

„Success of the Czech workers' co-operatives": Fiction, mistake, or reality?

Magdalena Huncova

Abstract

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The study is component part of a research project contracted by the Czech Granting Agency for 2009 – 2010 as “*The specifics of the social enterprise financing and of the social and public added value measurement*” (GA -402/09/0395) where we seek to detect some usable methods and scales of social and public added value in order to measure effects of public financial support to social economy development.

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Introduction

When gathering information about productive co-operatives and workers' cooperatives in the Czech Republic, Slovakia, Spain, and Italy to compare their national and cultural background within research performed as part of the *Le Grand Magasin* project, findings seemed to suggest that this kind of cooperatives is very successful in the Czech Republic (and Slovakia); even more successful than cooperatives in the other countries included in the research. Is this really true? What are the reasons? In this study, I am trying to find the answers. Examining the Czech cooperatives; it should be mentioned that before 1918 the Czech Lands were part of the Austrian territories with their legal regulations¹.

Andreas Wegner wrote,: *“It seems to me that in the Czech and Slovak Republic, productive-workers’ co-operatives are very successful. In Germany we found only a few co-operatives as well as in Spain, Italy, and France; the situation for workers’ (productive) co-operatives seems there generally not as developed as in the Czech and Slovak lands, surprisingly of all.*

...

From Spain, Italy and France we have got or found lists with only about 30 cooperatives. In the Czech Republic we got 300 addresses! This is a lot in comparison to other countries and in relation to the size of the country”².

In that sense "*successful*" is a category based on quantity. It seems as though it is a more usual or common thing to be or to form a cooperative in the Czech Republic. Is it? What is the reason for the difference of the above mentioned in numbers? It seems, the current condition of workers' or productive co-operatives in the Czech Republic results from several contradictory tendencies and facts, which have influenced them, especially about over the past fifty or seventy years.

Czech co-operatives’ rich history

1. The first workers' co-operatives that united people to provide living, earnings or competitiveness in their trade in the market in Bohemia were established as early as the late 19th century, following the Imperial Act No. 70 passed in 1873. Workers’ and small producers’ cooperatives emerged spontaneously, uniting, inter alia, craftspeople such as

¹ Imperial "Cooperative" Act No. 70/1873 was applicable in the territories of Bohemia, Moravia, and Silesia

² E-mails from Andreas Wegner and Dorothee Bienert

printers, furriers, bakers, butchers, metal smiths, etc.,³ and also service, manufacturing and processing cooperatives and others including theatre and symphony orchestra cooperatives. The Czech cooperative movement as a whole reached a peak of activity before World War II when cooperatives in Bohemia built very sophisticated networks that included purchasing and selling centres, retail shops, savings and loan cooperatives and a cooperative bank.

2. After 1948, the new totalitarian regime in Czechoslovakia used the cooperative system as a tool for political surveillance of small producers and craftspeople, and to ensure mass production was achieved in accordance with the central plan. The state also decided to establish new type of workers' – productive co-operatives, in, for example, the retail and restaurant industry (*Jednota*), barbering and hairdressing (*Hygie*), clock repair and precision mechanics (*Mechanika*), gold and other precious metal smithing (*Soluna*), sewing folk costumes and folk handicraft (*ÚLUV*), plumbing (*Instala*) and others. Each small producer or anyone who wanted to practice a craft was then obligated to join a cooperative, many of which operated nationwide. In around 1955, the state established the first of many productive cooperatives for people with disabilities (e.g. KARKO, INVA, etc.) to integrate disadvantaged people into the centrally planned economy. People with physical and mental disabilities were given an opportunity to obtain skills.

It must be noted that cooperatives were subordinate to central associations controlled by the state (starting as early as in 1938, i.e. at the beginning of World War II). After 1950, members of cooperatives were obliged to join their assets. However, immovable assets (property) continued to be registered as the original owners' property in the register of real estate, including the joined farmland, but the member-owners lost their property rights. Service cooperatives in agriculture (such as ploughing, machinery, milling and processing cooperatives), including purchasing and selling centres, were liquidated by the state. Work was compulsory for all citizens – also those in cooperatives – and "supplies" came according to the centrally planned schedule. The nature of both productive and agricultural cooperatives became very similar in character to workers' co-ops. Saving and

³ In 1892, *První výrobní družstvo cvočkářské* (the First nailers' cooperative) was established in Věšín pod Třemšínem to become the first cooperative in Czech territory. In 1992 it celebrated 100 hundred years of continuous operation as productive cooperative *Kovo Věšín*. Two years later, *První výrobní družstvo dělníků kloboučnických* (the First productive cooperative of milliners) in Prague, and a printers' cooperative, *Grafika*, in Plzeň were established.

loan cooperatives were liquidated in the 1950s by the state and their assets and liabilities were taken over by *Česká národní spořitelna* (Czech National Savings Bank) without any compensation – cooperatives lost their autonomous financial sources. The original cooperative and auditing acts were repealed and new cooperative laws reflecting principles of cooperative identity were passed in 1989 but only till 1991.

