to the case of takeover, it may be sufficient to maintain that, under the stimulus of new management, the company decided to concentrate its production in more mechanised and efficient mines. However, the reasons behind the company's decision to close the mine are briefly discussed. The next section provides an overview of the research undertaken and the methods employed. This is followed by presentation of the events leading to the original closure of the mine, and the specific circumstances that led to proposal and formation of FM-Project Workers' Co-operative. Subsequently, the employee takeover of the workplace as a viable option is examined and the analysis considers the key challenges and functional deficiencies vis-à-vis the Co-operative members' preparedness and its effect on the failure of the proposed takeover. Finally, the paper concludes with a summary of key issues.

Research Methods

The authors began collecting data from 2009 (nearly three years from the date of final closure of the mine – long enough to allow for a thorough trial of readjustment possibilities). The issues studied are the proposal of the workers' Co-operative, the property relations, and fiscal compatibility of the proposal of takeover, risk analysis performed by the Co-operative, the distribution relations, and the availability of expertise with the Co-operative. It was felt that each issue studied should have adequate practical importance to find out the finer details of contradictions and problems in the process of workers' participation in their work as well as the organisational issues in starting the Co-operative.

Data was collected from multiple sources, which include members from diverse stakeholder groups who have an interest in the case. Two investigators following the same methods including interviews, observations and focus group discussions to collect data from different locations and settings at different intervals of time. This confirmed the use of triangulation strategies to control bias and establish the reliability and validity of the data collected (Patton, 2001; Golafshani, 2003). A total of 36 interviews were made with separated workers, ex-executives, existing company officials, union leaders and government officials. The two criteria applied in selecting individuals for interview and discussion were his or her availability and willingness to take part in the process and also his or her role in the formation of the Co-operative plus leading the co-operative movement. Likewise, the company's present executives and ex-executives who took part in the interview process were the ones who possessed relevant documents and information concerning the proposed reopening of the mine and who were contacted by the Co-operative's members at one time or another. Face-to-face unstructured/semi-structured interviews were done which were usually followed by exhaustive interaction with the participants individually as well as jointly. Narrative inquiries made by the authors rest on the epistemological assumption that participants make sense of random experiences by the imposition of story structures (Bell, 2002). Documents including newspaper clippings, company correspondence, minutes of meetings and memoranda, court rulings, technical reports from consultants and proceedings from government offices were considered as sources for examination, though inferences from them were treated only as clues (Yin, 1984). Observations, conversations, informal discussions, and participation in various meetings were also treated as an important source of data. Visits to the closed mine were made. Although

undertaking field surveys in the living area of separated workers was challenging as some harboured doubts and suspicion³, yet requests for discussion were welcomed by some, mostly those who led the co-operative movement. The authors used a content interpretation technique to analyse the data gathered.

The Case

Fortune Mineral Project (FM-Project), a project of Fortune Minerals Limited (FM-Ltd) — a central public sector enterprise under the administrative control of the Government of India is situated in the east of India. The project comprised: an underground mine, a concentrator plant and certain infrastructural facilities including a school, quarters for workers, and a community center. In the late 1990s there was a sharp fall in prices of the mineral in the London Metal Exchange (LME), which regulates the price in the domestic market.⁴ This trend continued until the early years of the new millennium, followed by two private players entering in the market. In addition, the capacity of mineral production in FM-Project slumped and the cost of production of the Mineral in Concentrate (MiC) steadily escalated.⁵ These events contributed to making production in the FM-Project economically unviable resulting in continuous losses year after year. After over nine years of struggle, in view of the uneconomic operations of the mine and its ancillary, FM-Ltd decided to close the operations at its Eastern Project Site. Following the provisions of Sec 25(O)(1) of the Industrial Disputes Act of 1947, the company submitted a notice to the Ministry of Labour, Government of India seeking permission for closure of the operations after serving 90 days written notice. A copy of the closure notice was served to all three operating unions. In order to ensure the separation of employees 'without tears' FM-Ltd floated a Voluntary Retirement Scheme (VRS). The downsizing scheme came with a comprehensive and generous compensation package. Compensation paid under VRS was nearly three times the closure compensation payable under the Act of 1947. Closure compensation payable under the law is 15 days of average pay for every completed year of service. All including 36 executives and 594 workmen opted for it. The majority of employees were over 50 years old and nearing retirement. This made the voluntary separation scheme additionally attractive to them. They were lured by the separation scheme with generous severance pay over and above the regular pension, provident fund and gratuity as per the Indian labour laws for those working in mines. With the release of 630 employees, FM-Ltd declared closure. Here was a situation that seemed to provide the essential requirements of the kind of study that the authors were prepared to undertake.

