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The right to work in Argentina : job policy and economic rights in a worker cooperative

Patricia Kent

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**THE RIGHT TO WORK IN ARGENTINA:
JOB POLICY AND ECONOMIC RIGHTS
IN A WORKER COOPERATIVE**

By

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B.A., Social Thought & Political Economy, UMass Amherst, 2006

THESIS

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and
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DEDICATION

*This research is dedicated to
those working towards a more just economic system.*

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ABSTRACT

This thesis provides an exploration of an empresa recuperada por sus trabajadores (worker recovered enterprise, ERT) case study in Argentina in an effort to understand their impact to employment retention during economic crisis. Part of the larger social upheaval resulting from failed economic liberalization during the 1990's, ERTs attempt to implement an alternative economic development strategy through self-management of previously private enterprises. This thesis explores one ERT located in Florencio Varela, Argentina, in an effort to understand the impact the ERTs have in local communities in terms of employment retention and social capital production. Lastly, the analysis examines the role that ERTs play in both the development and dissemination of an economic human rights norm. This case provides an insight into the larger ERT movement in Argentina and provides recommendations to both ERTs and policymakers in terms of how to promote the sustainability of these enterprises.

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Chapter 1 – Introduction

Research Question

The subject of this analysis is a worker cooperative in Argentina that evolved out of a moment of mass social protest in December 2001, termed the “argentinazo.” During this time of political and economic chaos, the country experienced five presidents in a period of two weeks. In the period immediately following this economic collapse, small business bankruptcies rose and the country suffered phenomenal rates of under- and unemployment alongside substantial growth in the informal economy and widespread disinvestment. It is within this context that *empresas recuperadas por sus trabajadores* (worker recovered enterprises, ERTs) evolved as a basic needs approach to job security in Argentina. This paper seeks to analyze the ERT movement as a strategy for preventing unemployment while exploring the ways in which the movement promotes and disseminates economic rights norms. This research illuminates the strengths and weaknesses of this cooperative model in an effort to provide recommendations to individuals, non-profit groups, unions, and elected officials regarding cooperatives as an economic development strategy for job retention.

The research questions posed by this paper are:

- Under what circumstances do worker-cooperatives provide an economic development strategy to address unemployment?
- In what ways do worker-cooperatives in Argentina create and disseminate economic rights norms?

Problem

The cooperative model has been around for hundreds of years; today it

employs more than 800 million individuals in more than 85 countries worldwide (Restakis 2010). Recently, cooperatives have been getting a lot of attention as an alternative business model within the current capitalist economic system as well as a paradigm for economic development (Casper-Futterman 2011). Even the United Nations has recognized the importance of the movement, naming 2012 the “International Year of Cooperatives” in an effort “to raise public awareness of the invaluable contributions of cooperative enterprises to poverty reduction, employment generation and social integration” (United Nations). United Nations Secretary General, Ban Ki-moo has stated that, "Cooperatives are a reminder to the international community that it is possible to pursue both economic viability and social responsibility" (United Nations).

There are many types of cooperatives including consumer cooperatives, producer cooperatives, service cooperatives, and hybrid cooperatives. ERTs are a particular type of worker cooperative and the one upon which this paper will focus. ERTs are worker cooperatives that experienced some form of struggle and worker takeover after the previous owner went bankrupt and attempted to close. Within this form of cooperative management, all of the workers own the business and utilize decision-making strategies informed by theories of direct democratic action to manage the company. Under traditional forms of business management, employees work for a boss, who is either the owner of the company or works for the owner. This hierarchical structure does not assume that the workers, or producers, should also earn enough to be consumers. In this context, we have seen the emergence of the international “race to the bottom,” by which firms seek forms of deregulation in an

effort to hire the cheapest forms of labor and yield the highest profits.

In 2001, worker cooperatives began to emerge in Argentina in response to critical economic conditions. Directly following the economic collapse of 2001, bankruptcies in Argentina soared from an average of 772 per month in 1991 to over 2,600 per month. In the end, more than three million businesses failed and workers were forced to join the ranks of the unemployed (ECLAC 2002, El Universal 2002, Magnani 2003). Employees were not only faced with the reality of high unemployment rates, which reached between 28-30% at the peak of the crisis, but similarly high rates of underemployment in the informal economy and structural unemployment (Galiani and Hopenhayn 2001). Strikes and *maquiazos*¹ became the common form of protest as citizens marched in demand of jobs and support for the unemployed (Azul 2001, Fernández Álvarez 2009). During this time of severe economic hardship, many former employees of bankrupt businesses chose to continue working without the permission of their absent employers in an effort to maintain their families' most basic needs with a minimal income. Such a decision illustrates the limited avenues available under traditional worker's unions or similar bargaining organizations in today's global race to the bottom. The workers conceptualized this effort as a natural response to a "political withdrawal, which put production at risk and caused the suffering of employees as they struggled daily to produce and to sustain their families (*ganar el pan*) with dignity" (Fernández Álvarez 2009, p. 132). Continuing the production in a bankrupt firm is considered an illegal occupation of

¹ A particular type of road block, *maquinazos* are demonstrations in which workers take the "máquinas de coser" into the public roadways (often in front of the bankrupt factory or government buildings). "cosían por el lapso de una o dos horas diferentes productos"... press conference. Fernández Álvarez (2009) p. 132.

private property and many ERTs experienced stand-offs with police. Today, hundreds of ERTs exist in Argentina, Brazil, Uruguay, and Venezuela (Centro de Documentación). Managed under cooperative worker-ownership, these businesses occupy such industries as textiles, metallurgy, printing, food production and packaging, and even services such as hospitality while employing more than 13,400 workers in Argentina (Facultad Abierta 2014).

Youth unemployment rates have risen faster worldwide than any other sector of the workforce, which has led to many protests and “high rates of ‘discouraged’ young people,” according to the United Nations’ Commission for Social Development (United Nations). Unemployment has both a direct and indirect negative multiplying effect. First, unemployment reduces a household’s take-home income and business may see a decrease in sales as community members can no longer afford to make purchases. Additionally, locally owned businesses may struggle to maintain previous levels of purchases from suppliers, decreasing economic activity at another level. Local communities also see a loss in tax revenue from employment and sales taxes. Lastly, communities suffer from the negative impacts on human capital of unemployment, which may cause an increase in crime, health concerns, low self-esteem, and lower educational achievement.

For these reasons, employment is an important issue faced by economic development planners. Unemployment levels are directly correlated to local economic growth factors (Patton 2012). Employment provides self-sufficiency to households from government subsidy programs, self-esteem, and increased human capital. In Argentina, ERTs have grown to employ approximately 14,000 individuals across the

county.² Worker cooperatives have been posited as a means to bolster employment generation in New York City, Detroit, Finland, and Argentina (Lawrence, Casper-Futterman 2011, Pättiniemi 2001).

Worker cooperatives in Argentina developed as a response to business bankruptcies, job insecurity, and poverty in the wake of the economic collapse of 2001. Many of these conditions still exist today. These worker cooperatives function as a nexus of community support, providing education, health services, cultural opportunities, and job training that help develop the capacity of local residents. In return, the worker cooperatives maintain a safety net of social and economic support through the solidarity of local community members.

This study encompasses a wide range of work spanning the disciplines of political science, community & regional planning, and economic development. First, this research will illuminate the worker cooperative's potential as an economic development strategy to address local issues of unemployment in Argentina. Secondly, the research investigates if and how worker cooperatives in Argentina are developing and disseminating economic rights norms, both internally and externally, and takes into consideration the importance of normative development for understanding the role of human rights in economic development. Lastly, the research discusses the worker cooperative model, as expressed in a metallurgy firm in Argentina, as a participatory, communicative, iterative, economic development process and explains the visions, strategies, and theories of the movement.

This paper makes two main contributions to community and economic

² According to the Facultad Abierta at the University of Buenos Aires, in 2004 there were 161 ERTs employing 9,100 individuals; 205 ERTs employing 9,362 individuals in 2010; and 311 ERTS employing 13,462 individuals in 2014.

development planning discourse in Latin America. First, the paper illuminates the experience of one worker cooperative in light of economic development strategies. The analysis developed in this paper will provide a resource to both employment-seeking social movements and local government agencies identifying the pros and cons associated with policy initiatives and funding assistance aimed at promoting the worker cooperative model. Secondly, it contributes to the discussion of how government agencies and social movements can collaborate and the positive impacts of these collaborations. Lastly, this paper demonstrates how worker cooperatives develop and promote economic rights normative development and dissemination and provides an explanation regarding how these processes take place and why they are critical for discussions of economic development initiatives.

Outline: Chapter Summaries

This thesis provides an introduction to the problem, a review of relevant literature, an explanation of the analytical methods employed, qualitative case study analysis, and a chapter detailing the conclusions and recommendations. Chapter 1, the Introduction, contains a brief description of the case and an overview of the thesis statements. It provides context and anchors the discussion of worker cooperatives in the community & regional planning and political science discourse. The Literature Review in Chapter 2 reflects on important literature in the field of political science, community planning, and economic development. The chapter reflects on development paradigms, ending with a synopsis of the critique of neoliberalism by globalization theorists from sociology (Sassen 1998, Castells 1978 and 1983) and geography (Harvey 2005).

The chapter goes on to synthesize theories developed in sociology by Castells (2005) and in political science by Sikkink (1993, 1998, 2014), to express a theory of economic rights norm development and dissemination from within an Argentine worker cooperative. The selected texts emphasize the importance of community involvement in development initiatives as well as highlight the lack of literature regarding economic human rights in relation to community development. By examining how economic rights norms are used within the worker cooperative movement in Argentina, this paper will illustrate the emergence of an economic rights discourse. This chapter examines the traditional development theories and explains how sustainable development can be achieved through empowerment and economic rights norm dissemination.

The third chapter, Analytical Methods, discusses the research methods and protocol used to discern conclusions regarding cooperatives as an employment generation/maintenance and economic development strategy. This chapter includes descriptive statistics to highlight key details of the case study and illustrate the economic and social factors that led to the emergence of worker cooperatives in Argentina. The case description also details the legal status of worker cooperatives, their access to government subsidies and lack of access to credit, as well as the division of labor. These issues help to frame worker cooperatives in a community economic development paradigm in order to analyze their successes and/or failures as an employment strategy.

The Findings and Analysis chapter, Chapter 4, provides a qualitative analysis of the cooperative movement in Argentina through studies published by the Facultad

Abierta in the School of Philosophy and Letters at the University of Buenos Aires. It contributes a narrative explanation of worker cooperatives as a strategy to address unemployment through the triangulation of data highlighting key findings. This chapter includes an explanation of the primary and secondary sources, which include movement literature, an interview, and periodic surveys conducted by the Facultad Abierta. The chapter explains the data in regards to employment opportunities, policies regarding the hiring of new employees and wage distribution, access to financial services, and the ability of cooperatives to compete in the market. The narrative triangulates the information across the relevant themes in an effort to explore the development of economic rights norms.

Lastly, Chapter 5 summarizes the overall Conclusions and Recommendations and emphasizes examples of strategies that might be used to implement worker cooperative economic development. The recommendations provided by this document are not meant to provide a comprehensive economic development strategy; rather, should help local cooperative movements and governments understand how worker cooperatives can alleviate some unemployment issues as part of a larger economic development strategy. Lastly, policy suggestions on how to promote worker cooperatives and make them more viable options for the local workforce conclude the research. The conclusions and recommendations provided here are meant to provoke discussions regarding the potential limitations and benefits regarding worker cooperatives as an employment strategy in local economic development initiatives as well as emphasize the role of an economic rights discourse.

locally owned businesses may struggle to maintain previous levels of purchases from suppliers.

Chapter 2 – Literature Review

Introduction

The literature and theories chosen for this analysis address the relationship between community economic development and the enrichment of social capital. They also explore social movement theory and social policies influencing employment generation/retention, while developing an understanding of economic rights norm development in Argentina. The readings represent literature from international relations, comparative politics, community development, and history. The following literature review reveals that contrary to neoliberal development theories that promote unlimited growth, sustainable development must meet social, cultural, and economic baselines in order to promote long-term success (Roseland 2005). Development strategies that are focused solely on growth produce structural inequalities, which in turn create poverty, limit access to social services, and many times lead to human rights violations (Wilson 1996). First, the review explores traditional and new forms of economic development strategies and the potential for expansion of social capital. Additionally, this literature review examines the worker cooperative movement in Argentina as a social movement in the context of both political science and community development scholarship. Next, it addresses the concept of economic human rights in the context of worker cooperatives in an effort to breach the relationship between the cooperative movement and the economic rights movement. This paper contributes to the literature by exploring the issue of economic human rights and allows for a deeper analysis of how worker cooperatives might help Latin American communities address issues of unemployment and underemployment.

