

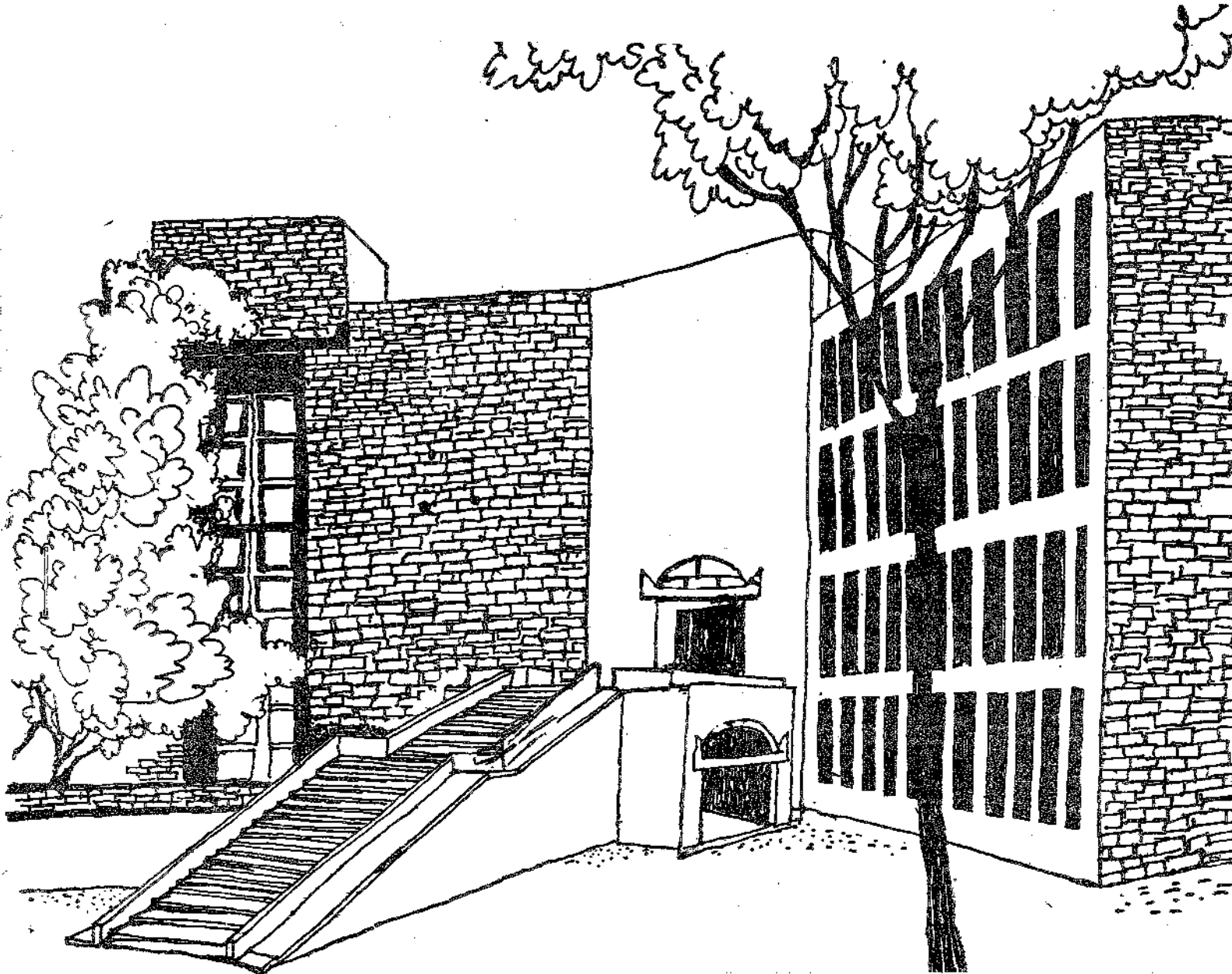


# Working Paper

COOPERATION IN COOPERATIVES:  
CONTRIBUTIONS OF RISK, RESOURCES AND SKILLS

By

Anil K. Gupta



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W P No. 574  
July 1985

The main objective of the working paper series of the IIMA is to help faculty members to test out their research findings at the pre-publication stage

INDIAN INSTITUTE OF MANAGEMENT  
AHMEDABAD-380015  
INDIA

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Abstract

The question most basic to any discussion on cooperatives is? why is it, that elites in most cooperatives neglect the task of fostering cooperation amongst different classes of poolers of resources and instead, concentrate (some) only on cooperation between enterprise and members? It is assumed that the latter can substitute the former. Decrying the tendency for reification in social science literature, we argue for more pointed analysis and communication in issues involving value positions of the analysts. Finally three parameters viz: Risk, resources and skills are used to provide a framework for appraising the utility of any value adding enterprise for the socially disadvantaged.

