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NEW EXPERIENCES IN THE SOCIAL ECONOMY: THE CASE OF RECUPERATED COMPANIES IN ARGENTINA

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INTRODUCTION

This article describes and analyses some of the features that characterize a new kind of social enterprise that has appeared in Argentina over the last few years, in response to the social questions that have affected the country. Within the scope of this article, social enterprise refers to any private activity that is conducted by some form of organizational management that seeks to benefit a collective interest. Its principal objective is not to obtain the highest possible profit but rather the fulfillment of both economic and social objectives as well as providing innovative solutions to the questions of social exclusion and unemployment, through the production of goods and services.

The initial part of the paper offers a brief overview of the appearance of these various organizational experiences at different historical moments in Argentina, specifically in the context of the crisis experimented in the country between 1998 and 2002. The second part deals with one particular form of social enterprise known in Argentina as, Recuperated Companies (enterprises recovered and managed by their workers).

1. THE CONTEXT

At the beginning of the 1990s, Argentina carried out a series of structural reforms within the framework of the so-called "Washington Consensus," which encouraged Latin American nations to adopt policies of fiscal and monetary austerity in order to bring macroeconomic variables under control. Three basic instruments were employed in an attempt to achieve this: a fixed exchange rate, the privatization of state-owned companies and the deregulation and opening up of local markets to the international one. The final objective of these structural reforms was to reduce public spending and provide new areas of activity for the business sector.

This economic model initially brought about a fall in inflation, revitalized Argentina's economy with the aid of a massive influx of foreign capital and was accompanied by rising public debt. In 1996, after the Mexican financial crisis shockwaves subsided, the Argentine economy recovered its growth rate until mid 1998. It was at this point that a crisis began to emerge. In 2001, after three years of recession, this model, considered a success by the international community, succumbed to one of the most violent crises ever to face the country. The currency devaluation at the end of 2001, the foreign debt default as well as a series of chaotic events in both the economic and political spheres, resulted in a situation that left 53% of the population below the poverty line, half of them destitute.

In this context, the capacity to address ever increasing unemployment, poverty, and marginalization exceeded the possibility of any social intervention based on pinpoint assistance; such extreme degrees of poverty required new tactics.

In Argentina, due to a survival of a relatively high capacity for self-organization and the productive skills and capabilities in a large part of its population, the social strategies that appeared with greatest force during this period were independent efforts driven by the popular economy. These strategies generated, to some extent, self-sustaining economic activities and it is among these that we find the appearance of new social enterprises.

During this profound economic crisis, cooperativism took on new meaning as a strategy for survival. An enormous variety of productive and commercial undertakings were established and organized. These new efforts undertook a wide range of activities that, besides combining survival and resistance strategies, also led them to understand cooperative action as a form of socio-economic organization that could provide for the basic necessities of daily life. In other

words, these new cooperative actions have shown the possibilities that the sphere of social economy offers as a means of generating a new way of achieving social integration.

The double role of the cooperative, both as a source of income and as a social movement, is what leads us to believe that these organizations are strategies which potentially offer the possibility to escape from profoundly asymmetrical social situations, that in the long term are incompatible with the idea of democracy (Giarraca, 1994).

2. THE REEMERGENCE OF SOCIAL ECONOMY IN ARGENTINA

The first examples of social economy organizations in Argentina can be traced to the 19th century. These organizations, as in many countries, took on two institutional forms: cooperatives, which emerged in rural areas at the end of that century to support initiatives of European immigrants, and mutual benefit societies, which developed based on values of solidarity, self-help, and collective assistance. The development of mutual benefit societies in Argentina during the 20th century was tied to the working sectors of society, mainly urban immigrants, who brought with them the influence of the European tradition (unions, Roman "collegia", guilds, etc). The most common of these mutual benefit societies, were those that provided insurance, burial and health services, as well as other forms of economic assistance.

Having acknowledged the aforementioned organizations as foundational to social economy, the so called "new social economy" must now also be included in the analysis. New kinds of social enterprises have appeared in recent years. This constellation of organizations is made up of many heterogeneous enterprises. They go from small scale collective manufacturing businesses, micro-credit programs and sports and cultural organizations to companies managed by their own workers and market-oriented initiatives managed by nonprofit organizations, generally in association with corporations¹. This extensive group of initiatives is the result of strategies based on cooperation, solidarity and self management. These principles have been adopted by different groups, to different effect, as alternatives to the high levels of social exclusion present today in Argentina.