Proposal for workers' co-operative

The labour unions neither tried rehabilitating the unit, nor initiated any move towards pressurising the company or the Government to modernise the mine before its closure. Their dispassionate aloofness could be attributed to the compensation that was then managed by the company. However, just about five months after the final closure, one union previously recognised⁶ by the company, moved a proposal for forming a workers' co-operative, which would reopen the closed mine and manage the production in the revived site. The union's secretary met with the company's director and soon a co-operative society under the name of Fortune Mines Ex-Workers Welfare Independent Co-operative Society (or Co-operative) was formed. In the next few weeks the Co-operative was registered and submitted a memorandum to the Ministry of Mines and Geology, Government of India. To concretise the plan of reopening, the Co-operative made a small number of promising offers.⁷ Although the Co-operative's proposal reflects the genuine concern of separated workers to remain afloat in the prevailing turbulent environment, there were a series of gaffes on the road to taking over the closed mine. The logical reasoning that led to these gaffes was a part of the discourse of the workers' Co-operative as well as a prejudice related to a managerialist mindset, which will be discussed later in the paper. In the ensuing sections the authors tried to pin down the causes of the Co-operative's failure by reviewing a set of probable reasons, which they have listed.

Analysis

The property relations

The proposal for a workers' co-operative offers diverse viewpoints on 'distribution', 'relations' (discussed below) and 'property'. At this point the company's proposal to the Co-operative (illustrated in table 1) was reviewed. An attempt was made to examine the extent to which the apportionment of ownership and liability between the separated workers and the company had been done. The authors essentially tested if concerns pertaining to the co-operative members' relations to the means of production in terms of legal ownership or 'effective control' had triggered the letdown.

Table 1: The company's proposal

Company's support to the Co-operative	Co-operative's obligations to the company
<p>On applying for transfer of the mining lease to the department of mines of government by the Co-operative, FM-Ltd will give its consent to such transfer subject to the approval of the administrative ministry and subject to the approval, the company can transfer the movable assets and equipment at the project site, the value of which would be paid by the Co-operative through recovery by FM-Ltd from monthly bills raised by the Co-operative at 5% of the amount of each bill till the said amount is fully realised. FM-Ltd can allow the Co-operative to use the fixed equipment and machinery and other fixed assets at a token monthly rent of one rupee.</p>	<p>In such event, the Co-operative shall be responsible to protect and maintain all machineries and equipment and not remove any equipment/machinery/parts thereof except for repair and replacement. The Co-operative shall have to furnish an indemnity bond towards safe custody of company property, while retaining the control over quality in processes starting from planning to supply of concentrate to smelter plant. The Co-operative should arrange for power and water supply to the mine in a given time, though till the time the Co-operative is in a position to arrange for its own power line, power can be drawn from the company line which shall be metered at source and recovery shall be made as per consumption. The Company suggests that for monitoring the activities of the Co-operative and inspecting the records submitted by them it is likely to engage a skeleton staff of its own at the mine. The Company's proposal is complemented by specific obligations of the Co-operative which are: management of the mine shall be the responsibility of the Co-operative including statutory compliances and the Co-operative has to maintain adequate spares, essential items, emergency equipment, planning, quality control, maintenance, environmental aspects, safety are to be regularly monitored by them, the Co-operative shall be responsible to comply with the provisions of all relevant laws and for payment of royalty/dead rent and other obligations such as accidental insurance, the Co-operative shall be responsible to ensure maintenance of environmental standards, pollution control. Obligations to all employees and/or workers will have to be adhered to by the Co-operative and they shall sell MiC from FM-Project site to FM-Ltd only and ore from mines to the concentrator plant and tailings from plant to mines in return trip has to be handled by the Co-operative.</p>