Once teething troubles were overcome, productive and agricultural coops reached high productivity thanks to their professionalism and sophisticated management. Cooperative ownership in the Czech Republic never lost its private nature, but throughout the totalitarian period, it was considered a relic of capitalism, and at the same time, "a specific type of socialistic ownership".

3. After 1990, there were political attempts to liquidate the cooperative sphere as part of a "return to the market" and neo-liberal dogma. The cooperative movement became a "shady" relict of the totalitarian regime. Cooperative laws were repealed and co-ops were governed only by the Commercial Code. Individual ownership was put above cooperative ownership and cooperation. A so-called transformation act was passed, by which the state privatized the de-facto private cooperative property. It compelled co-ops to identify the original owners and their property very quickly and to give them the opportunity to take over this property. Impacts of the transformation can be illustrated by the fact that, for example, up to 40% of agricultural co-ops' assets were spent on notarial services. In the transformation process, many co-ops collapsed, many were abolished, and others were transformed into joint stock companies or limited companies. Consequently, the number of co-ops in the Czech Republic fell dramatically. Many cooperatives lost the principle of mutuality. Many of the cooperatives' production facilities were "taken over in a hostile manner" by the state and privatized, and today, many workers' cooperatives are struggling to survive in the free market, including co-ops for people with disabilities, which are supported by the state by means of the Employment Act.

However, there are also new co-ops, initiated by members united in them, such as *Fontes Retrum*, *Lékárenské družstvo*, *Templářské sklepy*, *Kulturní noviny* – see the table below. Also, new "social" co-ops are on the rise today in order to increase employment of people with disabilities, being initiated by EU-funded projects to support development of social economy. The range of "traditional" activity known from centrally planned economy times has been extended with new activity, such as counselling, rentals, high-tech and

others. Thanks to professionalism, improved management, and finding their place in the market, some co-ops have ultimately become very successful, for example *Granát, družstvo umělecké výroby Turnov*, *Vývoj oděvní družstvo v Třešti*, or *Templářské sklepy Čejkovice – vinařské družstvo*, see below. However, the law today also makes it possible to establish "cooperatives" that do not embody the ideals of the cooperative tradition, and they are therefore not presented here (for instance a co-op of developers owning agricultural land they have bought in order to use it for "greenfield" building of logistic centres).

Workers' and/or productive co-operatives in the Czech Republic

Many of the typical workers' cooperatives, especially productive co-ops for people with disabilities or co-ops in areas with high unemployment have a wide portfolio of activity registered in the Companies Register. This way the cooperatives ensure their ability to employ their members in open market conditions. However, being pressured by the market, they often switch from skilled work to simple and monotonous work, usually assembly. See the example of *Výrobní družstvo nevidomých Karko, Ústí nad Labem*, once famed for their skilful basket-makers and brush-makers. Such co-ops have preserved the membership principle and democratic decision-making, but they pay a price for it. Those co-ops that have been able to develop a specific production programme demanding high-skilled work with top-quality management are more successful in the market today. In such cooperatives the membership principle is often suppressed (the number of real members is minimised, the number of employees is growing), and sometimes, even the socio-economic purpose of the association and not-for-profit principle fade away.

The category of workers' co-operatives in the Czech Republic also includes many agricultural co-ops where members (both owners and non-owners of land) farm still joined or rented land together, either as successors of transformed socialistic agricultural cooperatives (in Czech abbreviated as JZD) or as re-privatized and joined land of former state-run farms. In the totalitarian period, most "JZDs" also included so-called "subsidiary production" (repairs and manufacture of agricultural machines, building, carpentry, joinery, metal-smithing, and locksmithing, accommodation and boarding services and so on). The current agricultural co-ops continue this subsidiary production "to provide earnings". In areas with high unemployment, this brings more opportunities for members to earn a living. This is probably what makes Czech agricultural co-ops different from farmers' co-ops in Western Europe where land is

usually not joined and the reason for being in the cooperative lies rather in market competitiveness. Although they are very close to workers' cooperatives, Czech agricultural cooperatives have not been included in *Le Grand Magasin* or in the table below.