The main characteristics of new social enterprises that differentiate them from other economic organizations are, first of all, that most tend to be initiatives undertaken by a group of citizens with some collective interest, such as a group of unemployed persons, workers who take over the enterprise at which they were employed or groups of neighbors, etc. Secondly, although their principal activity is the production of market goods and services, and, while it is true they carry out commercial operations, their rationale proposes a vision dissimilar than that of a capitalist company. The difference lies in the fact that power within such organizations is not based on the ownership of the assets. In this way, better conditions that allow for broader democratic participation in the decision making process are created: one worker/member, one vote. According to Defourny (1992) the objective of these kinds of efforts is the creation of a new and original way of doing business, different from both the so-called capitalist management system and from the economic initiatives of the public sphere. It is one based on the principle of solidarity and democratic participation applied to the internal decision-making process.

There are many other characteristics that identify this sector and testify to the existence of a new social commitment. Social enterprise is not associated with a profit-based motivation or a

¹ A more generous but perhaps less meaningful definition of the concept of social enterprise could include those business initiatives called Market-Based Poverty Initiatives, more commonly known as "business at the base of the pyramid". In this vein, the work and papers produced by the Social Enterprise Knowledge Network (SEKN), an academic initiative led by various Latin American and Spanish business schools in conjunction with the Harvard Business School can be referred to at the following website: <http://www.sekn.org/en/index.html>. The definitions and points of view proposed by SEKN on occasion differ from those of the authors.

return on capital invested but rather with the objective of satisfying a general or mutual interest (Laville, 2004). It does not pursue a profit objective and therefore when the time comes to pay workers, the concept of salary is replaced by the idea of an advance payment on future profit. The latter in turn, will be determined by each company's criteria which could take the form of equal withdrawals for all workers, proportional withdrawals based on the kind of work done, or according to merit. Logically, this designation will vary according to the company's income.

The purpose of social enterprise is to provide a service to the community, be this as a result of its positive externalities, through the collective goods it produces, or by assuring equal access to the service it renders. Its main purpose is to confront ever growing social exclusion by means of job creation and recovery and restoring employment as the fundamental pillar of the social structure.

In Argentina, many of these initiatives are not an option but rather a last resort in the face of unemployment. It is for this reason that those who form part of these organizations are in many cases the ones most affected by the existing socio-economic matrix: the unemployed, marginalized people, young people, and the handicapped. To this effect, Vilanova (1995) says that the birth of these "collectives" is the confirmation that poverty, social exclusion and the progressive degradation of the most vulnerable sectors have become generalized.

Due to the social and economic environment in which they are created, they tend to be undertakings that are difficult to implement mainly because of the deficiencies in existing policies and regulatory frameworks.

There is no one specific legal figure under which the various new social enterprises can be classified. These kinds of organizations operate mainly under the guise of cooperatives and associations and a growing number of them are facing a major obstacle: their own exclusion from the formal economy. This includes difficulties related to market insertion, legal systems of invoicing, the impossibility of accessing financial sources and the ineligibility for public sector programs. The problem of legal status is undoubtedly one of the main issues in an agenda that pursues the development of social enterprise in Argentina.

Despite the long history of cooperatives in Argentina, at this point in time they have taken on new significance. And the fact that many of these new social enterprises continue to be restricted to the area of marginal activities, makes the State's active role in the promotion and strengthening of these activities so important.

3. THE CASE OF RECUPERATED COMPANIES

When new social enterprises in Argentina are analyzed, the paradigmatic case of the so-called "recuperated companies" must be studied. The *Movimiento Nacional de Empresas Recuperadas* (the National Movement of Recuperated Companies), or MNER, defines these companies as those which were abandoned by their owners, due to either bankruptcy or administrative embezzlement, and whose workers, organized predominantly into cooperatives, decide to continue production under a system of self-management.²

The process of regaining these companies began at the end of the 90s and reached a high point after the profound social and economic crisis of the year 2001³. Since then, more than 170

² The MNER brings together the majority of the recuperated companies and fosters the formation of work cooperatives. Nevertheless, it must be emphasized that other experiences exist and these attempt to pass the companies into State hands.

³ This kind of new social enterprises has captured the attention of many social activists. One of the most well known is Naomi Klein. There many books and films showing, on one hand, the struggle of the employees aimed at recuperating their jobs through the recuperation of companies in which they were working and, on the other,

companies, employing over 12,000 workers, with an annual turnover of 300 million pesos,⁴ have been recuperated. Most of these companies—a full 72.3%—are concentrated in the Autonomous City of Buenos Aires and in the province of Buenos Aires.

Although these companies represent diverse industries, they are concentrated to a great extent in the manufacturing sector.⁵ This sector includes activities such as the metallurgic, textile, graphics, and food industries. Next in importance is the service sector, which includes health and education along with the hotel and restaurant industry.

As has already been mentioned, recuperated companies appeared for the first time in the context of a profound economic, social and political crisis in Argentina. This crisis resulted in a society with high levels of social exclusion in which employment was no longer the axis for social integration. Although some indicators have improved since 2003, 31.4% of the population continues to be below the poverty line and 11.2% are still destitute⁶.