Current Research

While the benefits of cooperativism have been written about extensively, an analysis of the quantity and quality of job opportunities and the development of economic rights norms has been overlooked (Crabtree 2008, Gibson-Graham 2003). Discussions of the development of a “worker’s economy” by ERTs abound (Meyer and Pons 2004, Heller 2005, Ruggeri 2009, Vieta 2009). These include debates about the role of political ideology in the organizational structure of cooperatives (Wilson-Jones 2011) and discussions of ERTs as practical applications of ‘corporate social responsibility’ (Bryer 2010). Some legal proceedings have detailed the processes by which ERTs can obtain legal expropriation of the factories, machinery, raw material, and patents (Raffaghelli 2005, Giorladini 2003). Adam David Cole has written a legal analysis of the options available to ERTs in his 2007 piece entitled “You Say You Want a Revolution.” And Casper-Futterman (2011) develops an argument for the integration of worker cooperatives into the supply chain of local anchor institutions, which creates lower levels of flight by both community members and businesses during difficult economic times. This paper adds an analysis that looks at their usefulness as economic development strategies, via their contribution to job retention, well-being of workers, and social capital reproduction. Such a critique is crucial to the field of Community & Regional Planning as practitioners attempt to build the capacity of citizens to take advantage of their community’s development opportunities. While cooperativism spreads across Latin America and worldwide, from Brazil to Turkey, it will be necessary to evaluate these new forms of

community-initiated development in order to fully understand their benefits and limitations.

Development Paradigms

Towards the end of the 20th century, the terms “growth” and “development” became synonymous in discussions around international development policies and standards. The more a developing economy produced, the more developed it was, and therefore, the more successful it was. Harvey (2005) notes that,

“Continuous increases in productivity should then deliver higher living standards for everyone. Under the assumption that ‘a rising tide lifts all boats’, or of ‘trickle down’, neoliberal theory holds that the elimination of poverty (both domestic and worldwide) can best be secured through free market and free trade” (p. 64).

The Washington Consensus, a prescription of economic policies supported by international development banks including the World Bank, the International Monetary Fund (IMF), and the U.S Treasury, included market-based approaches such as macroeconomic stabilization, economic liberalization, the removal of State interference with domestic markets, and the general opening of the economy to market forces, thereby increasing the role of private enterprise. The international community began investing more capital into industries such as mining. The assumption was that capital investments and technical assistance would increase economic growth and decrease unemployment (Berry and Sabot 1984).

The result was “a project to achieve the restoration of class power” (Harvey 2005). Wealth disparities increased. The dissolution of the Welfare State meant that programs were cut in the name of market liberalization. States making these “structural adjustments” allowed for the privatization of state-owned organizations

such as hospitals and schools and a reduction in labor rights protections. With a lack of subsidies, tariffs, or other protectionist measures small and medium businesses are pushed out of the market by transnational corporations. The public sector is reduced and outsourced to private firms. Large corporations seek the cheapest overhead. Employment becomes precarious and it becomes difficult to survive on a single income. According to Sassen (1998),

“The global economy materializes in a worldwide grid of strategic places, from export-processing zones to major international business and financial centers. We can think of this global grid as constituting a new economic geography of centrality, one that cuts across national boundaries and across the old North-South divide. It signals the emergence of a parallel political geography of power, a transnational space for the formation of new claims by global capital” (p. xxv).

It is within this new space of global capital that ERTs pose a potential microeconomic policy for local governments to utilize on a case-by-case basis to help counter surges in unemployment levels and promote quality jobs.

Economic Development

Economic development is a particular subsection of community development that focuses on the economic factors at work within a community. Traditional economic development theories often promote growth over all else; however, development means much more than that. Blakely and Leigh (2010) point out the fundamental premise of economic growth models is to create jobs and increase the tax base, but note that it is “a great mistake to equate economic growth with economic development” (p. 74). Casper-Futterman (2011) cites Wolman and Spitzley (1999) when he explains that “development refers to structural changes in the technical and institutional arrangements that produce and distribute economic output” (p. 117). And

Blakely and Leigh (2010) cite Friedman (2005) acknowledging that new solutions call for “an orientation away from traditional business development and recruitment toward ensuring all participants in a local economy have adequate preparation to make maximum contributions” (p. 3). Economic development packages include policy initiatives that promote the standard of living in a particular area. These policies might include employment policies, diversification strategies, and other tools that help bolster local economic activity into a sustainable community reality. Such initiatives can be difficult to develop due to the complex nature of local, national, and international economies. Additionally, due to the unique quality of all communities in terms of geography, demographics, and political atmosphere, strategies may need to be flexible and adapted for each specific case.

Top-down models of economic development assume that a one-size-fits-all approach can have the same effect in different places, with different cultural norms, value systems, geography, etc. These policies have often left out considerations of the informal economy and feminist interpretations of economic activity, such as caretaking. These neoclassical interpretations of economic utility are often based on a “separate self model” which is unrelated to one’s relationships with other people. According to Bernería (2003),

“to the extent that this model typifies Western individualism, it shares a Western bias and is foreign to societies with more collective forms of action and decision making. Neoclassical economic analysis has had little to say about these alternative modes of behavior and their significance for different forms of social organization and for policy and action” (p. 319).

The International Labour Office agrees that “A key lesson from the global financial and economic crisis is that policies for economic growth which have prevailed over the past three decades need a rethink” (p. v). Blakely and Leigh (2010) agree that local economic development actions are more likely to be successful if initiated at the local level. At the policy level, the United Nations (2006) has recognized the usefulness of cooperatives towards sustainable economic development, stating, “Central to the cooperatives concept is the pooling of community resources for sustainable development: skills, capital, know-how, and organizational capacity. They provide an effective model for community-centered, participatory development, empowering local communities to take development into their own hands and overcome the constraints to achieving sustainable livelihoods” (p. 76).

In what Thomas Friedman calls “Globalization 3.0,” where the drivers of global integration have shifted from U.S and European corporations to individuals, there is a need for solutions that maintain an “orientation away from traditional business development and recruitment toward ensuring all participants in a local economy have adequate preparation to make maximum contributions” (Friedman cited in Blakely and Leigh 2010, p. 3).

Alternative community economic development strategies

Historically, Latin American states have upheld authoritarian, militaristic regimes under which civil society has suffered varying degrees of repression, ranging from co-optation to outright murder. Traditional forms of economic development such as import-substitution, neoliberal reforms, austerity measures, and debt have

limited some countries of the region more than others (Haiti more so than Brazil, for example). The region has consistently been subordinate to foreign capital and the economic policy prescriptions of the Washington Consensus. A paradigm shift in community economic development strategies has focused on individual empowerment and the role of trust in promoting sustainability (Wilson 1996, Fukuyama 1996). This scholarship poses a response to development theories which traditionally promoted top-down, one-size-fits-all administrative prescriptions regarding monetary policy and financial management, social spending, and other neoliberal reforms onto developing nations such as Argentina, in an effort to increase gross domestic product and spur international investment. It has been argued that these strategies have not promoted sustainable economic development because they neither empowered individuals or communities to become self-sustaining nor were the policies sustainable themselves (Ranney 2003). More recent scholarship on community economic development has moved the individual to the forefront of the discussion as a catalyst for change (Gibson-Graham 2003, Mutersbaugh 2002). Micro-lending, social enterprise, and cooperative models that promote the capacity of the individual to not only take control of their immediate needs but to share their knowledge and experiences with their neighbors, have flourished in the past ten years.

Post-development literature addresses this crucial link between individual empowerment and institutional change (Wilson, 1996). Blakely and Leigh (2010) offer a new, three-part definition of economic development that steers away from growth-oriented objectives:

1. Economic development establishes a minimum standard of living for all and increases the standard over time.

2. Economic development reduces inequality.
3. Economic development promotes and encourages sustainable resource use and production (p. 75).

Using one worker cooperative in Argentina as an example, this paper investigates worker cooperatives as an alternative economic development strategy. Specifically, this paper seeks to understand how worker cooperatives might help communities address issues of high unemployment and in turn, how governments can help support these types of organizations. While many small companies have continued to make the transformation into cooperatives, it is important to analyze these processes in order to accommodate these businesses in the global urban space. This thesis analyzes the worker cooperative model as a local economic and social capital development strategy in the face of external challenges such as recession and disinvestment and explores the role that worker cooperatives play in local, sustainable, community economic development initiatives/policies.

Employment Policies and Measuring Job Quality

Employment policies are often devised by governments whose jurisdictions are experiencing job loss and disinvestment. The creation of jobs in some cases correlates to an increase in the local population, more local spending, an increase in tax revenue, and therefore, the expansion and improvement of public goods and services. This improves the quality of life for all residents in the community, which is the goal of economic development strategies. Like other traditional economic strategies, employment generation policies have historically focused on the growth in number of jobs. This often results in policies aimed at attracting large manufacturing facilities or other such large industries that require many employees. These demand-

side approaches to economic development focus on the “basic” activities which draw outside investment into the community, such as farmers and manufacturers that sell to outside markets, and tourists and retirees who bring their money to spend in the community. The assumption of demand-side policies is that “the purchase of a local good by a local individual will not increase community income since money has just traded hands within the community” (Barkley, 2001). However, with each round of spending achieved by these new “basic” businesses, there are financial leakages such as the payment of non-local taxes, savings not re-invested locally, and the import of goods and services used in the production process (ex: using a non-local law firm or cleaning company and ordering supplies from outside of the community).

New interpretations of employment generation policies have emerged that include local business retention and expansion, technical assistance, training, support programs for entrepreneurs, and the expansion of tourism activities among others. These types of policies promote supply-side policies, emphasizing a community’s assets such as location and the availability of resources such as labor and transportation. Contrary to the demand-side belief that inside money does little to promote economic development, the New Economics Foundations, an independent economic think tank based in London, found that two times more of the money spent locally stayed within the community, compared to the money that stayed within the community when consumers purchased at corporate stores (Schwartz 2009). Therefore, supply-side or comparative advantage policies signal communities to invest inward and improve the quality of their local inputs such as public education, labor training, and investments in public infrastructure.

Job quality is important when discussing economic development for a myriad of reasons. People across the world spend more of their days at their place of work, which in turn equates to a large chunk of their lives. Job satisfaction is an important factor in a person's overall well-being as well as that of their family, and therefore their community. The ILO has stated in their Decent Work Agenda that, "work is a source of personal dignity, family stability, peace in the community, democracies that deliver for people, and economic growth that expands opportunities for productive jobs and enterprise development." A growing body of work illustrates the correlation between low subjective well-being with not having a job (when the individual has a desire to work)(OECD, 2013). When individuals feel satisfaction with their employment they are more likely to contribute to their communities in different ways.

There are many subjective factors that may make up job quality including opportunities for personal growth, relationships, reasonable workloads, and social and employment policies. While more work needs to be done in order to define a set of internationally comparable indicators of job quality, some work has been completed by both the International Labour Office (ILO) as part of their Decent Work Agenda and the United Nations Economic Commission for Europe (UNECE) in its framework for Measuring Quality of Employment. According to the Organisation for Economic Co-operation and Development (OECD), an international economic organization of 34 countries founded in 1961 to stimulate economic progress and world trade, the indicators outlined in these two efforts fall into three categories:

1. Contract Terms and Conditions: wages, working hours, etc.
2. Working Conditions: these include organizational aspects of the work environment such as personal relationships, safety, work autonomy, and opportunities for professional growth.

3. Institutional and Policy Framework: this category includes benefits such as health insurance and paid time off, familial leave, and retirement benefits (OECD 2013).

As these theories illustrate, having a quality work experience affects the rest of our daily lives and our communities and is just one piece of the social network fabric that we belong to. Measuring potential quality of life benefits when strategizing an economic development package which includes employment policies will prove important to communities. Like all public policy initiatives there are pros and cons to each policy in the context of the particular communities which decide to implement them. A balanced program which incorporates a mix of both supply and demand side policies will help communities succeed in their employment efforts. The hypothesis this paper tests is whether or not supporting the development of worker-cooperatives provides a comparative advantage policy program that struggling communities in Latin America can implement to not only retain jobs but to also increase their quality.