COOPERATION IN COOPERATIVES  
CONTRIBUTIONS OF RISK, RESOURCES AND SKILLS\*

Cooperatives as objective entities are attributed with many noble consequences under different ideological persuasions. This tendency to "metaphysically predicating intellectual constructs with the capacity to material effects"(Kitching 1978: 2)<sup>1</sup> is called Reification. For instance, see sentence, "Cooperatives might have a great potential to contribute to the development of new relationships between capital and labour but that little seems, so far, to have been put into practice" (Blomqvist 1984: 13)<sup>2</sup>. The answer to the question, "Who contributes?" is obviously, the cooperatives. But can cooperatives contribute, perhaps certain types of relationships amongst different members in cooperatives create conditions under which action of certain human beings (the members) forge new relationship between capital employed by these members and labour provided by these or other members. The use of what Kitching calls, "shifting passive" many times unwittingly develops "a caste of mind which sees social processes (or in this case the cooperatives) in an almost entirely mechanical or quasi-mechanical way." The description as Amartya Sen has also argued, is used not only for explanation but even for prediction.

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\* This paper should be read along with another paper entitled "Why Poor Don't Cooperates: A Study of Traditional Forms of Cooperation with implications for Modern Organizations", 1964, IIM-A mimeo. It is a comment on part of Blomqvist's paper .. Appendix I contains some of his arguments.

All of us commit this error. The problem lies not so much with the use of language in a particular manner, but with the dangers inherent in such an use, of misinterpretation by the vested interests, e.g. the advice that it (cooperatives) must encourage democracy and allow for participation at all levels ..., (and of) all stake holders ... " (Blomqvist 1984:14) can be interpreted in several ways.

- Who should encourage
- Who should allow
- Who should participate

Other questions like, what is the nature of democracy and participation and what are the levels perhaps are easier to answer. Earlier questions, one might suggest qualify for an answers Cooperatives. But then, is not it a case of reification? Surely, cooperatives don't act. People in cooperatives do. And all people in cooperatives don't act the same way. If this is so, then should we not also add the following;

Some people who have power(either usurped or derived legitimately through the prevalent electoral system) should encourage expression of free will. In fact they should create conditions in which the less powerful ones are enabled to first estimate objectively the parameters of their will which they would consider as liberating. Having been so enabled, these less powerful ones should also be encouraged to participate at

policy making level such that returns to their contribution in form of labour are disproportionately higher than returns to those who contribute just the capital. There are three conditions which will determine as to what extent such a relationship can be forged at all.

- (1) In a value adding processing cooperative{vertically integrated or otherwise) what proportion of value addition is apportioned towards -
  - (i) reserve fund to liquidate liabilities of poor members who may be caught in poverty ratchets;
  - (ii) insurance fund to undertake payment of premia of those contribution whose capacity to take risks is decidedly low and who cannot afford the high ~~premia~~; *premia*
  - (iii) dividends to the poolers of capital as against bonus to the labourers.
  - (iv) maintenance fund for replacement and servicing of equipments, infrastructure like transport (for managers vis-a-vis for workers etc.)
  
- (2) ~~What~~ proportion of value addition is invested in further expansion and diversification of economic activities? Whose tastes and preferences are given weightage while deciding diversification, plan? It should be noted as to whether the diversification takes place towards -
  - (i) the services which are likely to be utilised by poor members or non-members more than rich members;
  - (ii) the products which are consumed by rich or poor in greater proportion. It might be justified to produce goods consumed by rich as long as resources essential for needs of poor were provided for?

- (iii) the activities which consume skills available with poor members, non-members or others:
- (iv) the activities which require resources already scarce in society and as such their prices would increase. At higher prices access of poor members (and even members) to these scarce resources might further decrease. If in the cooperative, there is no provision for procuring and distributing these resources, market development for such resources creates immiserating condition for those who already were poor.