It is then within this scenario that the recuperation of companies takes place. This course of action was a way of resisting the closure of factories that were involved in insolvency or bankruptcy proceedings, were behind in salary payments or had already been abandoned. At this point it is necessary to distinguish between two types of companies. The first is formed by those that, as a result of the economic climate, found themselves on the verge of shutting down, unable to maintain profitable operations as a result of the indiscriminate commercial opening up of a market which was, at the same time, becoming more and more depressed. The second type includes those that deliberately implemented a series of actions that led to the closing down of the companies in what is called "vaciamiento," or the *emptying* of the company. This practice, which became popular during the 1990s, implies that in the absence of conditions permitting the cycle of accumulation and maximization of profit for reinvestment to take place, withdrawing from the company at the lowest possible cost is a morally acceptable, capitalist alternative to follow. (Rebón y Saavedra, 2006).

Confronted with this situation and a context of increasing unemployment, the workers' principal objective is the preservation of the company and their jobs. As Fajn (2003) explains, workers initially motivated by the need to defend their jobs found a collective response to the problem of unemployment by recuperating their companies.

Although it was a heterogeneous universe of companies and the manner in which each company was recuperated had its own characteristics, the different ways these recoveries were carried out can be classified into three categories, each with its own set of problems. The most conflictive cases were those in which an agreement had not been reached with the owners. In these cases the recovery was achieved with a takeover in the strictest sense of the term, in which the workers wrested control of a production unit in direct opposition to the owners (Rebón y Saavedra, 2006). In many cases the workers had to stay inside the factory for an extended period of time, taking care of the installations and machines, while they awaited some kind of solution: a favorable ruling by a judge or an expropriation law voted by the local or provincial legislature. Diametrically opposed to this, are the cases in which a degree of consensus was reached with the owners, allowing the company to continue working, but under the management of the workers. Finally, there are those companies that were

the main outcomes of this process. For more information see: http://www.thetake.org/index.cfm?page_name=background_articles_and_links

⁴ Equivalent to approximately 100 million US dollars-

⁵ According to numbers provided by Pons and Meyer (2003), 68% refers to the manufacturing sector and 32% to the service sector..

⁶ According to information provided by the Instituto Nacional de Estadísticas y Censos, INDEC (National Statistics and Census Institute) for the first semester of 2006.

abandoned by the owners, in which case the recovery was not forceful but rather a case of workers keeping the company running. Although there are few cases that fall into this last category, as Rebón (2004) points out this does not make it any less significant, given the fact that many recuperated companies started out as a result of workers merely remaining at their workstations, a process which later turned into a seizure of the installation. This occurred in cases in which a process of response and resistance was triggered by the owners or the State trying to defend their rights as property owners, once the workers had gotten the company up and running once again.

As the phenomenon grew, other actors who felt committed to the situation started participating more actively. The occupation and holding of the installations in most cases had the support of neighborhood assemblies, students, professors and neighbors who participated actively in solidarity events (Arévalo y Calello, 2003).

Once a company was recuperated, the fundamental objective became how to reorganize its production and administration. With respect to this, it is important to point out that the workers not only had to restart production but also to administrate the new enterprise and it is precisely here that many of the difficulties began to appear. In most cases, seizures were carried out by shop or factory workers who suddenly found themselves in administrative and management roles for which, in most cases, they were unprepared.

As can be seen, there are many obstacles which workers getting a company up and running again must face. Also, among them are those arising from the dispute itself. In other words, assuring that the installations are legally expropriated, renting the factory from the owners, getting a loan and restitution contract (*commodate*) for use of the machinery, among other possible alternatives. This was a key aspect in guaranteeing the success of the process because not achieving legal stability implies the risk of being evicted and makes productivity more difficult. (Rebón y Saavedra, 2006).

To this effect, more than 90% of recuperated companies today operate as worker cooperatives, while a few others claim for State ownership but run by the workers. Compared to those cooperatives founded freely and voluntarily by its members, the running of recuperated companies that have chosen this legal status breaks with the traditional models of cooperative self-management. This situation has led to the structuring of a hybrid form of cooperative, whose main features can be summarized as follows: the elimination of administrative organs in many cases, the more frequent holding of assemblies, a higher degree of horizontality in the decision-making process (this particular characteristic tends to slow the process down a bit or often does not allow activities to progress smoothly), and the haphazard election of representative bodies in order to comply with legal formalities without really considering their functions and responsibilities, as in the case of the legal figure of trustees or receivers.⁷ (Meyer y Pons, 2003).