In an average lease agreement, all members of a co-operative are legal owners or effective controllers of the means of production. Or at least the majority of them are legal owners while the effective control of the means of production is vested in the hands of a small minority (Bapuji, 1997). However, per the lease agreement that was drafted by the company and served to the Co-operative, the effective control over value of assets and means of production remained with the lessor (the company). The service lessee (the Co-operative) has numerous

obligations to perform like managing production and distribution on their own with the company retaining its power to keep a check on quality, which means the company would perform indirect supervision. It was noticed that many separated workers who took part in the formation of the Co-operative were reluctant to proceed with the company's draft lease agreement. They revealed that the proposal obligated 'their Co-operative' to furnish an indemnity bond towards safe custody of the company property. It means FM-Ltd had the right to inspect all property being used by the Co-operative and "(such) inspection shall be conducted normally once in a quarter". As one leading member of the co-operative revealed:

In order to fulfill our obligations from time to time, we have to engage requisite manpower, which would further raise our operation cost and affect our profitability.

According to the separated workers, the most precarious clause in the company's proposal was obligating their Co-operative in the event of its dissolution to return all equipment, structures, buildings, etc, handed by the company to the Co-operative back to the company in an un-tampered condition.

Studies have shown that successful co-operatives are usually based on alliance of interests among large-and small-scale enterprises. These alliances work because they are made necessary by certain constraints in the production (see Attwood and Baviskar, 1987). In the given case, the authors felt that the company's need for low cost MiC, which is in one way a challenge to FM-Ltd could help in building the alliance between the erstwhile employer and the Co-operative. Common economic interests therefore would underpin the collaboration between a large enterprise and a small co-operative as observed by Attwood and Baviskar, 1987. Nevertheless, the company was unable to leverage the opportunities created with supply of low priced MiC by the Co-operative. Being a large Indian central public sector undertaking (PSU), FM-Ltd was bound by numerous bureaucratic rules for which the management could not emerge with an 'attractive' proposal on property relation for the Co-operative, which a large enterprise in India under normal circumstances would usually offer to a small producers' co-operative (Attwood and Baviskar, 1987). The management of Indian PSUs has to obtain approval from Ministries for every strategic decision and unconventional step that the PSU plans to take. The same would not be found in the case of a private company where convergence of shareholders' interest with the objective of the co-operative stands out as the sole concern of both the parties (see Gillis et al, 1982; Vachani, 1997). Furthermore, large Indian PSUs owing to their social objectives and government's commitment to them (Vachani, 1997: 171) have been less troubled by the financial difficulties (see Ahluwalia, 1988; Bhagwati and Desai, 1970; Vachani, 1997: 171-172). The state's overprotection, therefore has benefited the PSU, but at the same time has reduced its competitiveness and combativity.

The financial analysis of the takeover proposal

Attempts were made to find out if the fiscal compatibility of the takeover proposal has interfered with its implementation. The company at the time of data collection was importing 9,000 tons of MiC annually to supplement the indigenous production from its plants at other locations. With the increase in price of the mineral in LME and subsequent rise in their demand, the MiC from the company's own site would be highly competitive with lesser transportation and re-handling costs as compared to the imported MiC. Hence it was viable to restart the mining operation at the old site to supply concentrates to the nearby smelter of FM-Ltd.