Social Capital

Strengthening the presence of economic capital is crucial for local development initiatives, alongside social, cultural and environmental capital. Capital is accumulated labor, which can take forms outside of the solely economic interpretation. Capital in its different forms is power. Social capital “is the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance and recognition – or in other words, to membership in a group...” (Bourdieu, 1986). It creates the means by which communities can increase the availability of and access to financial and public resources and helps them to use them more effectively. In the

absence of social capital, social fragmentation and apathy lead to isolation and individualism (Putnam 2000, Coleman 1990).³ The basic concept of social capital is that social networks have value, just like economic factors have value. This value manifests as trust, reciprocity, information, civic participation, and cooperation. As Warren, Thompson, and Saegert (2005) explain, “Social capital is a collective asset, a feature of communities, rather than the property of an individual. As such, individuals both contribute to it and use it, but they cannot own it.” Within the ERT movement in Argentina, trust and solidarity were major assets during the occupations of bankrupt firms and, I argue, were the basis for the formation of an economic rights norm. According to Sabatini, Modena, and Tortia (2014), “the creation and diffusion of trust is connected to the ability of the economy to function properly and to reproduce itself over time (p. 622).” A growing body of literature suggests that the existence of higher levels of trust reduces transaction costs, favors the enforcement of contracts, facilitates access to credit, and encourages innovation and investment in both human and physical capital (Putnam 1993, Fukuyama 1995, Guiso, Zingales, and Sapienza 2008). Efforts to reinforce networks that produce social capital include strategies to make more with less. These efforts include maximizing the use of existing resources, circulating money within a community, replacing imports with locally made goods, trading, and developing community financial institutions (Roseland, 2005).

³ The concept of social isolation has been racialized and interpreted to mean that poor communities are cut off from the outside world. However, Putnam (1996) has suggested that social isolation and low rates of civic engagement could also be generational, appearing more in generations that have come of age within the past two to three decades. One reason cited is the advancement of technology that reduces the need for personal interactions. Additionally, there is little evidence to show that the decline of social capital in poor communities has been greater than the decline in affluent communities (Warren, Thompson, and Saegert (2005).

There can be negative effects of social capital as well as positive. Bourdieu (1986) explained how social capital has been used to perpetuate inequalities. Elites have been able to maintain their status, power, and economic class (and that of their children) by using their networks, their social capital. This creates an imbalance in the bonding-bridging equilibrium of social capital. “Bonding” explains the processes by which members of the network create joint meaning. “Bridging” occurs when social capital allows for networks to be created. Without the right balance of each of these forms of social capital there becomes an imbalance. An example of an imbalance in social capital and the negative effects of too much “bonding” social capital can be seen within a street gang. The members of these types of groups have a lot of joint meaning, but the group is untrusting of outsiders. This type of negative use of social capital can also be seen in the worker cooperative movement in Argentina in both the unwillingness of ERTs to participate in the research and in exclusionary employee recruitment practices.

The state of social capital has been described as declining due to urban sprawl and longer work commutes, an increase in two-career families, advances in isolating technologies such as the television and the internet, and many other factors that increase our time spent alone and outside of social networks. Groups around the world are attempting to reverse this marked decline in social capital by turning these strategies into functioning success stories. These include the implementation of local “complementary” currencies,⁴ skillshare events where individuals share their skills

⁴ Complementary currencies are a controversial strategy to enhance “Shop Local” campaigns. Successful currencies are being printed in western Massachusetts (BerkShares), Philadelphia (Equal Dollars), and Ithaca, New York (Ithaca Hours); Kemp-Robertson, Paul, “Bitcoin. Sweat. Tide. Meet the future of branded currency,” Filmed June 2013 at TEDGlobal 2013. Complementary currencies

with others,⁵ worker and consumer cooperatives, and cooperative lending institutions. In a 2011 study of cooperatives, Sabatini, Modena, and Tortia (2014) found that within the sample, cooperative enterprises create social trust among workers, unlike other types of enterprise. They claim that cooperatives improve trust 47.5% relative to public enterprises, 36.9% relative to private enterprises, and 48.1% relative to self-employment. Fukuyama (1996), writing about the importance of trust in community economic development, explains that a freedom of association moderates “the political system's inherent tendency toward individualism by schooling people in social cooperation and public-spiritedness (p. 13).” ERTs in Argentina are developing local community development experiments that multiply and harness social capital such as public education, health and cultural centers, and soup kitchens.

Social Anchor Theory

Social Anchor Theory (SAT) provides a contextual background for community development initiatives. SAT posits that some local institutions, such as a hospital or a school, can play the role of “anchor” or “holding points for communities that face economic and social pressure from outside forces” by bridging demographics and promoting the creation of new network extensions (Clopton and Finch 2011). Social Anchor Theory is important to consider when thinking about ERTs and their impact on community development initiatives and social capital development and maintenance. Through the factory occupation process, some ERTs begin a transformation from capitalist enterprise into local, community-based anchor

also come with their own set of disadvantages such as the Bitcoin experienced through the contribution to underground economies that fund drug traffic, illegal arms dealing, and more.

⁵ SkillShare events are successful educational tools that promote local sustainability by sharing knowledge of skills such as crocheting, cooking, etc with community members.

institutions where community members can begin to develop a collective identity through bonding and bridging. The development of a Common Ingroup Identity, or superordinate identity, allows the employees of cooperative enterprises in Argentina to increase their positive intergroup attitudes and intergroup forgiveness. According to Clopton and Finch (2011), “Social anchors allow a community to achieve this authenticity by preserving the uniqueness of the community through a consistent marker of identification.” Casper-Futterman (2011) also argues that “worker cooperatives can help change how cities produce and consume goods and services... When integrated into the supply chain of local anchor institutions...” (p. 116). ERTs that expand their community involvement by providing educational classes, cultural centers, and other community-oriented social services, have more of a capacity to anchor local identities and disseminate worker-based ideologies and economic rights norms. At a minimum, ERTs provide identity development and empowerment for workers, which help to secure social capital in the community.

Social Movements

A dynamic feature in the political landscape, civic society has been heralded as a crucial aspect of democracy by political theorists such as Alexis de Tocqueville (1835, 1840). De Tocqueville argued that when citizens feel powerless or lose their sense of common purpose, a concentration of power occurs alongside social fragmentation. He championed freedom of association and stated that, “There is nothing the human will despair of attaining through the free action of the combined power of individuals” (p. 220). He emphasized the importance of a balance between liberty and freedom, specifically warning against the inevitable totalitarianism when

this balance capsized. As we have seen in many newly consolidated democracies, the stability of liberal society is threatened by social fragmentation and complacency.

Social movements, a civic response to government, occur in distinct forms for many different reasons. Charles Tilly (1984) described them as “political activity in the form of pressing political demands through mobilization.” From the feminist movement in the United States during the 1970’s to the Zapatistas’ uprising in Mexico in 1994, social movements prove to be a complicated aspect of modern political life. Citizens under all types of governing structures have been asking for accountable representation and improved social services for centuries. The underlying assumption is that while nongovernmental organizations seek policy change, social movements seek some form of social change.

Dunleavy (1980) describes some of the crucial aspects of social movements. He explains that, “the important elements here are the stress on collectivity and on the push towards change of some kind. An urban social movement must display these characteristics in organizing around urban issues of collective consumption (p. 156).” Foweraker (2005) explained that “...social movement demands are expressed as claims to rights, or have a potential impact on the extension or exercise of rights.”

The concept of collective consumption was central to neo-Marxist, urban social theories developed in the late 1960’s and 1970’s. The phrase “collective consumption” is often attributed to the Nobel economist Paul A. Samuelson who described public goods for the first time in his classic paper *The Pure Theory of Public Expenditure* (1954). Collective consumption goods, according to Samuelson, are those goods “which all enjoy in common in the sense that each individual’s

consumption of such a good leads to no subtraction from any other individual's consumption of that good..." (p. 387). Examples of public goods include fresh air, roads, open source software, and public radio. The consumption of these goods does not detract from someone else's ability to consume them as well. Some theorists in the neo-Marxist tradition argued that advanced capitalism required an increase in the state's involvement in the means of collective consumption. In other words, in order to maintain an adequate workforce, provisions must be made not only in the sphere of individual consumption (commodities such as food and clothing) but also in the realm of services such as education and transportation. Theoretically, these services are consumed collectively by many people.

Manuel Castells adopts the notion of collective consumption in his writings on urban sociology in the 1980's. His interpretation drastically differed from the institutionally focused sociology of the Chicago School, which centered on the location of geographically contained social processes. In contrast, Castells focuses on the urban system and the political conflict based on state intervention into the provision of public services, or the arena of the 'collective consumption' process. He writes:

"The contradictions it [monopoly capitalism] developed in the sector of collective goods and services leads to an intervention by the state which, far from regulating the process, exacerbated contradictions and politicised the issue (p. 14)."

In his earlier writings Castells believed that class struggle was the motor behind social movements. He saw social movements forming alliances with "advanced sections of the working-class movement" to create a "revolutionary change in the distribution of power away from capitalist interests and towards socialism (Castells

cited in Lowe 1986, p. 14).” In his later work, *The City and the Grassroots* (1983), he adopted a “cross-cultural theory of urban social change” where instead of focusing on economic class he emphasizes that “the originators of alternative political and cultural systems” would be groups that “disengaged from associations with political parties as initiators of change and stand as autonomous organizations constantly generating the possibility of new ‘meaning systems’” (Castells cited in Lowe 1986, p. 2-3). Castells (1978) espouses four tactics necessary for a movement to achieve structural change:

- 1) Break with a one-dimensional interpretation of the class struggle;
- 2) Maintain a focus on cultural forms and community;
- 3) Preserve autonomy from political parties;
- 4) Call for a historical enquiry into the role that urban contradictions have played in social change.

Stuart Lowe (1986), writing about mostly British movements, believes that Castells’ definition of “urban social movement” is too narrow. Lowe debates whether or not structural changes must take place in order to be considered a social movement. He argues that no capitalist or even bureaucratic changes were achieved in the Madrid Citizen’s Movement, Castells archetype of a successful social movement. While disagreeing with Castells in this regard, he does agree with Dunleavy’s (1980) definition of social movements as “organizations standing outside the formal party system, which bring people together to defend or challenge the provision of urban public services and to protect the local environment (Dunleavy in Lowe 1986, p. 3).” He stresses the role of collectivity and the push for a change of some kind. He explains that “their objectives are undertaken collectively by the mobilization of a distinct social base and that the momentum of their activity is towards changes in policy direction (Dunleavy in Lowe 1986, p. 3).” This neo-

Marxist interpretation of social movements extends the arena of struggle beyond the shop floor (union-based struggle between capital and labor) and into civil society (engaging in super structural struggles rather than solely economic based struggles).

Economic Human Rights

While social and economic development both exist in relation to political realities, community development also exists within the larger context of international human rights governance. Human rights discourse is essential to the discussion of sustainable development in Latin America and has often been overlooked by the field of planning (Drakakis-Smith, 1997). Human rights are categorized into three distinct tiers: 1. Physical integrity, 2. Civil and political, and 3. Social, cultural, and economic. Each tier of human rights plays a fundamental role in sustainable urban and community development. Economic rights play an important role in development by helping to negotiate the power relationships between producers, non-producers, and the state (Castells 1983, p. 256). Such negotiation can empower or alienate distinct groups of individuals. In order to reach sustainability in terms of housing, food, water, employment etc., human rights values must underpin urban management systems. Drakakis-Smith (1997) explains, “otherwise the management process becomes dominated by the search for efficiency rather than equity and its objective becomes one of the role of the city in sustained growth and not sustainable urbanization (p. 813).”

The economic rights movement was introduced to the world of international law in the mid-1960’s with the creation of the International Covenant on Economic, Social and Cultural Rights (henceforth, ICESCR or the Covenant) and the

acknowledgement that “...freedom from fear and want can only be achieved if conditions are created whereby everyone may enjoy his economic, social and cultural rights, as well as his civil and political rights” (1966, Preamble). The history of the ICESCR began at the same time of the Universal Declaration of Human Rights (UDHR). While the UDHR was adopted by the United Nations in 1948, the ICESCR was not adopted until 1966, due to disagreements among UN members which led to the separate covenants, one containing civil and political rights and the other economic, social, and cultural rights. Economic rights are defined and institutionalized under ICESCR and therefore are just as important as the rights outlined within the International Bill of Rights (Limber Principles). A discussion of economic rights norm development within the cooperative movement in Argentina will provide insight into how economic rights issues inform worker cooperatives and make them a successful, community economic development strategy.

While the concept of economic rights has been vague and compliance has been difficult to measure, it has been permeating discussions and movements in recent history. Movements such as *El Movimiento Nacional de Empresas Recuperadas* (The National Movement of Recovered Businesses, MNER) in Argentina have been disseminating economic justice messages. According to Ishay (2004),

“Weakened by the expansion of a globalized free market economy, trade unions and labor rights activists, for instance, have been reenergized in recent years as they seek to make labor rights central to the human rights debate (p. 257).”