Are the Czech workers' co-operatives successful?

The "successfulness" of Czech co-ops observed within the research of workers' cooperatives in the countries investigated has among others been associated with, among other things, the fact that most Czech workers' – productive co-ops have websites that are in good condition. The truth is that a website today is an essential part of marketing strategy even for producing co-ops if they want to sustain their members and employees. This visibility is positively influenced by the degree of informatisation in Czech society, but also by the fact that a majority of workers' cooperatives are grouped in the Union of Czech and Moravian Production Cooperatives. The Union website has a unified visual identity, and the Union is very well informed about "its" co-ops; communication is good on both sides, which makes co-ops "more visible". Information between the Union and cooperatives is communicated quite quickly. Cooperatives in the Czech Republic are used to reacting to instructions from above (which does not mean blind obedience!). In my opinion, this "visibility" of Czech co-ops is a result of, among other things, in some ways the positive inheritance of the centrally planned economy.

The seeming "successfulness" of the cooperative system in society may result from the members' efforts to keep their jobs, and at the same time, to control their property even in the current situation in the Czech Republic. The high number of workers' – productive co-ops here is connected with events and policies that have influenced them specifically over time, both positively and negatively. This creates a contrast with the unfriendly legal framework for cooperatives. We can assume that productive co-ops in Slovakia had the same experience and after the dissolution of Czechoslovakia, they have developed in a similar way to the current Czech co-ops. We also have good reason to believe the situation is identical in other countries of the former Eastern Bloc.

The following table presents a portfolio of Czech workers' – productive co-op activity today. The co-operatives named in the table are relatively successful in the market or react to current challenges (employment issues).

Table: Czech workers' (productive) cooperatives today

<i>Basic line of business, profession (number of co-ops)</i>	<i>Examples of successful and otherwise interesting co-ops (incl. year of foundation)</i>
Metal working and machinery, manufacture and repairs of electrical appliances, instruments and devices, and precision mechanics. Medal makers, cutlers, gunsmiths, watchmakers (48). Car repairs and sales, measuring emissions, manufacture of car parts, etc. (17).	<ul style="list-style-type: none"> – DUP družstvo Pelhřimov (including Pelhřimov brewery), 1945; – Lověna - družstvo, Praha, 1920.
Computer technology, measuring and imaging systems (3).	<ul style="list-style-type: none"> – Tetronik výrobní družstvo, Terezín, 1990;
Clothes and other textile production, footwear, haberdashery, hat making, leather and fur products, folk handicraft, folk costumes, toys (36).	<ul style="list-style-type: none"> – Vývoj oděvní družstvo v Třešti, (sewing professional uniforms for firemen, army, police, huntsmen, etc.), 1931; – Znovoz sociální družstvo, Znojmo, 2006.
Upholstery and furniture manufacturing, wood working and joinery, carpentry (21). Gold-smithing and jewellery, artists (4). Bookbinding, printing, publishing houses, publishing activity, optics and photography services (9). Barbers and hairdressers (5). Pharmacists (1).	<ul style="list-style-type: none"> – Granát, družstvo umělecké výroby, Turnov (incl. stone quarrying), 1945; – Do & Do Orlová, družstvo umělců, 2004 (arts). – FONTES RERUM, družstva pro ekonomická, politická a sociální studia, Praha, (economic, political, and social studies) 2002; – Kulturní noviny - vydavatelské a mediální družstvo, Brno, (publishing and media) 2009. – Družstvo lékáren, Jihlava, (pharmacies) 2002.
Chemical products, cosmetics (7); plastics, rubber, plastic moulding (9); glaziers and glass processing (1); technical ceramics and earthenware, stone quarrying and stone cutting (5).	<ul style="list-style-type: none"> – Sociální družstvo BENNA Žďár nad Sázavou, 2007.
Building and plumbing, transport, metal structures, decorators and painters, designing and engineering, turnkey buildings (14).	<ul style="list-style-type: none"> – D R I S – Družstvo inženýrských služeb, Nový Bor, (engineering) 1989; – Profesmont družstvo, Bruntál, 2008.
Wine cellars incl. distribution (1), food production (1).	<ul style="list-style-type: none"> – Templářské sklepy Čejkovice – vinařské družstvo, (wine cellars) 1992; – ČOKO Klasik družstvo, Česká Třebová, 1997.
Other services: security, cleaning, property management, rental services, real estate agencies, counselling, accounting, publishing (12). Miscellaneous products and services, inc. assembling, small jobs, as well as skilled jobs (20) Car camping site (1); ski resort (1). Purchase and sale of recycled materials (1).	<ul style="list-style-type: none"> – AIM.CZ družstvo, Ostrava, 2003; – Andělka sociální družstvo, Troubsko, 2008; – AKSTA družstvo, Brno, 2009; – Dřevotvar.com družstvo, Hradec Králové, 2005 – Podané ruce sociální družstvo, Zubří, 2008; – Senza družstvo – CHD, Prostějov, 2000; – Autocamping Břeclav, družstvo, 1993 – SKI Pěnkavčí vrch, družstvo, Hradec Králové, 2008.