Based on the documents obtained from FM-Ltd as well as from the Co-operative, the sensitivity analyses of (a) profitability at varying levels of the selling price of MiC by the Co-operative and (b) viability of their operation gave insight into how far the takeover proposal is financially compatible. The analyses showed that keeping (i) the sale price of MiC by the Co-operative to FM-Ltd, (ii) production cost, (iii) landed cost of imported MiC to FM-Ltd, and (iv) the annual estimated production of MiC by the Co-operative as constants, the profit margins of the Co-operative (viz, INR 9.9 million/tonne of MiC) and of FM-Ltd by replacing imported MiC with

the one supplied by the Co-operative (viz, INR 5,000 million/tonne) put both the entities in a win-win position.⁸ In the calculation, the production cost of the Co-operative has been assumed to be at par with FM-Ltd, whereas in reality it is less, given that the wage level of Co-operative would be lower than that of FM-Ltd, thereby reducing the production cost further. In addition, the Co-operative would be relieved of the problems of marketing, as it would find a ready buyer of its produce viz, the erstwhile employer — FM-Ltd.

However, the Co-operative also made certain assumptions in respect of power subsidy, royalty, and tax exemptions⁹, which according to the data have remained only in the realm of an 'assumption' with no firm commitment from any authority. Also, the revival of the mine would require certain repairs, maintenance, and replacements to make the facilities operational, in addition to consideration of quality and cost, which would continue to be the critical factors for making the facility competitive. But, where would the funds come from? The proposed capital cost for revival was found to be approximately INR 165.5 million. In addition there would be a requirement for capacity enhancement to improve productivity with modernisation in future, which would require additional cash. As revealed by an ex-executive:

Future development of the mine with technology upgradation and increased scale of operation through automation would be a must in coming years to bring competitive edge.

The Co-operative was also required to make initial provisioning of working capital to meet the operating costs at least for the initial few months. Although the Co-operative held meetings with government, no concrete offer had been received so, will the market borrowing be the last resort aside from the members' contribution? In the Co-operative's plan, the first source of fund was the members' contribution. Members of the Co-operative planned to contribute INR 48,600 each, which was a substantial portion of the paltry amount they received as terminal benefits on their cessation from service, to create a corpus of INR 17.5 million. However, as compared to the investors in capital-controlled firms, the workers were unlikely to have much financial capital in economies. Plus where worker-controlled firms are rare, financial institutions may be reluctant to lend money (Ben-ner, 1988) and would be disinclined to lend to worker-run enterprises because of heightened levels of moral hazard and transaction costs (Gulati, et al, 2002). Borrowing a huge capital from an external source would place the members of the Co-operative at the mercy of the financial institutions, and in the worse case the funders might start exerting de facto influence and exercising final control on the Co-operative's operation. This is pertinent in an Indian context where in past the authors found workers' representation on interim committee being reduced to a minority¹⁰. Failure to run the operations would have another set of implications as the members would be put into a legal quicksand considering the litigations that would be initiated by the lenders for recovery in case the Co-operative failed to meet the financiers' expectations. To conclude, the difficulty in raising initial capital (Dreze, 1993) certainly presented a barrier to FM-Coop in getting off the ground.

The distribution relations

One of the many assumptions made by the members of the Co-operative was to work for one fourth of the wages which they used to receive before closure of the FM-Project. As per the Co-operative's proposal, average wages to be drawn by its members would be INR 4,320 per month. Therefore, the authors tried probing if division of labour vis-à-vis the principle of co-operation had caused any inherent problems. The authors began their argument by setting up a context in which the matter of distribution relations in workers' owned enterprise has no locus-standi in Indian courts. In India, unlike countries like Sweden, Argentina, and the UK, there are no national co-operative laws that set principles of internal organisation to decide on income and profit distribution, neither is there legislation nor co-operative norms or co-operative movement guidance that helps a co-operative in enacting its liabilities. In addition, little attention has been paid to pay levels, which represent a rhetorical figure of asymmetric internal inequity when considering the wage rates in a locality and pay variance between workers and managers. In the end members voted to decide on wages, and the resulting structure reflected the interests

of the median worker. Distribution of workers' preferences, however, was neglected and so too were the social security measures such as accident insurance, medical coverage under the state health scheme which both regular and contract workers¹¹ and their families used to get covered by the employer.