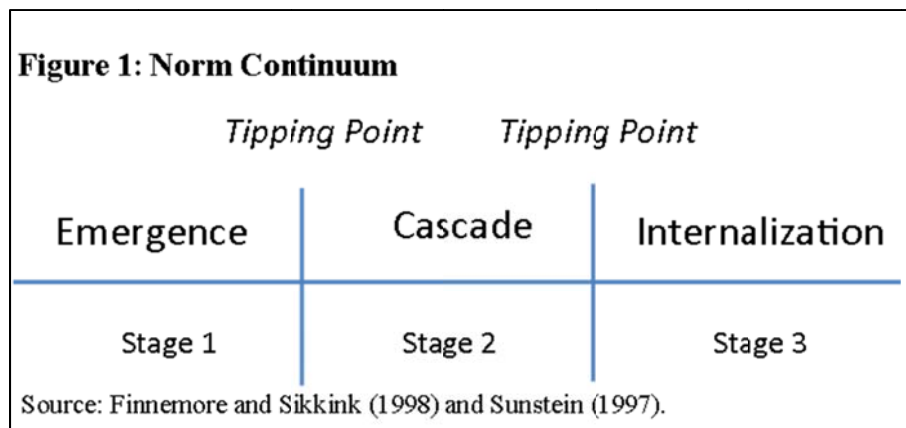
Human rights norm development began under realist conditions in which states' rights and state sovereignty were the epitome of international relations. Political scientists are beginning to develop a shared definition of norms as "standards of appropriate behavior for actors with a given identity (Katzenstein 1996 cited in Sikkink 1998). Since 1945 and the institutionalization of international law, human rights have presented the most powerful critiques of realism and state sovereignty by holding all nations accountable to generally accepted moral standards (Sikkink 1993, Clark 2001). Human rights have propelled a pragmatic liberal view into the arena of international relations (Forsythe 2006). Like traditional liberalism, which promotes the individual over the state, pragmatism allows for human rights activists to promote new avenues for human rights justice, outside of the traditional judicial hearings and criminal justice systems such as diplomacy, compromise, and reconciliation. Pragmatic liberalism also acknowledges the difficulties inherent in a system in which "the global international community does not often frontally and flagrantly override state sovereignty in the name of human rights" (Forsythe 2006, p. 58). Castells (2005) and Sassen (1998) would argue that the network society and the forces of globalization have liberated international capital from sovereign state boundaries and national legal restraints, which contributes to a greater challenge in terms of human rights protection. Donnelly (1998) reminds, "Although human rights norms were fully internationalized by the mid-1960's, implementation of those norms remained almost entirely national. The emerging global human rights regime thus reflected, and even today continues to reflect, the strong persistence of a sovereignty-respecting logic" (Donnelly 1998 cited in Clack 1998. In this sense, while states remain sovereign, they

are still party to international human rights treaties and diplomatic pressure to conform to these moral standards. While dramatic change in international human rights governance has yet to be widely implemented, human rights norms have infiltrated and are slowly redefining state sovereignty.

Social or cultural norms are the rules that a group uses to distinguish appropriate values, beliefs, and attitudes from inappropriate ones. According to the Cambridge Dictionary of Sociology, norms are defined as the “expectations shared by members of a group or collectivity that more or less effectively determine individual behavior.”⁶ They have also been described as the “the customary rules that govern behavior in groups and societies.”⁷ Norms are developed through a long process of repetition and practice. Keck and Sikkink (1998) point out that, “Normative change is inherently disruptive or difficult because it requires actors to question this routinized practice and contemplate new practices” (p. 35). According to world polity theorists, “At some point, they suggest, what was once unthinkable becomes obvious, and from then on change starts to occur much more rapidly” (Keck and Sikkink 1998, p. 211). Finnemore and Sikkink (1998) explain that states adopt new human rights norms in two stages: “norm emergence” and the “norm cascade.” Prior to the “cascade” there is a “tipping point” at which time a critical mass of relevant state actors adopt the norm. Finally, a third stage, “internalization” occurs when norm conformance becomes automatic. See Figure 1 below for a visual representation of the norm life cycle.

⁶ Cambridge Dictionary of Sociology, Cambridge: New York, 2006.

⁷ Stanford Encyclopedia of Philosophy “human rights,” First published Fri Feb 7, 2003; substantive revision Sat Nov 8, 2014, <http://plato.stanford.edu/entries/rights-human/>; Accessed December 24, 2014.



Sikkink's work deals on a global level, where sovereign states balance their participation in human rights norm acceptance or rejection in the international struggle for power. This paper uses Sikkink's research on international human rights norm development to discern the level to which ERTs have created a new economic rights norm, the networks involved, and whether or not an economic rights norm might be a candidate for an international norm cascade in the future. Such a cascade may promote sustainable economic rights practices worldwide.

The development of human rights norms is significant to this research due to the often-overlooked importance of economic rights and the role that the development of these types of norms will play in the implementation of policies and tactics that address unemployment, such as worker cooperatives.

Economic Human Rights in Argentina

Human rights, while inalienable to individuals everywhere, are a complicated set of norms that are often difficult to define and therefore, to enforce. This paper examines how economic rights norms are used within the worker cooperative movement in Argentina, a country that has suffered economic destabilization substantially in the past 10-15 years. Severe economic fluctuations have opened the

door for many social movements including MNER and *los piqueteros* (unemployed picketers) to demand employment opportunities, government support, and a living wage among other needs. A leader in the ratification of international human rights instruments (21/22 ratified, followed directly by Ecuador, Uruguay, and Spain), Argentina signed the ICESCR on February 19, 1968 and ratified it on August 8, 1986 (Office of the High Commission on Human Rights).

While Argentina may lead Latin America and even the world in treaty ratification, the country does not boast timely reporting mechanisms or successful implementation. In December of 2009, eight years after it was due, Argentina finally submitted its third periodic report to the U.N. Committee on Economic, Social and Cultural Rights (CESCR or the Committee). In the concluding observations published in 2011, the Committee recognized Argentina's efforts in the realm of economic, social, and cultural rights through the inclusion of a self-identifying option of African descent on the national census, the National Mental Health Act (No. 26657) which promotes community-based health services, and most notably, the Equal Marriage Act (No. 26618) which, provides same-sex couples the same marital rights as heterosexuals (E/C.12/ARG/CO/3). The major issues presented by the Committee included the lack of implementation regarding indigenous rights to land; the use of unnecessary force against activists for social, economic, and cultural rights; the continued inequality between men and women; the unreliability of data from the National Institute of Statistics and Censuses (INDEC); the large number of workers within the informal economy; impediments concerning the Freedom of Association; and the ongoing housing deficit. Not only were some of these issues remaining since

the Committee's previous observations in 1999, but the list of necessary improvements in the realm of economic, social, and cultural rights, grew during this period (E/C.12/1/Add.38). ERTs in Argentina are slowly developing economic rights norms through political petitioning, social protests, and local community development initiatives which will not only improve the quality of life for their employees, but will demonstrate the importance of economic human rights in economic development policies.

Conclusion

In summary, new economic development paradigms are evolving in an effort to counteract neoliberal liberalization, which has disintegrated social capital and increased the precariousness of work. Traditional economic development policies based on one-size fits all prescriptions and the assumption that growth equals development no longer suffices. Social movements such as the *empresas recuperadas* in Argentina as well as international institutions such as the ILO are currently disseminating economic rights norms in an effort to improve the quality of work through laws and monitoring mechanisms.

This paper analyzes ERTs, one type of bottom up initiative which resulted from the instability of the free market, to see if this model offers a potential employment policy for local jurisdictions to explore when building economic development strategies for their communities. Cooperatives offer opportunities to build social capital, enhance networks with social anchors in a community such as a hospital or university, and offer quality job positions. Additionally, I explore the

potential for the ERT movement to develop and disseminate an economic rights norm and its capacity for transnational influence.

Chapter 3 - Analytical Methods

Research Protocol

The purpose of this study is to examine a worker cooperative in Argentina as a potential local economic development initiative to retain employment within a locality. This chapter will outline the analytical framework and methods used, describe the research instruments, and explain limitations.

The analytical framework of this research takes the form of a cooperative case study. A case study analysis is useful for understanding and explaining the interrelated variables and experiences of a worker cooperative in Argentina in terms of both economic development and human rights norm development. According to Merriam (2009), “The case study offers a means of investigating complex social units consisting of multiple variables of potential importance in understanding the phenomenon.” Insights from case study research often develop new, tentative hypotheses that contribute to the field by promoting further research. Case study research design lends itself to this study’s effort to understand, improve, and inform economic development strategies. The methods used in this case study include descriptive statistics; 121 survey answers for the case study cooperative, Metal Varela; an expert interview; a Business Relationship Survey completed by the interviewee; and text analysis of 17 newsletters produced by a metallurgy worker cooperative network.

Survey data for this study was provided by the Facultad Abierta, a research oriented extension program of the Department of Arts and Sciences at the University of Buenos Aires. The Facultad Abierta recently celebrated its 10th anniversary of

service and research related to the struggle of workers under self-management. The social scientists of this program are considered experts in the field of worker cooperatives and produce both academic and practical literature on the topic. The Facultad Abierta has conducted four general surveys during which they investigated general issues, problems, and data that they consider most important in reflecting the reality of the recovered worker cooperative sector (Facultad Abierta 2010). Unfortunately, it is difficult to compare information across surveys because of different survey populations and questions over time, which is another reason why a case study may provide insights that general survey data may overlook. Between September 2009 and March 2010, the Facultad Abierta conducted their third survey of worker cooperatives. The answers that Metal Varela provided during this research will be used to analyze the capacity of Metal Varela to provide stable, quality employment. Raw data, in the form of answers from Metal Varela or any other cooperative for comparison purposes was unavailable.

In addition to the survey responses, fieldwork was conducted in July and August of 2010 during which time an expert interview was conducted at Metal Varela in July 2010. The interview lasted approximately one hour. The interview was held in the administrative office at the cooperative in the suburb of Florencio Varela. The interview questions pertained to the history of the company and the factory occupation, current productivity levels, cooperative organizational style, and community services. The respondent also provided answers to a Business Relationship Survey, developed by the researcher, which provide insight into the business of the worker cooperative.

The sources for text analysis include 17 newsletters from the metallurgy worker cooperative network printed between June 2006 and February 2008. Analysis was also completed on the first three of the Facultad Abierta's general surveys. The text analysis illustrates implied and connotative meanings by coding multiple interrelated terms encompassing the themes of economic rights and social capital development.

All of the primary data sources were provided in Spanish, and translation of the data was completed by the researcher. Triangulation of these multiple data sources allowed for the development of an understanding of how a worker cooperative provides employment. A useful tool in qualitative analysis, triangulation promotes the substantiation of the data through the cross analysis of the sources and was particularly useful in this research by developing a thick description of the case study and related phenomenon (Geertz, 1973). The triangulation methods used in this research included a qualitative codebook of terms developed to interpret the text of the newsletters, summaries of the survey results published by the Facultad Abierta, and the interview. Matrices were later compiled which enabled conclusions to be drawn regarding the ability of worker cooperatives to facilitate employment and the development of an economic rights norm. These conclusions are discussed in the final chapter along with recommendations for promoting community economic development through worker cooperatives.

Designing the research protocol for this study was an iterative process. The protocol was initially designed in an academic vacuum, which led to major setbacks during fieldwork undertaken in Argentina. Qualitative data analysis software, Atlas.ti,

was used to analyze all of the data and triangulate findings. A narrative analysis was used to interpret the data in an effort to not only describe what is happening in terms of job recruitment and community economic development but also to analyze how the participants in worker cooperatives interpret economic human rights as part of their overall mission.

There are limitations of this research, including an overall lack of trust among the cooperatives and, therefore, a lack of willingness to participate. Worker cooperatives in Argentina are cautious about sharing information regarding illegal factory occupations, legal proceedings, and business strategies with outsiders. Therefore, a lack of willingness to participate in surveys and interviews created a small sample size of only one cooperative while lulls in production and an overall lack of work at the participating factory made participant observation impossible.

