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Operations of Cooperative Productive Enterprises in 1933

WORKERS' productive enterprises, i. e., businesses owned and operated by the workers themselves, form an interesting though small part of the cooperative movement in the United States. Although this has seemed to be a diminishing phase of cooperation in this country, the rate of decrease has been much smaller during the depression years than might have been expected, there having been a net loss of only two societies since 1929.

The survey recently completed by the Bureau of Labor Statistics,¹ covering 8 of the 18 workers' productive organizations in active operation at the end of 1933, shows that they had at that time 1,181 shareholders (of whom 447 were employed in the cooperative enterprise) and 650 nonshareholder employees. They paid in wages during the year the sum of \$772,073. With share capital of \$1,234,704 and reserves of \$504,590, they did a business of \$3,629,470, an average of \$483,684 per society. Losses, however, exceeded profits by \$86,938.

Comparison with earlier years shows a gain in average number employed, in average share capital, and in average amount of sales. While business fell off very decidedly from 1929 to 1931, in most lines of cooperative production, the recovery registered from 1931 to 1933 was such as to raise the average sales in the latter year above the 1929 level. Reserves have decreased since 1929. Profits practically disappeared in 1933, only 3 of the 8 societies being able to show a gain on the year's operations.

It is the practice in the workers' productive societies to return to the shareholders the gains remaining after provision has been made for reserves, depreciation, etc. During the 3 years from 1930 to 1932, the societies reporting returned in these bonuses the sum of \$105,498. No bonus was paid by any of the societies in 1933.

¹ For data on cooperative credit societies (credit unions), see *Monthly Labor Review*, issue of September 1934 (p. 551); data on local consumers' societies were given in the November 1934 issue (p. 1041).

As already indicated, the workers' productive movement in the United States has been a rather static phase of cooperative endeavor. To some extent this has been due to the lines of business chosen.

Many of the societies were formed without adequate study of the field which it was proposed to enter. In fact, the type of industry has often been such as to mean an inevitably dwindling business for the cooperative enterprise. The manufacture of articles by hand, in industries which if not wholly mechanical are rapidly becoming so, is a highly precarious undertaking. Thus, of the once numerous cooperative plants manufacturing hand-blown window glass none remain, while only three factories manufacturing cigars by hand are still in operation. In other instances groups of miners have taken over from the owners unprofitable mines and have worked them—in some instances successfully—but when the vein gave out the society was at an end. Other groups have entered highly competitive businesses in which conditions were unusually difficult. Of the numerous cooperative shingle mills on the Pacific coast only a few remain, and these must compete not only with other shingle manufacturers but also with the manufacturers of patent and fireproof roofings.

That some of these cooperative groups have nevertheless attained a considerable degree of success must be put down to their credit. One such instance is that of a group of shoe workers which started its own factory 19 years ago. Each year except 1929 and 1930 has shown an expansion in business, until now it employs in the business an average of 430 persons, and does a business of more than a million and a half dollars a year. Although operating losses were sustained in both 1932 and 1933, the record of this organization, in an industry as competitive and as subject to fluctuations of style as the manufacture of shoes, shows a high quality of management. Another fine record is that of the plywood mill, which was started in the depression of 1921. Records are not available for the years 1926, 1927, and 1928. Sales fell from 1929 to 1930 and again in the succeeding year, but began to rise in 1932, and from 1932 to 1933 increased by more than 50 percent. This was one of the three societies which was able to show a net gain on its 1933 business.

Workers' societies may be handicapped by business inexperience and lack of knowledge of salesmanship and of market conditions. They may therefore be at a disadvantage when it comes to disposing of their product.

Lack of adequate capital is another handicap and probably there have been many societies which have collapsed in adverse times but which could have succeeded if they had had funds enough to enable them to absorb some loss and to tide over until conditions changed for the better.

General Characteristics of Cooperative Workshops

THE "ideal" workers' productive society is composed of workers in the shop who have contributed all the capital of the enterprise and do all the work, the business being managed by men elected by and from the members. The worker-owners work on a wage basis, but receive in addition any profits made from the business, these being divided among the members by various methods.

The cooperative workshop, however, is exposed to a temptation not present in other forms of cooperation. In the consumers' society, for instance, it is to the interest of the members to enlarge the membership, for each new member increases the business of the society. The increased volume of business in turn reduces the percentage of overhead expense and increases the savings made in the business and therefore, also, the benefits accruing to each member. In the workers' societies the situation is exactly reversed. Every additional member increases the number who must share in the profits, though not necessarily increasing the business done or the amount of profits to be shared. Each new member, therefore, is likely to be looked upon as reducing the profits of the others. Especially if the society achieves business success, there may develop an increasing tendency among the members to limit their numbers so as to retain all the savings from the business for themselves, and, if additional workers are needed, to take them on as employees, not as members. The impetus to such an attitude is also all the greater in a workers' productive organization, inasmuch as the society represents the members' livelihood; and as the matter is a serious one to them an exclusive membership policy is quite understandable. In direct proportion as this occurs, however, the society loses its cooperative character.