The closure of the FM-Project is not an offshoot of any burgeoning economic crisis that would create a situation equivalent to *empresas recuperadas* where deferring a large portion of wages to run factories, as a subsistence economy, would help workers in building up the viability of a firm. Here is a case where the authors have seen a dramatic departure from the situation that fosters a wage freeze as a rationale for operational sustainability. As such, depending on their skills and experiences, most separated workers were keen to try out the growing alternative employment opportunities like contractual, casual, and temporary employment in the neighbouring factories, leading in an interview with the authors to an executive lamenting:

Considering average monthly working days as 26, the separated workers can otherwise earn INR 4,589 for even an unskilled work in any adjoining factory, which is more than the projected monthly income they would earn by being in the co-operative.

It is often argued that the level of production in labour-managed firms is lower than that of a capitalist firm (Jensen and Meckling, 1979) as when the firm output increases the marginal product of labour declines, given the capital endowment. And, existing workers will be unwilling to accept the resulting lower wage. Output comes to rest at some point on the declining segment of the average cost curve. Although the authors countered the argument by moving beyond the assumption that workers seek to maximise their earnings and including increasing the number of jobs as an objective, which is often a prominent motivation in any co-operative (Atzeni and Ghigliani 2007; Fields, 2008; Ranis, 2005), it was hard to believe that the optimum level of output was the one at which "profits" were maximised (Fusfeld, 1983). One may even argue, taking cues from the work done by Erdal (2011), Forcadell (2005) and Lampel, Bhalla and Jha (2010) and from examples of Mondragon and workers' co-operatives, that worker ownership can produce much higher productivity than its capitalist rivals where there is a supporting infrastructure and sympathetic finance. In the given case, from the analyses done until now there has been no trace of either of these two conditions.

There are two arguments that the authors have in favour of considering the division of labour as a barrier to the Co-operative's success. Although one might relate the division of labour and pay equity issues to possible assumptions in managerialism, the relevance of having full-time professional managers as opposed to having part-time managers who manage a small group of trained workers (Cornforth, 1995), is necessary in a place of work, which has been traditionally based on strong assumptions of hard managerialism with hierarchical structure to support a large power distance between hundreds of manual workers supervised by professional managers at the FM-Project site. Secondly, the proposed Co-operative which could not arrange funds for regular operation will be expected to have difficulties in training and preparing the worker-members to manage a large complex operation of mining. In addition, the risk of collective action failure where the members at a later point of time "rationally" choose not to contribute to its production and where each one will not be excluded from the benefits, poses a greater threat.

Estimating individual risk

While examining the role of the Co-operative in estimating the individual risk of its members, the authors at the outset asked a simple question – were the leaders of the co-operative movement sensitive enough towards the individual differences in members' risk-taking ability? The readiness of the members in investing their savings into working capital for the Co-operative could be interpreted as deriving from a set of "normative expectations" (Sugden, 1998), that is the mutual expectation to follow a norm and disapprove of breaching it regardless of the individual payoff. Alternatively, it could be interpreted as an expression of "we-rationality," or

team-thinking (Fields, 2008) where one expects the rational members to behave consistently with their belonging to the group (Navarra, 2011). But, was there any member who thought that it was right to invest his savings, instead of rationally calculating his payoff under different allocation of profits? The authors found that the elected leaders of the Co-operative had failed in doing the required 'homework' before assuming that all 360 members who were drawn from different quarters have similar 'appetite for risk'. Unlike the shareholders in capitalist firms who have a sole objective of profit maximisation, members of co-operative are expected to have a variety of objectives other than profit maximisation, which include better wages, re-employment provision, pension, furthering political cause, etc. Some argued that profit-maximising in a worker-owned firm (the norm amongst private sector stakeholders) is more aligned with workers' interests than in a capitalist-firm (see Erdal, 2011 for example). Still in the given case, the authors did not notice any durable bond forged among the members of the Co-operative, which could provide incentive to work hard to increase the size of the overall pie even in the absence of individual incentives. Interestingly this aspect is evident in worker-democratic discourse rather than the managerialist discourse. An inevitable disparity of goals that will arise in a large worker-run co-operative will, it is said, generate wasteful conflicts and consequently the decision-making itself will get slowed (Gulati et al, 2002).