There are limitations to the analysis that follows in Chapter 4. Conventional wisdom describes some of the limitations of case study research including lack of methodological rigor, researcher subjectivity, and the inability to generalize results. Qualitative methods are traditionally viewed as less rigorous than their quantitative counterparts; however, as Flyvbjerg (2006) explains, "...the case study has its own rigor, different to be sure, but no less strict than the rigor of quantitative methods. The advantage of the case study is that it can 'close in' on real-life situations and test views directly in relation to phenomena as they unfold in practice" (p. 235). This research follows the definition of rigor provided by Creswell (2007):

"...rigour can be achieved through a consistent and coherent research design, where the philosophical approach is stated at the beginning, an appropriate research strategy is adopted, data collection and analysis follow research methods, and protocols and justification

for each phase of the research are provided” (Creswell cited in Farquhar 2012, p. 10).

Additionally, qualitative methods are often seen to have a greater bias toward verification, that is, to confirm the researcher’s preconceived notions. According to Flyvbjerg (2006), “the case study contains a greater bias toward falsification of preconceived notions than toward verification” (p. 237). As Berg & Lune (2010) point out, neither quantitative nor qualitative data are essentially objective:

“...quantitative measures *appear* objective, but only so long as we don’t ask questions about where and how the data were produced... pure objectivity is not a meaningful concept if the goal is to measure intangibles [as] these concepts only exist because we can interpret them” (p. 340).

While the following research does not exhibit bias in this sense, the use of a convenience sample to form the case study may pose additional questions of inclination. The case study was chosen after contacting twenty-seven worker cooperatives in the metallurgical industry. Due to the large number of worker cooperatives in Argentina in many different industries, this industry was chosen for its complex processes and commodity chains. Insight into these business relationships would provide information regarding how much economic development was occurring locally versus in other regions of the country or even abroad. Despite exhaustive efforts to retain a representative sample of worker cooperatives, only one worker cooperative responded to requests for an interview. This cooperative, Metal Varela, is the case study used in this research. Given that neither the cooperative nor the individual respondent was chosen at random, the case study is unlikely to be representative of all worker cooperatives in the metallurgical industry. In fact, because Metal Varela was the only respondent, they are different than the other

cooperatives. This willingness to participate may have skewed their responses to show that their business is more successful than it actually is. However, only the answers that seemed reasonable have been used in the analysis. Answers that did not fact-check or were unclear were not used.

Finally, the abilities to draw broad conclusions and generalize are absent from this research design, which examines the complex, on-the-ground experience of one worker cooperative. According to Farquhar (2012), “the aim of case study research is not to make statements about the cases to a larger population but to explore in depth a particular phenomenon in a contemporary context” (p. 9). The case study presented seeks to investigate “a discreet and apparently insignificant truth, which, when closely examined, would reveal itself to be pregnant with paradigms, metaphors, and general significance” (Flyvbjerg 2006, p. 238). The situation of Metal Varela in terms of both community economic development and human rights norm dissemination may be representative of the experience in other worker cooperatives in Latin America. Additionally, the contribution of the survey results in the secondary analysis by the Facultad Abierta will help to provide some generalizable insights in an effort to draw some broader policy conclusions.

Chapter 4 - Case Study

Introduction

The problem of political representation represents a three-way struggle between social movements, political parties, and the state (Jenkins and Klandermans 1995). For example, how do social movements affect political parties and social policy and vice versa? Secondly, what do these outcomes mean for the democratic state? In order to understand the political realm in which the worker cooperatives operate today, a brief introduction to the labor history of the country is necessary.

In Argentina, socialist and anarchist traditions arrived with immigrants in the late 18th and early 19th centuries. During this period, Buenos Aires was compared to Chicago for its industrial might and Paris for its culture and open forum of political debate and experiment (Bergquist 1986). Both anarchist and socialist labor groups were formed during this period within which economic demands were made while *sociedades de resistencia* (resistance societies), community-organized spin-offs, would educate the masses about liberty and the collective experience. The first successful labor strikes took place in 1871-72 (Alexander 2003).

During the justicialista presidency of Juan Domingo Perón, (1946-1955), a liberal capitalist mentality was instilled into the labor movement. Union leaders were appointed to government positions and union activity was supervised by government employees, while at the same time a retirement fund, minimum wages, and paid vacations were established. By building a bridge between foreign liberal capital and the communist-led labor movement, Perón formed a permanent conciliatory attitude within the unions. During the *Proceso de Reorganización Nacional* (Process of

National Reorganization) between 1976 and 1983, the military regime created the conditions necessary to attract foreign capital, limit social spending, and deplete the labor movement. State industries were privatized. During this period, the government terrorized political, religious, and educational leaders, “disappearing” between 10,000 and 30,000 individuals.⁸ According to historian Alvaro Abós, “In the midst of this wave of blows, during the first months of the dictatorship, the labor movement retreated within itself... what remained of Argentine trade unionism was impotent to generate a response” (Abós cited in Alexander 2003, p. 185).

The ensuing corruption during this period, and throughout Argentine history, is largely undebated (Sin Patón 2007). In many ERTs there is strong evidence suggesting that the former owners used the economic recession to fraudulently de-capitalize, “to attain millions of dollars in government credits for nonproduction-related financial speculation, and, ultimately, to deprive the workers of their earned wages as they broke the labor contracts and often simply walked away from the factory or enterprise” (Kulfas 2003).

As the military and their capitalist allies deepened their pockets, more than 30,000 of the country’s union leaders, politicians, academics, and activists were categorized as “enemies of the state,” imprisoned, tortured, drugged, and dropped out of airplanes over the Pacific Ocean. A new liberal language boasting individual economic freedom took hold of the country during a time when political parties and freedom of the press were banned. Industrial production dropped by 50% which facilitated the loss of approximately 600,000 jobs (Azpiazu and Schorr 2010, Sin

⁸ The official government estimate is 10,000 while many human rights organizations place it closer to 30,000. Madres de Plaza de Mayo, <https://madresdemayo.wordpress.com/the-dirty-war/>, Accessed April 22, 2015.

Patrón 2007). The legacy of Peronism that promoted social support and the freedom to associate helped the social networks of activists, dissenters, and organizers survive the fierce repression of this period.

During the 1990's, under the neoliberal government of Carlos Menem, the Argentine government underwent serious changes that led to the country's social, economic, and political collapse in December 2001. The collapse of the Soviet Union and the resulting hegemony of capitalism, as well as policies promoting competition and a cycle of inflationary crisis also devastated the Left in developing countries. By protecting U.S. financial interests, profit-driven policies such as labor market liberalization and the deregulation of consumer protections created a better suited climate for capital and power accumulation in the upper classes. The institution of The Brady Plan in 1989, under the sponsorship of U.S. President Ronald Reagan, forgave some of Argentina's foreign debt in the form of bonds supported by the IMF and the U.S. However, the debt forgiveness came with a package of required institutional reforms including orthodox economic policies. The withdrawal of government from its traditional role as mediator between capital and labor, and the emergence of neoliberal forms of civil governance, produced a profit oriented state and promoted a concept of individual liberty associated with the promise of capital accumulation. The extensive market liberalization under peronist president Menem (1989-1999) included the privatization of all national assets including public services such as telecommunications and electricity. The fixed rate exchange policy of Domingo Cavallo, Minister of Economy, which was coined the *ley de convertibilidad* (Law of Convertibility) pegged the Argentine *peso* to the U.S. dollar in 1991 and

brought substantial cuts in social welfare. Flexibility in terms of the labor market, meant to decrease unemployment and stimulate growth in GDP in industries such as energy, pharmaceuticals, and agribusiness, actually produced lower wages, job insecurity, and a loss of benefits such as pensions and severance pay.

As personal control over one's employment diminished at the hands of a market alliance between the Argentine state, the IMF, and the private sector, a larger percentage of the working class experienced poverty. The existence of a Peronist leader during this time of reform created a consensual truce between union leaders and the corporatist policies of the state often times co-opting workers via illegal declarations of bankruptcy that would leave workers jobless (Murillo 2001, Fajn 2003).

Fragmented networks of labor leaders would lead the mass social protest of the *argentino* in 2001 when thousands of Argentines demanded an end to the corruption and clientelistic relationships between capitalists and politicians. They demanded government policies that supported citizens over foreign capital. It is in this context that *empresas recuperadas por sus trabajadores* (worker recovered enterprises, ERTs) emerge as an alternative practice of community development in Argentina. It is within this ideological framework of economic liberalization and individualism that the recovered factories have evolved into worker cooperatives, some with and some without union or formal political support. It is the difference between those that seek political support and those that do not, that this investigation seeks to understand.

Presently, the problem of political representation, both at the party and state

levels, is affecting the success of the worker cooperative movement in a couple of ways. First, by controlling the legal system, the state has centralized the control and ability to recognize (or to ignore) cooperatives on a case-by-case basis. Secondly, by appointing social movement activist leaders to social welfare cabinets, the party system is able to co-opt the movement into being less radical. Essentially, if the State government could make it easier for these cooperatives to exist, they both could better serve local communities by providing job-loss prevention, job training, cultural centers, and more.

Despite the illegal and lengthy occupations involved in the recuperation of bankrupt businesses by the workers, the months without pay, and the arduous legal battles, the benefits of becoming an ERT outweigh many of the negatives associated with inception. Many ERTs have reduced production costs since the outrageous salaries of former owners and managers no longer exist (Ranis 2010). ERTs, like other types of cooperatives in Argentina, do not have to pay taxes on their profits. According to the 2010 survey conducted by the researchers at the Facultad Abierta, 77% of ERTs surveyed answered that they have hired new members and approximately 25% of ERTs surveyed are producing at a level between 61-100% of their potential capacity.

The challenges faced by ERTs are many and diminish only slightly as time progresses. For example, while the cost of paying managers and owners no longer restricted profits, the initial payments for back-due utilities often put worker's paychecks on hold. Secondly, it takes a long time for shop-floor employees to learn the intricacies of the accounting and management systems. Functioning in a direct

democracy means long hours of discussions regarding management structures and financing (Bryer 2010). Lacking options for credit leaves ERTs extremely vulnerable to market fluctuations and to the risks associated with aging machinery while limiting any possible investment in the long-term capacity of the firm. Currently, efforts to establish lines of credit for ERTs are underway including an ERT cooperative fund and relationships with cooperative banks. This is an imperative step for the ERT movement and could result in the initiation of community development corporations or similar entities if framed in the discourse of community revitalization.

This alternative path to community and economic development based on worker solidarity and workplace democracy has begun to spread as a collective response to unemployment and inequality. While a union for workers who are part of the movement towards autogestión has developed (Asociación Nacional de Trabajadores Autogestionado, ANTA), traditional forms of organization and protest will not be enough to confront the goliath that is global enterprise today. ERTs and their legal battles for inclusion provide a new way to acquire recognition in a world where dollar signs and corporate logos get the attention of politicians, CEOs, and individuals alike. By formulating proposals to international, national, provincial, and municipal entities in a community development discourse, ERTs might make a greater impact in the reinvestment of their communities.

Argentina is a unique case in Latin America due to its history of organized labor Bertranou 2014. As early as the 18th century Buenos Aires was compared to Chicago for its industrial might and Paris for its culture and the open forum it provided for political debate and experiment (Hobsbawm 1962, p. 299). During this

period, Argentina's early development attracted many immigrants including politicians and philosophers from France, Italy, and Spain. European ideals of socialism and anarchism infiltrated Argentina during the 19th century along with the idea of organized labor. In 1896, the Socialist Party was formed. *Sociedades de resistencia* were being formed by anarchists such as Errico Malatesta and Antonio Pellicer Paraire, who believed they were the vehicle for the social revolution and "models of organization, propaganda, communication, education, and economic direct action, in the spirit of local autonomy and grassroots empowerment; and as nuclei for the diffusion of libertarian socialist ideals throughout the region, across national boundaries and above institutional politics" (Bertranou 2014).

By the 20th century, the ideological autocracy of Juan Domingo Péron converted the labor movement into an obedient state apparatus. Despite his successful efforts to enforce a minimum wage and limit the workday to eight hours, Péron's populist program weakened the working class movement, which later suffocated under the military leaders who followed. This complacent support of liberal reforms by the working class produced a decline in union participation and fueled the eventual social upheaval in December 2001 that continues today, manifesting as groups such as the *desocupados* (unemployed), *piqueteros* (picketers), and the *empresas recuperadas* (recovered businesses). These new groups coalesce ideologies from both Marxist-socialist as well as anarcho-syndicalist groups, creating a new paradigm that embodies what Argentine anarchist Antonio Pellicer Paraire described as the dual revolution: both economic and social in nature.