These experiences occur under various guises but all of them have as a common denominator the transformation of how things operate. They no longer operate under the rationale of a capitalist company but rather take on the characteristics of a social enterprise. In this sense,

⁷ The Assembly is the body that exercises the governance of the entity and can be considered in a complementary and auxiliary manner the one of highest hierarchy, as it is in charge of examining internal administration and fiscal control. There are two types of assemblies: the ordinary ones that meet once a year after ending the accounting exercises, and the extraordinary ones that are convened randomly by the counselors, the receiver or the members. Besides, it has an Administrative Council made up of three members that occupy their posts for a term that must not exceed three years and among the duties they have is that of naming the General Manager. This person is not a member of the Council and has no decision taking power: he/she only has executive functions in the administrative area. Finally, the body in charge of internal fiscal control is lead by the trustee who must be a member of the cooperative.

the two most outstanding features are: the way in which decisions are made – in recuperated factories this occurs within the framework of participative, democratic assemblies in which decisions are taken by consensus – and the way in which income is distributed – in these organizations the figure of "owner" that seeks to maximize his profit does not exist, but rather there are systems of retribution for the workers which are set up according to different criteria and the rest is reinvested in the company. Although salaries tend to be low at first, this is considered a necessary effort until the company is running once again.

With respect to production, difficulties are related to the precarious state of the companies, which in general are under financed, alienated from markets and in debt with suppliers. As a result, initial strategies aim at reactivating the production of some of the company's more characteristic product lines and the reconstruction of links with part of the former clients and suppliers. Another obstacle is the difficulty to obtain financing to accumulate working capital and to be able to produce at one hundred percent of production capacity. Nevertheless, perhaps the greatest challenge is the company's management by its own workers.

Although the legal situation of many of these companies must still be resolved, the growth and development they have undergone since recuperation is significant. Almost all of these enterprises continue working solidly and have a remarkably active role in their communities. Some of them have even set up civic centers or established health services and educational centers, among other activities. Many of these initiatives arose during the heat of the moment when the entire community participated in the recuperation of the company; this was fundamental when it came to legitimizing the process.

The interesting thing about these companies is that they operate within a market economy, sell at market prices, and compete with other capitalist companies but internally they produce in a non-capitalist path; decisions are made collectively, income is redistributed more fairly, and the viability of the factory does not depend on the rate of return on investment but rather on the level of well being among the workers. They are, undeniably, the leading actors in this phenomenon. As the National Movement of Recuperated Companies explains, these organizations are breathing new life into the culture axiom of "living off of one's work", while at the same time becoming a viable alternative to the predominant corporate culture, primarily aimed at having at their disposal capital assets without considering the social and environmental consequences of their decisions.

4. FINAL CONSIDERATIONS

The question that arises after reviewing the outstanding features of these new social enterprises in Argentina is whether they can become agents of a development process which could be more socially inclusive than the existing one.

The author understands this to be possible but with some caveats. Some social science researchers (i.e. Corragio, 2002) have considered these types of enterprises from an enthusiastic perspective, perhaps leading to the impression that these new forms of self organization are potentially able to significantly transform existing models of accumulation of capital. Indeed, even when social enterprises have placed the most pressing social needs at center stage or have turned them into fundamental objectives, they have not necessarily had significant economic influence. There is still no concrete factual evidence that allows one to state that these initiatives might in themselves be the key to a transformation in the current dynamics of an economy whose main characteristics are increasing inequality and social fragmentation. Instead, some empirical evidence would seem to indicate that, for the time being, these are valuable defensive strategies employed by working class sectors that find an alternative to unemployment and marginalization in these recuperated companies.

Is this sufficient reason for these experiences to be underrated? The author, in this case, does not think so because for those who undertake them, social enterprises represent an invaluable and irreplaceable individual experience. Additionally, and above all, they highlight in the social agenda the possibility of and the need to build an economy with multiple forms of property and new forms of management, favorable to the empowerment of its members. Additionally, these types of enterprises can potentially be extremely positive because they reassert the long standing Argentine tradition of creating different institutional models based on cooperation and on different forms of association. Last but not least, getting these recuperated companies underway has implied a long and admirable struggle, aimed at making them socially legitimate and, above all, legal.

To this effect, it is worth mentioning that there are many social enterprise initiatives which have acquired skills that make them on one hand, fully functioning agents for local development, operating within a market economy and on the other, models of working class self-management based on democratic principles and equal participation. These can be taken as examples of alternative forms of organizing production which can potentially become socially and economically sustainable. Despite this, as a whole, they have not yet become an improved and superior dynamic organizational model because they are still isolated and disjointed initiatives. Therefore, what is needed is the creation of specialized institutions and the implementation of public policies aimed at promoting the growth and sustainability of such enterprises. This requires technologically innovative systems as well as adequate programs for financing that will generate new productive and managerial skills, allowing them to consolidate into an alternative sector, bearing the standards of values characterized by solidarity, reciprocity and self-management within the framework of a pluralistic economy.

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