Secondly, for many, this investment is sought from the limited resources at their disposal, which under the given circumstances were the only means of survival for majority separated workers. This all the more emphasised the need to park the funds prudently. According to a senior company official:

out of the paltry amount of terminal benefits received by them, 360 of them who have evinced interest to form a co-operative would be investing a substantial amount in a venture where the stakes are very high and return is completely uncertain, which calls for a careful consideration else such a project has all the potentials to escalate into a social problem in a remote and underdeveloped area of the country, in case it fails.

The large amount of savings pulled into working capital for the Co-operative represents a direct cost for the individual that is translated into a common good, whose benefits for the individual were strongly diluted within the group and over time. The authors therefore introduced the possibility where workers' motivation must have gone beyond instrumental rationality, to account for the fact that individuals might incur net costs for team benefit. However the members have cast doubt on the decision of their leaders on several occasions, which exhibits fragmentation. So much so, a few found their leaders to have looked at the Co-operative as a vehicle for a socialist revolution about which the majority members were skeptical. One of them emphatically moaned:

we wanted to be a part of this movement because we care for our families and we felt that co-operative too will care for our families, but what we found finally is a sheer impracticality.

Hence, more than the prejudices rooted in a managerialist mindset, the separated workers were found to have witnessed a lackadaisical leadership. From the interviews, it was shown that the Co-operative's members never discussed the allocational efficiency of a labour-managed firm in comparison to a capitalist firm. When faced with market competition in the capitalist system, a co-operative often faces degeneration, reproducing the shortcomings of the prevailing system (Ellerman, 1984). This is more usual in a situation where the movement has a support base formed by political parties with members mostly volunteering at the initial stage of formation, registration, and making of proposal, rather than treating them and others as the Co-operative's worker-members (see Cornforth's argument against degeneration). Although political backing was present, the majority of workers had previously held manual jobs where professional managerialism had largely dominated over the workplace democracy. In addition, on a superficial reading, albeit not a pessimistic one, the very outcome of the proposal raised doubts considering that 360 separated workers who tried forming a co-operative were not astute businessmen or investors. It was therefore suspected that the Co-operative's leaders' lackadaisical attitude towards micro issues could cause serious errors.

Deficit of expertise and technical personnel

In the last leap, the authors checked if a shortage of required technical expertise had any role in causing functional deficiencies of the proposed Co-operative. When the authors met the members of the Co-operative during the first few weeks of their fieldwork, the members seemed determined to make the venture a success. It made the authors believe for a while that the participant characteristic concerning the individual expertise and competence would never let the group down. One of the first striking things that were observed was the average age of the members. With more than half of members of the Co-operative falling in the age bracket of 50 to 55 years, the Co-operative's greatest concern should have been to engage young persons with managerial and technical competencies.

The presence of local political leaders increased worker confidence and led to a fledging worker democracy. But the political parties were less equipped in providing anything beyond moral and sympathetic support. Unlike the National Movement of Recuperated Enterprises in Argentine workers' co-operatives, which was successful in providing technical and financial assistance to their members in the early stages (Ranis, 2005; Fields, 2008), in the given case the authors did not come across a similar institution. One of the reasons could be that the history of Indian co-operatives is primarily concentrated in the private agricultural and small-scale industries proliferated by producers' co-operatives.

From discussions with company officials it was understood that most of the ex-executives of the FM-Project were critical of the proposal for workers' takeover of the mine from the beginning. Their assumption, underpinned by sheer managerialism as opposed to worker democracy, is an interesting point to elaborate further and to compare to the assumptions in the fledging worker democracy that was rooted deep in the movement since its inception. Although it is argued that worker participation utilises a great deal of knowledge about production that is not available to managers, yet an account of managerialism exhibited by most of the ex-executives suggested that running a mine and its allied operations involved complex functions of quality, cost, maintenance, and sales, which require an expertise of higher scale compared to mere utilisation of loans and grants. This clearly expresses hard managerialism¹² as opposed to workplace democracy, as one of the senior managers revealed:

FM-Project was an old unit and the machineries used are prone to breakdowns. In the event of a major failure/breakdown, technical expertise would be required to tackle the situation fast, which the co-operative do not possess. Majority of the members are illiterates or have bare minimum qualification with no extra skills. To add to the woe, they are not conversant with statutory provisions relating to mine safety and other statutes.