The concentration of wealth in the hands of the few began in Argentina during

the military dictatorship (1978-1983) and a period deemed the *Proceso de Reorganización Nacional* (National Reorganization Process). During this period, in an attempt to restore “order” and quell political dissidence, the military began reversing the progress made by the industrial welfare state of the 1940’s and 50’s (Azpiazu and Schorr 2010). Much of the nationalization of important industries that occurred under the populist, nationalist government of Juan Domingo Perón were sold to private capitalists. The ensuing corruption during this period, and throughout Argentine history, is largely un-debated (Sin Patón 2007). In many ERTs there is strong evidence suggesting that the former owners used the economic recession to fraudulently de-capitalize, “to attain millions of dollars in government credits for non production-related financial speculation, and, ultimately, to deprive the workers of their earned wages as they broke the labor contracts and often simply walked away from the factory or enterprise” (Kulfas 2003).

As the military and their capitalist allies deepened their pockets, an estimated 30,000 union leaders, politicians, academics, and activists were categorized as “enemies of the state.” They were imprisoned, tortured, drugged, and dropped out of airplanes over the Pacific Ocean. A new liberal language boasting of individual economic freedom took hold of the country during a time when political parties and freedom of the press were banned. Industrial production dropped by 50%, which facilitated the loss of approximately 600,000 jobs (Azpiazu and Schorr 2010, Sin Patrón 2007).

Carlos Menem embodied the return of Peronist power in 1989, at which time he faced a grave national situation where inflation persisted and recession increased.

It was estimated that 4.5 million were working only part-time (Alexander 2003, p. 208-210). In November 1992, the Confederación General de Trabajadores, CGT (General Confederation of Workers), one of the largest labor federations in the world, which had supported Menem in the election, initiated a huge strike that debilitated public transportation across the country, leading to an estimated 50% reduction in industry, and truncated services among public institutions such as banks, hospitals, and post offices. In protest of liberalizing labor policies and in the face of increasing inflation, the CGT demanded increased wages, retirement pensions, and easier access to credit for farmers. Secretary general of the CGT at the time, Oscar Lescano, who claimed 90 percent support for the strike, was quoted as saying, “We want a dialogue (with the government) to achieve some political agreement without . . . twisting the arm of anybody.” Meanwhile, Menem called the strike an “utter failure,” emphasizing that union pressure would not change the current government policies (Marx 1992).

Confronted with a nation in distress, Menem went against traditional Peronist policies that promoted intense government involvement in the national economy and full employment of heads of households and immediately instituted two emergency laws: the Law of Economic Emergency and the Reform of the State Law. The first measure prevented further deficit funding of government enterprises and stipulated that foreign capital be treated equally. It increased government efficiency by reducing employees by 60,000, supplementing the pool of unemployed (Alexander 2003, p. 210). The Reform of the State Law privatized previously state-owned firms, which included almost the entirety of the nation’s infrastructure: the telephone systems, national airline, electricity, railways, sewer and water treatment plants, postal service,

ports, and the capital's subway system, among others. Subsequently, the union leadership continued its corporatist submission under the administration and union participation fell from roughly 55% to 35% in 2005 (The Council on Hemispheric Affairs 2005).

In 1974, 60% of the monopoly sector in Argentina was controlled by foreign capital, followed by national capital, closely linked with foreign investors (Corradi 1874, p. 9). The rest of the sector was controlled by the Argentine State through participation in industries such as energy, utilities, transportation, communication, and public works. After Menem's inauguration as president and the mass privatization of formerly national industries, the working class not only lost any hold on national capital and bargaining power, but also lost their jobs and livelihood.

During this period of increased liberalization of the national market, intensified IMF austerity measures, and a growing national debt in the 1990's, the labor movement struggled under Menem's campaign. However, the legacy of Peronism, which promoted social support and the freedom to associate, helped the social networks of activists, dissenters, and organizers survive the fierce repression of this period. These networks would lead to the mass social protest of the *argentino* in 2001 when thousands of Argentines demanded an end to the corruption and clientelistic relationships between capitalists and politicians, yelling "*que se vayan todos!*" (out with them all!). They demanded government policies that supported citizens over foreign capital. It is in this context that *empresas recuperadas por sus trabajadores* (worker-recovered enterprises, ERTs) emerge as an alternative practice of community development in Buenos Aires.

The *argentinox* spurred a reevaluation of the national consciousness. With mass participation and the creation of a common experience through resistance, the people immediately found new methods of association to discuss their newfound commonality. They discovered unity despite the heavy burden of survival in a country with both volatile unemployment and inflation rates. Unemployment reached approximately 18% in 2002 and has stabilized in the past five years around 7.5% (The World Bank). In 2014, inflation hovered around 40% after averaging about 25% annually since 2010 (Newbery, 2014). Transformed through the process of organization, this unity now represents a form of horizontality with which new social groups maintain solidarity and support one another materially, spiritually, and culturally.

ERTs in Argentina represent an opportunity for workers to organize in an effort to prevent becoming unemployed. In 2011, the cooperative movement in Argentina accounted for 10% of the gross domestic product and generated 289,460 job positions (Cooperativas de las Américas 2011); however, without a political agenda or candidate, the movement struggles to create an alternative social space. Similar movements continue to emerge throughout Latin America and the world, based on the ideals of direct democracy they strive to bring the power of decision-making back to the people. For example, in Brazil the Movimento dos Trabalhadores Rurais Sem Terra (Landless Workers Movement, MST), struggles to reclaim possession of land for cultivation in a country with massive inequality in land distribution and consequently wealth (Movimento dos Trabalhadores Rurais Sem Terra).

Case Study

Metal Varela is a manufacturing plant located in Florencio Varela, a city situated in the province of Buenos Aires. Approximately 17 miles (27 km) south of Buenos Aires proper, the city is home to approximately 426,000 people (INDEC 2010). Between 2001 and 2010 the population had grown by more than 75,000 and was the 10th (of 135) largest city within the metropolitan area of Gran Buenos Aires.

In August of 1999, Caratti Hermanos S.H., closed Metal Varela, locked out its 52 employees, and began removing production assets such as machinery and raw material. The workers, organized under the Unión Obrera Metalúrgica (Metal Workers Union, UOM), secured themselves in the doorway for the next 45 days, with nothing but a tarp for shelter. With support from the union, the municipality of Florencio Varela, and political parties, the workers petitioned the Secretary of Labor for help; however, they were unsuccessful. According to a short summary on the Facultad Abierta's web directory of worker cooperatives in Argentina,

“During the occupation, it appeared as though the Manager of Sales was proposing to open the factory, if half of the occupying workers went home, but the union delegates refused the proposal, countering that the company restart working hours for all of the workers or the occupation of the factory would continue. The owners accepted the proposal and initiated production but a small committee asked that workers be able to take part in the management of the company. This action unveiled a new administration of workers that put the figureheads of Caratti Brothers in check. Eventually, the company began to withhold paychecks again. This lasted until October 2001 when, faced with the constant withholding of pay, we spoke to the representative of the owners and asked them to withdraw and leave us to handle it. Thus, Metal Varela was born.”

The worker cooperative Metal Varela was legally established as a cooperative by the Province of Buenos Aires under Law 13353 in July 2005, after almost 30 years of

traditional management. Today the factory produces cast aluminum parts for intermediate consumption by small and medium-sized enterprises (SMEs, or *pequeñas y medianas empresas*, PyMES, in Spanish) that produce automobile parts, and small motors for lawn mowers) and other household appliances such as cooking burners, audio speakers, and more (Facultad Abierta). This case study will explore the experience of Metal Varela in an effort to answer the two hypotheses:

- Under what circumstances do worker-cooperatives provide an economic development strategy to address unemployment?
- In what ways do worker-cooperatives in Argentina create and disseminate economic rights norms?

The findings are organized according to three major themes: social capital, unemployment, and human rights. These themes highlight the intersection between worker cooperatives as an economic development strategy and economic human rights development and dissemination.

Social Capital

Social capital was determined to be a critical asset during the analysis. ERTs not only produce social capital through their direct participation in the formation of the cooperative enterprise and relationship with the community, but they utilize it to maintain their very jobs and company production. Preventing a mass loss of jobs in the community has helped to maintain other businesses, social institutions, and the social fabric. The visible harnessing of democratic power throughout Latin America via similar movements, such as the *Movimento Sem Terra (Landless Worker's Movement)* in Brazil, illustrates a new interpretation of the political concepts of private and public ownership. Instead of power-over (such as imperialism, hierarchical

management structures patriarchy, and racism) these movements promote power-with one another through cooperation, autonomy, and comradeship. By encouraging the incorporation of political practice into their daily routines these workers hope to abolish old forms of representation. Horizontalidad or horizontality is a concept that emerged during the period of unrest of the *argentino* “that rejected the paradigm of hierarchy inherited by the current politics. Part of this rejection is a rupture with the concept of ‘power-over’ (vertical power). Instead, and in response, these groups are trying to organize on a more horizontal plane, with the intention of developing ‘power-with’” (Sitrin 2005, p. ii-iii). Horizontality promotes the idea that “neighborhoods and communities are laboratories for social creation” (Sitrin 2005, p. ix). In these laboratories, the Argentine people are experimenting through the self-management of both communities and businesses alike. Trust and solidarity were important components of social capital discovered during the triangulation of data. These building blocks of social capital, help the local community rebuild and re-conceptualize “the kinds of institutions, like political parties, interest groups, and unions, that used to provide representation and political power” to these communities in the past (Warren, Thompson, and Saegert 2005, p. 7). While these themes are imperative to local community development initiatives, as I explain later, they have also been critical components to the development of an economic rights norm within the movement.

Due to the often violent and lengthy occupations of the factories, many ERTs gained valuable sources of social support. In some cases, neighbors, wives, or co-workers took turns bringing meals to those occupying the businesses. Support grew to

encompass neighborhood assemblies. These critical spouts of solidarity and social capital helped the occupation of the business to last and to ultimately be successful. In the survey conducted by the Facultad Abierta in 2009-2010, Metal Varela identified that the workers had undertaken an “occupation” of the workplace utilizing the direct action of camping outside the door, in an effort to prevent the former owners from vacating the premises of machinery and raw materials. According to the survey, the occupation lasted approximately six weeks. Occupations are a common method of workers re-appropriating their workplaces in Argentina. Of all the worker cooperatives surveyed in 2009-2010, 74% of worker cooperatives undertake an “occupation” while 30% and 15% camp outside the factory or participate in mobilizations or other forms of direct action, respectively.⁹ The high rate of factory occupations and encampments signifies the strong link between the worker’s struggle and their physical place of employment. Social capital occupies physical spaces as well as cultural and social spaces; “social capital loses its meaning and effectiveness the further removed it becomes from specific kinds of institutions” so that occupying the factory space has layered meaning (Warren, Thompson, and Saegert 2005, p. 7). The existence of conflict during many ERT experiences, illustrates how the presence of both conflict and solidarity can create strong bonds. These lasting bonds promote human capital over traditional capital. In the expert interview, the respondent explained that,

“So good, there are many details, but it is too long to tell, but it was a very gratifying struggle for many of our peers, not only what could happen if we created a cooperative, but what transpired in their homes, because they could not pay the utilities, because there was no money, because there was no money to buy whatever they were lacking

⁹ Total is more than 100% due to multiple answers chosen by each worker cooperative.

at home. There was a lot of these harsh situations in all recovered businesses, no? Well, this is what I was saying that for us this is not just a business, it is a social enterprise.”

Unfortunately, the direct action of workers was often met with state repression (Facultad Abierta 2010). In the survey, 50% of ERTs faced some sort of state repression. While state repression is an undesired consequence, often times it can lead to increased media coverage, social support, and solidarity within the cooperative. The respondent for Metal Varela did signify that police repression was present during the occupation and encampment. These experiences helped to activate the community in a common goal to save jobs and organize in an effort to change policies that promote private economic capital over the collective, human capital. Using the generation of social capital within the ERT and the local community, the community members were not only able to preserve their jobs but were able to reproduce and multiply their social capital into an economic rights issue-network in an effort to recognize and change “the realities of conflict and power rooted in structures of inequality and institutional arrangements” (Warren, Thompson, and Saegert 2005, p. 6). This issue-network provides support (financial, emotional, legal, and otherwise) to a larger group of ERTs and their corresponding communities. By generating this power at the local level and expanding it outward, ERTs draw upon local knowledge in an effort to inform policymakers that there are other ways to promote development.