Some unavoidable limitation upon membership is, of course, imposed by the nature of the business or work carried on, and this becomes greater with the degree of skill required. If the principle that all the members are to be workers in the business is observed, then obviously in a highly specialized undertaking, such, for instance, as the manufacture of shoes or hand-made window glass, only persons skilled in the various processes can be admitted as members.

The present study has disclosed varying degrees of cooperativeness among the workers' productive societies. Some of these cooperative companies are in reality more of the nature of trade-union or even joint-stock enterprises than of cooperative workshops, and this fact is recognized by the companies themselves. One of the most successful societies is more nearly a profit-sharing than a cooperative society, as only a small proportion of the workers are stockholders and of the employees only the actual producers share in the profits.

These societies could not, therefore, be measured by the same strict standard as the consumers' societies. In the consumers' movement, while material benefits from the enterprise are desired, there is usually also a certain amount of idealism, a vision of something above and beyond the shopkeeping activities, with shopkeeping simply a first step toward a better ordering of society to be striven for patiently but hopefully in the interest of all consumers. This may not be true of each individual cooperator nor of each individual society, for many have material benefit as their main or only object, but it is true of the consumers' cooperative movement as a whole.

This wider vision seems to be less characteristic of the workers' productive societies.

Geographical and Industrial Distribution

SINCE 1929, when the Bureau's last previous study was made, an upholstery association, a mining association, and a laundry have discontinued operations or sold out. During the interval a woolen mill was taken over by the workers, but went out of business early in 1933, so that it figured in neither the 1929 nor 1933 survey. Another business has become cooperative since 1929. There was thus a net loss of two societies since that year.

As far as the information of the Bureau goes, therefore, there were only 18 workers' productive societies in active operation at the end of 1933; another association has not yet taken formal action to dissolve but has done no business since 1931 and has leased its plant to a private firm. Of these 19 associations, 9 (including the inactive one) made a report in the present study.

The following table shows the total number of societies in 1929 and 1933 and the number furnishing data for the latter year, by State and by industry in which engaged:

Table 1.—Distribution of Workers' Productive Societies, by States and Industries, 1929 and 1933

State	Number in existence		Number reporting, 1933	Type of society	Number in existence		Number reporting, 1933
	1929	1933			1929	1933	
Indiana.....	2	3	1	Box factories.....	1	1	
Massachusetts.....	3	2	1	Cigar factories.....	3	3	2
Minnesota.....	1	1		Coal mines.....	2	1	
Missouri.....	1	1	1	Clothing factories.....	1	1	
New Jersey.....	1	1		Enameling plants.....	1	1	
Ohio.....	2	1	1	Fish canneries.....	2	1	1
Oregon.....	2	1	1	Food factories.....	3	2	
Pennsylvania.....	1	1		Laundries.....	1	1	
Washington.....	7	6	3	Plywood factories.....	1	1	1
Wisconsin.....	1	1		Shingle mills.....	4	4	2
				Shoe factories.....	3	2	1
Total.....	20	18	8	Total.....	20	18	8

¹ Not including 1 society not dissolved but at present inactive.

Year of Establishment

THE societies reporting have been in existence, on the average, 19 years and 3 months; the range was from 13 years to 37 years and 3 months. One society was formed in 1896, 1 in 1910, 2 in 1915, 1 in 1916, 2 in 1920, and 1 in 1921.

Membership, Employment, and Wage Policies

AS ALREADY indicated, membership restrictions are fairly common among the workers' productive societies. Of those covered in the present study, one limits the membership to members of the trade union of the craft. In three associations stock may be sold only to employees, this presumably with the intention of making the stockholders and the labor force identical. One company reports that while there is no strict rule on the subject, shareholders are given preference in employment. Two societies provide that each new stockholder must be voted upon; he must receive in one society a majority of votes of the board of trustees and in the other a majority vote of all the stockholders. One association provides in its bylaws that the number of members shall never be allowed to fall below 16 except by majority vote of all the stockholders.

Table 2 shows, for the individual societies, the total number of shareholders (members) and those employed in the business, and the number of nonshareholders employed. It is seen that in only two of the associations were all the shareholders working in the plant at the end of 1933. In two others there was no outsider working, but only a small proportion of the shareholders had jobs in the cooperative enterprise. Five of the eight societies employed more nonshareholders than members.