It is true that majority of the separated workers who promised to contribute their savings to reopen the closed mine were illiterate and it was not just a part of a managerialist discourse to justify and promote 'professional managerialism'. As another ex-executive opined:

Quality and cost would continue to be critical factors for making the revival competitive which again underlines the importance of having a team of technically qualified professionals leading the show.

Although the above statement is apparently a product of an archetypal managerialist mindset, the members of the Co-operative's response in relation to this assumption was conferred on their ability to retain at least a few ex-executives. The worker democrats within a week of formation of the Co-operative personally approached more than 20 ex-executives. A shift to a greater control over production processes by workers permits a reduction in the number and cost of the supervisory personnel (Fusfeld, 1983). Nonetheless, the ratio of supervisory staff to workers in the erstwhile FM-Project was already low compared to the industry average. But, did the ex-executives respond to the discourse, which worker democrats advanced in relation to the need for qualified professionals? Expecting the ex-executives to feel for the cause and extend their support to workers with reduced pay for higher expertise calls for coherence and shared vulnerability. None of it was found in this case. Many ex-executives were residents of other states and having severed their connection with FM-Ltd, consequently upon their release,

they were found to be less willing to continue in a remote location such as that of the project site. They were professionally qualified and had long years of experience to back their abilities. Therefore, they were in a search for jobs to match the salary they would have received had they continued and which the Co-operative could not afford to pay. Additionally, executives from other locations and units of FM-Ltd and had settled in nearby places were approached, but none evinced any inclination to extend their services, particularly because of the low salary on offer.

Impediments in attracting professionals with adequate managerial expertise were also due to an inability to reconcile to the fact that an organisation of workers would be able to run the complex mining operations. One even termed the endeavour a 'fantasy', which in short sums up their reactions, and reflects a hard managerialist mindset that over a period of time could influence the worker-members' impression where some separated workers start to believe in the prejudices held by their ex-bosses. In addition, many did not like the idea of working under worker bosses. Both stances reflected the organisational culture in the erstwhile company where a large power distance and tall hierarchy prevailed for a period long enough to prevent the ex-executives joining their subordinates. Exerting a pull on qualified and experienced professionals from the external market and retaining them appears to be bleak for similar reasons – a venture with a skeleton workforce, low salary and high risk, and doubts in the mind of the executive community about the project in general.

Summary and Conclusions

In evaluating the evidence provided by the two groups – the separated workers and ex- and current executives – there are assumptions of worker democracy on one hand and hard managerialism on the other hand. Two identified reasons for failure were the inability of the worker democracy discourse to overcome the affects of the managerial discourse, and the lack of supporting infrastructure and sympathetic finance.

The problems, which the Co-operative faced were the lack of adequate working capital and deficit of administrative and technical personnel. Because the mining sector requires intense capital investment, a co-operative in this sector is likely to be vulnerable if it cannot make the investments that banks allow private firms to make. The Co-operative was not able to get off the ground because of the difficulty in raising initial capital. As they could not obtain loans from the banks, failure to invest appears to have been crippling for Fortune Mineral Workers' Co-operative.

Another major problem was the organisation itself: neither the members nor the leaders of the Co-operative had a sound understanding of the relationships among the membership, nor did they have any common agreement on property and distribution relations. By abolishing the primary tenet of 'division of labour' and internal pay equity, the resultant compensation structure voted in reflected the interests of a median worker. They were unable to employ technical personnel, as they did not have adequate resources to pay them their salaries. Ex-executives had not shown any interest in the Co-operative for economic as well as psycho-social reasons. The Co-operative was on the edge over the proposed apportionment of legal ownership and effective control of production as offered by the company. At the same time, the members were ready to give in to market borrowings with the risk they run of de-facto control to be exercised by the financial institutions. Many believed that such naïve attempts to move the financial proposal would be both detrimental and conspicuously anti-workers in due course. Company officials were of the opinion that the Co-operative would be put into a state of legal quagmire as legal issues and litigations would surface with funders taking out measures to recover the loan. Thus, a failure would snowball into a major social problem putting at stake the future of the separated workers and their families. In the given case the Co-operative's attempt to take up an intermediate position between state's patronage, employer's encouragement, and class solidarity fell over a number of fallacies. The workers' co-operative was not an upshot of a utopian belief, but a consequence of economic catastrophe that resulted in closure and