By creating a new collective identity, the people can shed their old, oppressed feelings of isolation from the political sphere of influence, distinct from their former colonized or subordinate internationalizations. During times of economic crisis, ERTs can rely on the neighboring community to help employees and their families with

necessities. The growing network of ERTs and their allies support one another through direct action, cultural events, conferences, and business fairs. These networks of trust, gratitude, and reciprocity allow ERTs to continue production in times of economic uncertainty. The interview respondent at Metal Varela explained that,

“When we talk about social enterprise, I think that it is more than just the obligatory participation of the people within the cooperative. I also think that we need to see how the cooperative gives to the community. I say this, for example, say there is a school ten blocks from here, and all the tables and chairs are broken. Well, let’s bring the chairs and tables and make them right, and this is a collaboration. We are not just trying to be a better company, but better people.”¹⁰

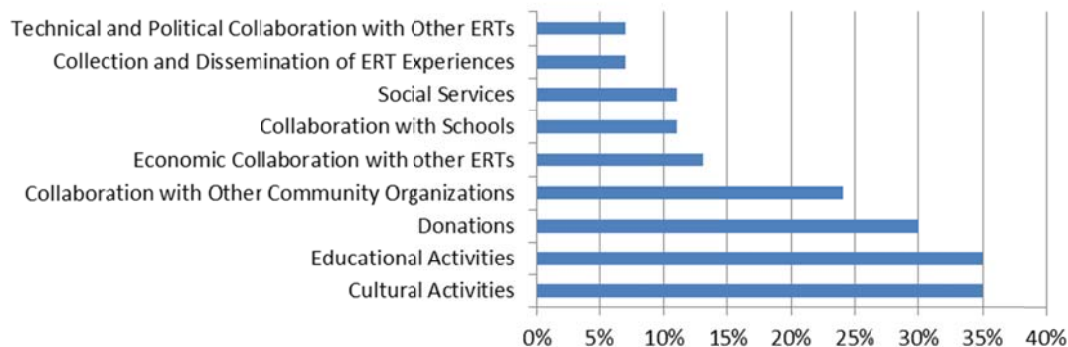
Many ERTs in Argentina strive to create new public spaces to foster dialogue, education, and citizenship. As noted in the 2004 study by the Facultad Abierta, the identity of an ERT hinges on establishing a mutually beneficial relationship with the community. Accordingly, “This back and forth exchange is an important aspect and striking phenomenon, which distinguish it from other struggles and working experiences in other social sectors” (Facultad Abierta 2004, p. 54). In their 2009-2010 study, it was discovered that within the 85 ERTs surveyed, many took part in cultural and educational activities.

¹⁰ Interview, 7/27/2010.

Figure 2:

Realization of Solidarity or Cultural Activities

NOTE: Multiple answers, total is more than 100%



Source: Facultad Abierta 2010, p. 79.

During the survey, Metal Varela answered that the cooperative was not currently involved in any solidarity or cultural activities; however, during the personal interview the respondent explained that the cooperative would like to someday host a training program for young people. The interview respondent stated that,

“We want something more than a cultural center, we want to provide an entrepreneurship center for young people, who are the future of the industry. Unfortunately, this is a project for the future. We had an architect and everything to ready. We knew how we would design the training center, with an auditorium hall for 70 people, we had so many ideas to create this good thing, but we cannot follow through at this time.”¹¹

Employment and the Public Good

Expropriation is the legal way in which the Argentina National Government takes private property for the public good. The Argentine National Constitution protects the right to private property, yet it also provides the conditions under which the government can take it away. Article 17 of the Argentine Constitution provides

¹¹ Interview 7/27/2010.

that “property may not be violated, and no inhabitant of the Nation can be deprived of it except by virtue of a sentence based on law. Expropriation for reasons of *public interest* must be authorized by law and previously compensated” (emphasis added). These constitutional stipulations make expropriation of formerly private enterprises in the name of worker cooperatives both controversial and yet extremely plausible. ERTs must make the case that they “are of considerable necessity to the communities in which they are located, and are thus a ‘public good,’ especially given high unemployment and poverty rates and the social and economic value that ERTs’ contribute to their localities’ economic security and development” (Vieta 2013, p. 48). Additionally, they often advocate that by taking on the management of the firm they are saving the State from having to deal with the financial burden of the bankruptcy process or the social costs associated with an increase in the unemployed.

Traditionally used to build new roads and plazas during the construction of the urban centers of the nation, the National Law of Expropriation was also used to bail-out failing industries such as the British railway system in the 1880’s. During the 1940’s, populist President Perón used expropriation to legitimize the nationalization of the railways, the port facilities, and the telephone infrastructure. The current Law (21.499) was re-adapted from previous versions in 1977, the very year after the military regime took over the government and began systematically torturing and murdering Argentine citizens (Global Legal Information Network). The Law of 1977 stipulates that the government can seize private property for use as a public utility with just compensation. How does this work for ERTs? As a federal government, Argentina’s 23 provinces have the last say on expropriation that happens within their

territory (Argerich & Herrera, 2007). ERTs must provide a proposal to the municipal or provincial government in order to receive a temporary (usually for a period of two years), legal expropriation, during which time the ERT is allowed to function to its full capacity. In order to do this, the government pays off the creditors, expecting that the ERT will pay the government back after the grace period, over a period of time (usually twenty years). Such legal recognition by the state, however temporary, provides ERTs with a sense of safety regarding creditors seeking remuneration, most often in the form of auctioning off the business and all of its assets in order to pay for the former owner's debts.

The public good, in the case of ERTs, can be viewed as the reinvestment and revitalization of neighborhoods suffering from the effects of disinvestment. Employment creation is a crucial aspect of community economic development and it has been noted that, "the consequences of high neighborhood joblessness are more devastating than those of neighborhood poverty" (Wilson, 1996, p. xii). In other words, as Ranis (2007) puts it, the decision of owners to abandon enterprises has "repercussions and societal externalities that legitimize the rights to regulate ... on behalf of the public interest" (p. 203).

Bendick and Egan (1995) found that worker cooperatives reach more individuals outside of the economic mainstream than traditional capitalist firms. The study found that while personnel retention and job training were more successful in worker cooperative firms, these firms fell short compared to traditional firms in other areas including: fewer offered pension plans, wages were lower after working in the firm for a period of five years, and a smaller percentage of employees were employed

full time. This section addresses the case study and its success and struggles in attempting to provide employment for local workers in Florencio Varela.

ERTs emerged as a survival response to an economic crisis and extraordinary high rates of unemployment. This research seeks to understand under what conditions the ERT model provides a strategy to confront unemployment during crisis. According to a 2013 article on unemployment in the Basque region of Spain, known for its worker cooperatives, the province of Gipuzkoa had the lowest rate of unemployment. According to Sara de la Rica, an economics professor at the Basque Country University, “Because cooperatives are self-managed by workers they have been able to accept flexibility measures, and from 2009 and 2010 they have frozen wages and even lowered wages. This has meant that the unemployment hemorrhage in Gipuzkoa has been lower” (EiTB 2013). It is estimated that ERTs in Argentina employ approximately 14,000 individuals (and by extension support a similar number of households).

After the “*toma*” or the “taking” of the factory, Metal Varela had 24 employees that remained to create the cooperative. Those that left the company after the “taking” were administrators, production experts, and professionals, which were selected 42%, 70%, and 15% of the time by ERTs who identified that workers had left the cooperative (Facultad Abierta 2010, p. 42). After the reorganization, the company had 20 of the original 52 employees left. While this is nearly half of the employees that the former business had employed, the worker cooperative offered them opportunities to participate in decision-making under the new management structure of autogestión and potentially increase their job satisfaction. At the time of

the survey, six of the employees were between 18 and 36 years old, ten individuals were between 36 and 54 years old, and four individuals were over 65. Metal Varela was able to maintain 20 of the original 52 employees after the expropriation and allow for these individuals to support their families, and to continue purchasing necessities such as transportation, food, medical care, and clothing.

There are studies that suggest that the worker cooperative model promotes job quality more so than traditional firms. Such benefits include psychological benefits such as a sense of prestige and job satisfaction. These studies often cite the fact that employees stay with the organization despite, in many cases, lower wages. It has been proposed that the practice of direct democracy gives employees a voice, instills a sense of fairness, and gives employees opportunities to practice other skills (social, political, etc.) outside of their traditional job responsibilities (Bendick and Egan 1995). Practicing decision-making within the ERT as an employee of a cooperative firm gives workers a sense of agency and promotes community development when employees transfer these participatory skills and expectations acquired on the job to other contexts, including political participation (Smith 1992). However, despite these types of benefits, which may make up for a lack of economic capital in some cases, often times practicing direct democracy is not intuitive to the employees. There may be additional training and practice needed. According to the interview respondent, the biggest challenge to the organization was the lack of understanding regarding the responsibilities of cooperativism. He explained that it was difficult to teach employees that work was not over after the traditional eight-hour day; that there is much more to the cooperative than just the work. He went on to say,

“It is not only a commercial question, it is also political... I think that the most important fundamental issue beyond the expropriation law, beyond having access to financing, is starting to really see that the cooperative belongs to everyone... the participation is sacred.”¹²

The extra time needed to help train employees and facilitate productive dialogues within the ERT and with the community could take additional time that needs to be accounted for in both the company’s work schedules and budgets.

Recruitment policies are an important aspect of a successful organization. They can also contribute to local economic development initiatives if they are implemented through bottom-up methods. By providing on-the-job training or technical classes to local young people, a company can help to build local capacity and wealth. The recruitment of new employees by Metal Varela in 2004-2005 was to contract with the friends and family members of existing employees. This was a requirement of the recruitment policy. This internal policy illustrates an example of negative social capital, which can create strong “bonding” but puts “bridging” opportunities at a disadvantage. While this type of policy may restrict the pool of potential experts in the field, it can strengthen the unity of the working group and build assets among local networks through “bonding.”

As of the time of the survey conducted by the Facultad Abierta, Metal Varela was producing between 40 and 50% of actual capacity. When I conducted my expert interview in July 2010, the firm was producing at about 30% of what they were producing in 2008, their peak year. According to the respondent, the main reason for this reduction in output was the Great Recession in the United States and Europe in 2008. At the time of the survey, the company was working with only small and

¹² Interview, 7/27/2010.

medium-sized enterprises (SMEs, or *pequeñas y medianas empresas, PyMES*, in Spanish) that exported their final products to Europe; however, after the recession exporting became more difficult and the company changed directions in an effort to establish relationships and products that were centered on the domestic market.

Another reason cited for the reduction in output was the lack of adequate machinery. According to the survey, Metal Varela had been the recipient of national subsidies and training in the past through the Ministry of Work and Social Security as well as the National Institute for the Social Economy. Additionally, the company received more than 44 loans totaling \$852,536 (ARS) between 2006 and 2010 from a non-profit organization that provides investment capital and technical support to worker cooperatives (The Working World). These loans are at interest rates much lower than traditional lending institutions and allow worker cooperatives flexibility. By creating and working within a system of “relationship, commitment, solidarity, peer pressure, etc.” the organization does not require the loan to be secured with any collateral (personal communication with The Working World representative in Argentina dated April 1, 2015). According to a representative, the non-profit lending organization is currently earning a 6% return on their investments, compared to the national average interest rate of 17.1% (personal communication with The Working World representative in Argentina dated February 25, 2015; The World Bank). The majority of these loans to Metal Varela were for the purchase of raw materials while some were to bolster the organization's liquidity while awaiting payment on completed projects. Only one loan was to complete the repair of machinery and to raise their capacity to four machines.

Unfortunately, although Metal Varela had not seen a decrease in employment levels since becoming a worker cooperative, the ongoing decline in production output since 2008 due to outside economic forces does not provide a good sign for job stability for the workers. In fact, Metal Varela answered the 2009-2010 survey stating that their “productive capacity prevents us from obtaining new clients.”¹³ Additional research should address at what level of production do worker cooperatives find it necessary to cut back on hours and/or employees and how do those decisions affect the livelihood of the workers and the local community.

Economic Linkages

Due to their precarious history, ERTs have a lack of access to credit. This lack of liquid assets leaves ERTs functioning below their potential baseline. Often required to pay for raw materials upfront, ERTs are only able to work from one project to the next, and only have enough capital to fund the upcoming project. Many ERTs work *a façon*, which means that a contractor will give the ERT either the raw materials with which to make the desired product or give an advance in order to purchase the raw materials. In 2009-2010, 25% of Metal Varela’s work was produced in this manner.

Some ERTs rely on personal relationships with other ERTs within which money, materials, work, and favors are exchanged variably, due to the networks that have been built through the reproduction of social capital within local communities and the larger movement. While this prevents them from investing in long-term projects, capital improvements, and job training, ERTs do have limited access to

¹³ Facultad Abierta, 2009-2010 Survey, Metal Varela, Question 62.

subsidies from the national government. These can be difficult to obtain due to bureaucratic processes, may come only on a per worker basis, or be for only specific projects such as new equipment, hygiene improvements, commercialization, infrastructure development, and technical training (Ranis 2010). They are most often handled through a sub-secretary of the Ministry of Labor, the Ministry of Social Development and the Municipality of Buenos Aires, or the Secretary of Work, Employment and Social Security. Unfortunately, in order to obtain such a subsidy, an ERT must provide accounting for every peso spent, unlike a commercial line of credit with which the ERT could maintain control over spending and saving needs.