(3) Upgradation of skills of these members and non-members whose current skills would become redundant through the use of new scale responsive technology. This has implications for the followings

- (i) Leadership: Not all stakeholders could be provided equal access to decision making machinery. There are some who have access to alternative sources of power, affluence, influence and sustenance. Their control over a cooperative on which others depend entirely for their livelihood would create alienating conditions for the latter.
- (ii) Technology: Choice of technology is organically linked with (a) proportion of various skill available as against required? (b) bulk of operations to be handled in phases or all at once, (c) the segment of population to be served, their location, taste preference, paying capacity, (d) skill, required to maintain, replace or improvise the technology etc.
- (iii) Form of organization: Modern organisational theories emphasise deskilling as the basis of organizing work relationships. Primacy of skill specializations reduces the chances of capital dominating labour because of <sup>/limited</sup> substitution of skill/labour with the capital (the

basic assumption of neo-classical economics and production function approach). Whole range of organizational alternatives become available once we liberate ourselves from the axiomatic truism of classical theorems of management.

Finally, I may submit that while Blomqvist's paper raises many useful and relevant issues, it would be fair to him and others seeking rigorous debate on the subject that we treat each others' position rather ruthlessly.

Not cooperatives but some norms of cooperation in cooperatives can transform relations between labour and capital.

Historically deskilling, vertical integration and Western consensual models of cooperatives (generally propagated by ICA) have contributed very definitely towards worsening of the condition of labourers, labour contributing shareholders and shareholders relying on labour even outside the cooperative enterprise. The iterative leaderships skill specializations large number of smaller groups networking with each other have greater chances of contributing towards correction of some of the distortions.

Having pursued action-research strategy of learning for last 6-7 years, I am convinced that the epistemology of development through solidarity amongst poor requires a different paradigm. In this paradigms the environment is not all embracing concept, the socio—ecology of stress that poor live with is not subsumed under market forces and development is not defined as meeting basic needs of some and every need of others.



I will suggest that we don't try to convert a lion's den into a happy zoo<sup>3</sup>, instead deal with the conflicts inherent in a process of cooperation amongst unequals squarely.

State has a role to play towards poor whose skills are at discount in the market. The resources for which technologies are not developed, risks which are not insured by the state/market and skills which are made redundant or utilised suboptimally by state, market and cooperatives, are the three fulcra on which new paradigm has to evolve.

Hopefully this note will trigger debate that will enlighten us so that we will be able to resist the rhetoric of those who claim enlightenment already. Blomqvist has contributed an useful argument. I have added some precision to the debate so that we are able to communicate in a language that will make us more accountable and responsible towards disadvantaged.

#### Notes

1. Kitching G.N.  
Reification, Explanation and Regional Planning  
CDS, University College of Swansea, Occasional Paper No.9,  
1978
2. Blomqvist Kai  
Cooperative enterprises and new relationships  
between capital and labour  
Paper No. 8 prepared for XV International Congress of CIRIEC  
Florence April 15-18, 1984
3. W.J.Silfin, IRO, USAID 1975
4. Gupta Anil K.  
Why Poor People Don't Cooperate? A study of traditional  
forms of Cooperation with implications for Modern Organi-  
sations, IIMA Working Paper No. revised 1984.  
Role of Public Enterprises in Backward Regions  
Paper invited for XV International Congress of CIRIEC -  
April 15-18, 1984.

APPENDIX - ONE

Blomquist's Thesis

Central question: Can cooperative enterprises play an essential role in the promotion and upgrading of labour vis-a-vis capital?

- Thesis: (a) The extent to which answer to above question can be 'yes' depends upon combination of usage, ownership and democratic control of the enterprise.
- (b) Relationships between labour and capital can be analysed in that simultaneously taking into account the relationship between labour and consumption. Control over labour sought through cooperatives may prove to be infructuous if control over consumption, its extent, quality etc is not increased.
- (c) It is possible to take into account while initiating dialogue between producer, worker, consumer, the interest of all the parties including citizens.
- (d) All subsets of a local economy including development of business ideas, leadership etc providing device to new services, use of value addition local purposes etc can be encompassed in a multi-purpose cooperatives.
- (e) Since human dialogue not only transmits but also creates knowledge and preferences, different parties articulate different preferences and ensuring reasonable say for all the interests in any single design of cooperatives was not an easy task. However, the conflicting interests need not be resolved at the firm level. Different types of cooperatives (lobbies) would hopefully set the distortions if any right.