Table 2.—Number of Members (Shareholders) and of Employees of Workers' Productive Societies, 1933

Society	Shareholders		Nonshareholder employees
	Number	Number employed in business	
Society no. 1.....	178	90	88
Society no. 2.....	565	205	231
Society no. 3.....	69	7	-----
Society no. 4.....	70	11	-----
Society no. 5.....	210	45	145
Society no. 6.....	8	8	33
Society no. 7.....	16	16	18
Society no. 8.....	74	65	135
Total.....	1,181	447	650

Table 3 shows that the cooperative shingle mills gave employment to all of their members and 51 nonmembers besides. Except in case

of the food company and the plant manufacturing plywood, none of the others had as many as half of their stockholders working in the plant.

Table 3.—Number of Shareholders and of Employees of Workers' Productive Societies, by Kind of Business Carried on, 1933

Kind of business	Number of societies reporting	Shareholders		Nonshareholder employees
		Number	Number employed in business	
Cigar factories.....	2	130	18	-----
Fish canneries.....	1	210	45	145
Food factories.....	1	178	90	88
Plywood factories.....	1	74	65	135
Shingle mills.....	2	24	24	51
Shoe factories.....	1	565	205	231
Total.....	8	1,181	447	650

Wages.—Seven societies reported that they pay the union scale of wages in the occupations concerned. The eighth society did not report on this point.

More than three-fourths of a million dollars was paid in wages in 1933 by the eight societies. It is seen that the average annual earnings were very low, ranging from \$366 to \$927, with a general average of only \$704. These averages are, however, somewhat misleading, for they are computed on the basis of all employees; while the member workers are a permanent force, the nonmember employees may be hired only at the busy season. Again, the plant may have been in operation only part of the year. There are no data to show what proportion of the labor force was employed on a part-time basis, or to show how much part-time operation there was during the year.

Table 4.—Total and Average Wages Paid by Workers' Productive Associations in 1933

Kind of business	Number of employees	Wages paid, 1933	
		Total amount	Average per employee
Cigar factories.....	18	\$8,251	\$458
Fish cannery.....	190	73,369	386
Food factory.....	178	65,126	366
Plywood factory.....	200	158,918	795
Shingle mills.....	75	62,079	828
Shoe factory.....	436	404,330	927
Total.....	1,097	772,073	704

Hours of labor.—The work week in 1 society in 1933 was 36 hours, in 2 societies 40 hours, in 1 society 42 hours, and in 1 society 44 hours; in 1 organization the hours ranged from 30 to 40, and in 1 from 38 to 44.

Capitalization and Business

THE value of the individual shares is generally higher in the workers' productive societies than in other types of cooperative organizations. Fifty dollars is a common amount, while in one organization the shares are \$600 each.

Seven of the eight societies limit the number of shares that may be held by any one member. In one society a member may own not to exceed \$600 worth of stock and in another \$10,000 worth. One society limits the shares to 1 per member, another to 3 per member, and a third to 20 per member. Another organization provides that all shareholders must hold an equal number of shares, but did not report what the number is. Another limits the shareholdings but did not report the nature of the limitation.

In another company the common stock is being bought back from individual shareholders and is being placed in a trust fund held for all active workers in common. At the time of the report 63 percent of the stock was thus held.

The share capital of the eight societies at the end of 1933 amounted to about 1¼ million dollars. Only six societies had any surplus or reserves; these aggregated over half a million dollars.

The combined business done in 1933 amounted to more than 3½ million dollars.

Table 5.—Capitalization and Business of Workers' Productive Societies in 1933

Kind of business	Number of societies reporting	Paid-in share capital	Surplus and reserves	Amount of business, 1933	Average business per society
Cigar factories.....	2	\$25,498	¹ \$67	\$18,798	\$9,399
Fish canneries.....	1	175,074	240,355	485,286	485,286
Food factories.....	1	402,449	145,202	626,191	626,191
Plywood factories.....	1	288,000	(?)	682,603	682,603
Shingle mills.....	2	35,000	50,000	193,976	96,988
Shoe factories.....	1	308,683	68,966	1,622,616	1,622,616
Total.....	8	1,234,704	504,590	3,629,470	483,684

¹ 1 society.² Not reported.

Table 6 shows, for the various types of societies, the amount of business done each year since 1920. In most cases the high sales occurred during the period from 1927 to 1929, but generally the business fell off decidedly from 1929 to 1931. Some recovery in sales was shown from 1931 to 1933, notably in the plywood and shoe factories. The figures in parentheses at the top of each column indicate the number of societies covered by the data.