Source: Author's review based on websites of the Union of Czech and Moravian Production Cooperatives (www.scmvd.cz) and selected cooperatives that are not members of the Union, especially, (<http://www.firmy.cz/detail/599262-druzstvo-lekaren-ostrava-moravska-ostrava.html>; <http://www.fontes-rerum.cz/>; <http://www.kulturni-noviny.cz/>;
(last accessed: 28 February 2010)

Are workers' co-operatives in the Western countries unsuccessful?

Another question is if the low visibility of co-ops in other countries can be considered evidence of their lack of success or unattractiveness of this form of membership and doing business in those countries. To answer this, I suggest the following possibilities:

- It is probable that workers' cooperatives in the other countries investigated are no less successful and attractive for their members, but these co-ops do not find it necessary to present them-selves individually, especially if for their business partners, they are presented through their associations, joint ventures, or centres. An example of this could be MCC Mondragon association of farmers' cooperatives in Northern Italy, their processing plants and selling centres.
- Many productive co-ops may work mostly with long-standing customers, and so have no need to promote them-selves with a website.
- Many of the co-ops may not consider themselves "workers' cooperatives", although in principle, they are – see for instance French cooperatives "members for wage" – BECs, the Austrian *Raiffeisen* system, etc. Or they are "worker co-operatives", but do not consider them-selves "productive co-ops". Or they are co-ops in principle, but the legal structure is different in their country, so they are, for example, "friendly societies", companies controlled by an association, employee-owned companies, "social cooperatives" ensuring employment of people endangered by exclusion from the labour market.

The research might have been somewhat influenced by our use of the term "worker's cooperative" for "productive cooperative", as it may be ambiguous in some countries. If the phenomenon of productive cooperatives was viewed by means of the term "social enterprise" supporting employment of its members to provide a living for them, we may find more cooperatives and "cooperatives" being pieced together for the mosaic. However, the research might face a diversity of "national" definitions of this term too.

Workers' vs. productive co-operatives: problem of terminology

The Statement on the Co-operative Identity, declared in 1995 by the International Co-operative Alliance (ICA), defines and guides co-operatives worldwide. It contains the definition of a co-operative as a special form of organization, the values of co-operatives, and the currently accepted cooperative principles that direct their behaviour and operation. The purpose of autonomous association of persons united voluntarily is to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise and its assets.

Terminology of co-operatives can vary time to time and country to country; it depends on the legal conditions, practices, and historical background. Essay on typology of co-operatives based on purpose of members union as workers' and small producer's ownership:

– **W o r k e r s' co-operative:**

The purpose of autonomous association of persons united voluntarily to meet their common economic and social needs and aspirations through a jointly-owned and democratically-controlled enterprise as assets owned by united workers or small producers (to provide members' live through their wages and earnings). Historically, we know such type of co-operatives as “*Erwerbsgenossenschaft*“ in German language, and “*výdělkový*“ in Czech language, for example.

Activity of association of workers and small producers is based on **production** of goods and services applied usually in the market, in its specific not-for-profit regime. Recently, based on their *productive* activity, we usually know such co-operatives as **productive / production, agricultural, fishers'** cooperative, etc.

– **C u s t o m e r s' co-operative**

The purpose of autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise as assets owned and operated by united customers. Historically, we know such type of co-operatives as “*Produktivegenossenschaften*“ in German language, and “*hospodářský*“ in Czech language, for example.

Based on varied economic activity, members' economic and social benefits are usually distributed among them outside the market as consumption of products and services *produced* by co-operative enterprises, basically. Recently, based on characteristics of

members' needs and benefits, we usually know such co-operatives as **housing, consumers', credit, insurance, transport** co-operative, etc.

Based on terminology described above, we can understand *workers' co-operatives* as *productive / production co-operatives* legitimately.

Conclusion

The successfulness seems to be, inter alia, matter of terminology used in each and every country, nowadays, depending on their institutional heritage. While viewing Czech productive cooperatives, even I have been surprised to find out that this form of associating and economic system still seems to be attractive in our country, in spite of all the historical and recent difficulties.

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