lay off. Apart from the benign neglect by both state and the company, and a dispassionate aloofness from the ex-executives, the Co-operative has received an overtly embellished response from minority activist separated workers and sympathetic but unaffectionate hearing from the majority. So, one of the reasons for failure was the inability of the worker democracy discourse to overcome the effects of the managerialist discourse. There were several hurdles, which the authors have summarised in this paper, but the striking one is the 'vacuum' within the Co-operative formed by heterogeneity, poor coordination, apathy, and discordance largely attributed to the VRS compensation because of which majority were not bonded to co-operate with shared desperation.

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Notes

- 1 A "separated worker" means a worker who was terminated by the company on account of the closure of its operation (in mine and concentrator plants) and was paid compensation as per the law for the same. Case study names are pseudonyms and characters, dates and figures in the paper are indicative but not actual for confidentiality reasons.
- 2 In Dalli Rajhara near Bhillai in central India there were six worker co-operatives operating in the open cast iron ore mines (Bhowmik, 1994).
- 3 Suspicion was aroused because an ex-manager and manager of the company accompanied one of the two authors to the project site initially, which did not go unnoticed by some of the separated workers.
- 4 LME price of mineral which was as high as US\$2,844 had crashed to an average of US\$1,524 in 1998-99 before it regained marginally to \$1,793 in 1999-2001
- 5 Total mineral produced at the Fortune Project site over a period of 26 years was of the order of 4.34 million tonnes. The percentage grade of mineral fell from a maximum of 1.43 in 1976-77 to a minimum of 0.94 in 1992-94.
- 6 A recognised union in India means a union that has been recognised by the employer/company and accepted as representative of some/all workers in an establishment or factory and with which the employer is willing to conduct discussions on all issues concerning those workers and willingness to bargain with union (collective bargaining agent).
- 7 The initial fund requirement of INR 45 million to reopen the closed mine would be generated through the Co-operative's contribution and/or market borrowing together with support from government. Manpower estimates in the workers' proposal was attractive since the scheme avowed to restrict the number to 360 workers as against 630 under FM-Ltd implying a reduction in manpower by 45 percent: estimated staff expenditure of INR 1.8 million against INR 7.2 million, thereby significantly reducing the operating cost. The Co-operative agreed to a wage freeze with a proposed labour cost equal to

25 percent of the wage paid by FM-Ltd before closure. Separated workers also agreed to keep away the expenditure towards social overheads and apportionment towards head office expenses from its operational cost.

- 8 Full details of the capital cost to revive the mine, viability of operation of FM-Project, and sensitivity analysis of profitability at varying levels of selling price of MiC are available from the authors on request.
- 9 Details of the assumptions made by the Co-operative in its proposal are available from the authors on request.
- 10 In the case of Kamani, there were only two representatives of the Co-operative against two nominees of government, one representative each of bank and IDBI, and three professional experts in the interim committee constituted by BIFR.
- 11 The authors chose contract labour as a reference point because most of the separated workers can without difficulty take contractual employment available in the neighbouring industrial units. In the adjoining Central Mineral Compound (unit of FM-Ltd), an un-skilled contractual labour is paid INR 176.50 per day.
- 12 Hard approach to managerialism, where institutional management has “resolved to reshape and redirect the activities [of their institutions] through funding formulas and other mechanisms of accountability imposed from outside the academic community – management mechanisms created, and largely shaped, for application to large commercial enterprises” (Trow, 1994:12).