In addition to the regular wages received when employed in the business, the stockholder employees receive a share of any profits made by the business. In one society the profits left after making

provision for reserves, depreciation, etc., are divided equally among the members. In five societies they are divided on the basis of the amount of stock held, just as in the ordinary stock company; however, as one of these societies limits the amount of stock held by any one member to three shares in the organization and another to one share, there is substantially equal division of profits. In the fish cannery half of the amount of profits is placed in a reserve fund on which stockholders receive interest at the rate of 3 percent and the other half is divided among the fishermen in proportion to the fish caught by each; share capital receives interest at 2 percent.

Table 6.—Amount of Business of Specified Types of Workers' Productive Societies, 1920 to 1933

Year	Cigar factories (2)	Fish cannery (1)	Food factory (1)	Plywood factory (1)	Shingle mills (2)	Shoe factory (1)	Total
1920	¹ \$17,345	\$1,019,054			(²)	\$175,000	\$1,211,399
1921	¹ 28,231	601,298			(²)	(²)	846,142
1922	¹ 43,499	632,812		\$536,854	¹ 153,200	363,000	1,729,365
1923	¹ 51,446	723,043		924,812	¹ 166,304	451,000	2,316,605
1924	¹ 44,998	650,756		712,275	¹ 186,820	627,000	2,221,849
1925	¹ 87,170	749,192		743,535	¹ 188,297	796,000	2,564,194
1926	76,543	740,774			(²)	1,092,697	2,231,167
1927	81,500	795,595			(²)	1,264,561	2,461,687
1928	61,282	698,693			(²)	1,374,413	2,458,274
1929	55,106	752,693		846,497	384,426	1,354,818	3,393,540
1930	37,264	538,797	\$1,571,245	463,792	¹ 130,861	1,284,982	4,026,941
1931	26,203	348,418	1,222,606	391,338	¹ 81,686	1,388,177	3,458,428
1932	22,873	424,386	783,617	444,443	¹ 61,216	1,403,946	3,140,481
1933	18,798	485,286	626,191	682,603	193,976	1,622,616	3,629,470

¹ 1 society only.

² No data.

The amounts of net gain or loss on the trading operations, as well as the bonuses received by members from profits in addition to the regular wages, are shown in table 7. It is seen that business was profitable through 1930; each year since that time, however, has shown a loss. Notwithstanding the adverse conditions, members received a bonus each year except 1933.

Table 7.—Net Trading Gain or Loss of Workers' Productive Societies and Amount of Profit Divided Among Members, 1925 to 1933

Year	Net gain (+) or loss (-)		Profit divided among members		
	Number of societies reporting	Amount	Number of societies reporting	Societies dividing profit	
				Number	Amount divided
1925	5	+\$143,469	6	2	\$31,770
1929	6	+155,290	7	4	45,720
1930	4	+103,947	8	2	90,998
1931	4	-4,882	8	1	9,860
1932	4	-197,219	8	1	4,640
1933	5	-86,938	8		

Business Methods and Management

THE final control of all of these societies lies with the general meeting of stockholders. In all but 1 of the societies reporting, only 1 vote per member is allowed at these meetings regardless of the amount of stock held. The societies are evenly divided as regards proxy voting, 4 allowing it and 4 prohibiting it. One society allows an absent member to vote by mail, provided he has a copy of the matter to be voted upon and this copy is attached to his written vote.

Oversight of the conduct of the affairs of the society is in the hands of a board of directors. The actual management is generally left to an elected manager. In 1 society the manager is appointed by the board of directors, in 2 societies he is elected by the stockholders from their own ranks, and in 1 association he may be selected by either of these 2 methods. Two societies are managed by a board of trustees elected by the stockholders; in 1 of these the board consists of 9 members, while in the other the number varies as the members decide.

All of the societies subject their books to regular audits; in 6 cases the auditing is done by a professional accountant, in 1 by the company's bookkeeper, and in another by the stockholders.

Development Since 1925

TABLE 8 shows comparative data for 1925, 1929, and 1933.

Table 8.—Development of Workers' Productive Societies in 1925, 1929, and 1933

Item	1925	1929	1933
Total number of societies.....	39	20	18
Number of societies reporting.....	21	11	8
Shareholders:			
Number.....	2,438	1,405	1,181
Number employed.....	465	421	447
Nonshareholder employees.....	807	236	650
Share capital:			
Amount.....	\$1,025,509	\$808,230	\$1,234,704
Average per society.....	51,275	73,475	154,338
Surplus and reserves:			
Amount.....	653,590	800,139	504,590
Average per society.....	72,621	100,007	63,074
Business:			
Amount.....	4,573,329	3,847,666	3,629,470
Average per society.....	238,596	349,788	483,684
Profits:			
Amount.....	1,229,458	1,153,370	1,86,938
Average per society.....	16,390	30,674	17,388
Bonuses to shareholders:			
Amount.....	109,470	48,635	-----
Average per society.....	27,368	9,727	-----

¹ Net, after deducting losses.

² Loss.