Metal Varela does most of its business, on both the demand and supply side, with PyMes. These types of business have been touted as the “productive fabric” of Argentina, generating benefits that extend far beyond the owner of a firm (Roura). PyMes generate both local labor and wealth, help to disperse production more equally across geographies, and have a flexibility that allows them to adapt to technological and economic changes. PyMes are often more entrepreneurial than larger corporations, which gives them the ability to discover new processes and markets.

In 2010, an employee of Metal Varela listed their most prominent suppliers and buyers as traditional capitalist businesses. The survey described the cooperative’s relationship with one of their providers of raw aluminum. The provider is the company that the cooperative used most frequently during the previous year and constitutes a new relationship since the businesses changed hands. In the survey completed by the Facultad Abierta, the respondent acknowledges that the company was seeking out new business relationships in an effort to find better products with

improved functioning, to take an enhanced finished product to the market. According to the survey, the relationship with this capitalist business was a new relationship that was formed after the cooperative transitioned from a traditional firm to a worker-cooperative. Additionally, the employee identified that the relationship evidenced limited willingness of one or both firms to help the other firm gain, as well as a limited level of trust based on the belief that each firm would perform honestly and ethically. Instead of having a mutual commitment to both firms' long-term success, the commitment level of each firm was to a specific transaction or project.

Both the capitalist provider of raw material and the cooperative Metal Varela accept and understand the concept of partnership. While both firms have invested mutually in the relationship, place a strong value on keeping commitments; communicating frequently and thoroughly allowing for both praise and criticisms, there are some key aspects of the relationship that may not be mutually beneficial. The two firms' overall organizational structures do not mesh well for a variety of reasons. These include the fact that neither firm views their employees as long-term assets, neither firm has well developed strategic plans or objectives, and the the firms' motivation and reward structures are not aligned.

Despite the clear challenges facing Metal Varela, the existence and reproduction of social capital have maintained the organization. Additionally, the existence of Metal Varela as a worker cooperative in the community of Florencio Varela has promoted the practice of direct democracy, direct action, and networking. While Bendick and Egan (1995) found that worker cooperatives scored lower than traditional capitalist firms in terms of the annual growth rate in the industry in which

the firm operates and the size of the firms themselves; they scored higher on the other two indicators which were productivity compared to industry average and proportion of firms projected to continue through the next five years. In terms of commercial viability and job quality, Bendick and Egan (1995) found that the worker cooperatives in their sample set “approaches, and to some extent ‘matches,’ the ‘mainstream’ performance of comparison firms” (p. 71). While this research did not address these indicators specifically in regards to the case study, further research should look more closely at commercial viability and job satisfaction within worker cooperatives in Argentina.

Human Rights in Argentina

Argentina has a rich history of experimenting with human rights norm implementation at the state level. The nation has ratified all thirteen of the international rights treaties. Shortly after democracy was restored to Argentina after approximately ten years of military dictatorship, the National Commission on the Disappearance of Persons (Comisión Nacional sobre la Desaparición de Personas, CONADEP) was chartered to investigate the fates of the thousands who were “disappeared.” The commission received depositions and evidence concerning the events. Those cases in which a crime had occurred, the Commission passed the information to the courts, however, the commission's final report would not determine responsibility, but deliver a chronicle of what had transpired (CONADEP 1984). The final report was published in 1984 and showcased the country's dedication to learning, healing, and developing human rights norms through policy implementation.

Despite the success of CONADEP and subsequently the largest trial by a democracy against a dictatorship in Latin America, politicians in Argentina pardoned those military leaders who were sentenced. It wasn't until a Supreme Court ruling in 2005 that deemed any laws shielding officers accused of crimes unconstitutional, that human rights norms claimed a firm stake in national policy. This back and forth on human rights norms has allowed human rights to be an important topic in Argentine politics and culture and made space for members of the public to participate in norm development and dissemination. For example, the Mothers of the Plaza de Mayo (Asociación Madres de Plaza de Mayo) is an association of Argentine mothers whose children were victims during the dictatorship. They have organized and marched weekly in search of answers, disseminating human rights discourse through their newspaper, radio station, university, and other organizations.

Human rights norms have spread in other forms throughout Argentina as well. In Rosario, Argentina, a city of about 1 million people located 185 miles (297 kilometers) northwest of Buenos Aires on the Paraná River, a group has formed to help disseminate human rights norms. On June 30th 1997, more than 100 people including NGOs, community activists, academics, representatives of religious communities, and members of the Rosario Municipality gathered for a special meeting at City Hall. At this meeting they signed a proclamation of their "commitment to build a human rights community in Rosario. Such a community must promote, among women and men that live in the city, respect for human rights, equity and peace, activities which are inscribed in the Framework of the UN Decade For Human Rights Education, 1995-2004." According to the People's Movement for

Human Rights, “Rosario’s historic proclamation highlights the opportunities available to ordinary citizens and community activists to use the powerful space for action made available by human rights norms, standards and instruments that the Government of Argentina had ratified” (People's Movement for Human Rights Learning).¹⁴

In March 2015, the Argentine government introduced a new 100-peso bill, commemorating the Madres de Plaza de Mayo. This is another example of how Argentina as a nation state espouses their dedication to human rights. Due to the success of civil and political human rights norms and the familiarity of the Argentine people with discussing and implementing them, it is necessary to see if a similar trajectory is true for economic, social and cultural rights norms.

Economic Rights Norm Development & Dissemination

Economic rights are not an explicit mission of the ERT movement in Argentina, however, through this research it has become a common thread through the analysis of primary documents and interviews, as well as secondary research. Human rights norm development and dissemination is a long process.

Norm dissemination is the process by which norm entrepreneurs and those participating in the “principled issue network” inform others about the norm (Sikkink 1993). Dissemination does not simply occur when an individual or group decides to go out and spread the word about human rights issues. It is a complex and difficult transaction to account for and measure. Issue networks involve many different actors

¹⁴ According to their website, the People’s Movement for Human Rights is an independent, international, non-profit organization promoting, enhancing and providing learning about human rights as relevant to people's daily lives at all levels of society, that leads to action.

and groups. As Castells (2005) explains, the network society or “the social structure resulting from the interaction between new technological paradigm social organization at large,” has enabled groups of actors to organize and coordinate the resources necessary to execute projects based on shared values that historically was only possible by large, vertically organized institutions such as states, churches, and corporations (p. 3). Castells (2005) emphasizes the importance of the network society as “the most extraordinary technological revolution in humankind, the one transforming our capacities of communication and enabling to modify the codes of life...,” including the way we think about human rights. This new form of societal organization gives issue networks the capacity, but also the flexibility to achieve projects through a decentralized structure of autonomous parts. There is a cooperative nature within issue networks working towards the same goals; however, each component, individual, NGO, or government entity is not reliant on the other parts. For Sikkink (1993), an issue-network meets the following criteria:

- Shared values form the basis for the network,
- NGOs play a central, proactive role,
- There are dense exchanges of information and services, and
- Members of network work together in a constant, but informal, uncoordinated, and non-hierarchical manner.

The issue-network surrounding economic rights norms in Argentina may be new; however, it follows Sikkink’s description as sharing the value of worker dignity, cooperating with NGOs such as lending institutions, there are dense exchanges of information and services among ERTs and universities through technical assistance and business development newsletters, and members collaborate through constant informal, nonhierarchical forms. As we have seen, Argentina has adopted many

human rights norms in relation to state repression. Economic well-being as a human rights discourse is a relatively new phenomena since the *argentinzo* in 2001. While these norms are just getting their bearings, an economic rights norm issue network is growing in Argentina. Many groups have illustrated their support including local community groups, politicians, unions, ERTs, universities, social movements, and legal and academic professionals.

The development of an economic human rights norm within the ERT movement evolved through the immediate need to survive when faced with the prospect of unemployment. According to Ruiz (2014), ERTs emerged through a defensive response “to prevent their loss of work in a situation of necessity and social urgency, marked by a society-wide uncertainty and precarious labor conditions” which, according to Castells (2005) are consequences of the flexible production for short-term profit. Such a collective defensive response to the threat of unemployment and the very need to survive economically has generated an economic human rights norm through the shared denunciation of exploitation by the former owners, and the preeminence of worker dignity. The importance of “dignity” within the norm development stems from the deep history of Peronism within the left of Argentina. In 1950, Juan Perón gave a speech outlining “The Twenty Fundamental Truth of Justicialism,” within which number five states, “In the new Argentina work is a right that creates human dignity and is a duty, for it is fair that everyone produce at least what he consume.” Dignity is at the core of the development of an economic rights norm in Argentina. An author of an article in the primary resource newsletter wrote, “The success we have achieved can be seen by looking into the faces of our loved

ones and saying that we have fought all these battles to defend our dignity, which is the only thing that makes us men and women.”¹⁵ The creation of an economic human rights norm and the dissemination of the underlying values take place simultaneously. During the interview of the local expert, the respondent answered, “We were the delegates, those responsible for the **rights** of the workers in the factory, when we began to notice that we had problems with salaries not being paid, we had problems with retirement contributions not being made,... we made the decision to talk to the owners and see what was happening.”¹⁶

Merry (2006 cited in Sikkink 2014) describes social movements as human rights “intermediaries” that “vernacularize” human rights discourses. According to the text analysis of the 17 newsletters and the three reports published by the Facultad Abierta on the movement and the findings of their surveys, executed in Atlas.ti, dissemination of economic human rights norms occurred mostly as an act of solidarity and support exercised by employees or metallurgy ERTs, neighbors within the community, nonprofit organizations, state actors, and universities. Dissemination can take place at home amongst family members, at community assembly meetings, at universities, at public demonstrations, within government institutions, and within cultural manifestations such as art and music. According to the Facultad Abierta survey respondent, the workers at Metal Varela used monthly assemblies as well as a newsletter as informational channels to communicate with one another.¹⁷ The seventeen newsletters were published between 2006 and 2008 and were the result of a

¹⁵ Nudos, Florencio Varela, June 2007, Year 1 Number 11, “Nueva Etapa para el Proyecto Redes,” p. 5.

¹⁶ Interview, 7/27/2010. Emphasis added.

¹⁷ Facultad Abierta, 2009-2010 Survey, Metal Varela, Question 93.

grant from the European Union (through COSPE, Cooperation for the Development of Emerging Countries, in Italy), in an effort to create a network between recovered businesses in the metallurgy industry. This international support exhibits the applicability of and international interest in an economic human rights discourse.

The title of the first article of the series was “The more we share, the more we have,” which refers to the importance of sharing experiences and information through networks. In this way, the network could potentially share best practices, clients or vendors of raw materials, and develop a common language of values. For example, an early article in the series written by an employee goes into detail exploring the idea of what “dignity for workers” means: “Does it mean to earn a wage that is above the poverty line? No, the dignity of a worker means to have work.”¹⁸ A later article goes on to explain that “the ignorance of the worker, to those businessmen, was a guarantee of the continuation of the system of exploitation.”¹⁹ These written expressions of “the right to work” detailed in the Argentine Constitution, signifies the development of an economic rights norm within the ERT movement in Argentina.

At the inauguration of an industrial design center within the University of Quilmes, which would open its doors to workers and students alike, the president of the university expressed the need to maintain employment levels in a human rights discourse when he said, “we raise the banner of ‘no more disappeared,’ we should also say ‘no more lost jobs!’”²⁰ This rhetoric is human rights specific since it invokes the collective national experience of the Dirty War, during which thousands were

¹⁸ Gutierrez, Carlos, *Cooperativa Felipe Vallese, Nudos*: Florencio Varela, June 2006, Year 1 Number 1, p.4.

¹⁹ Proyecto Redes y Consorcio Productivo de Sur, “La Educación de es un Lujo,” *Nudos*

²⁰ “La UGDI ya está funcionando,” *Nudos*: Florencio Varela, June 2007, Year 1 Number 1, p. 7.

“disappeared” and uses the phrase “*nunca más*” (which in Spanish means “no more” and is the title of the report published by the National Commission on the Disappearance of Persons (Comisión Nacional sobre la Desaparición de Personas, CONADEP).

In the twelfth newsletter, an article appears entitled “Creating the space for new generations.”²¹ The article discusses transgenerational models of cultural transmission, particularly around the cultural of work and unemployment. The author expresses concern for the transmission of these ideas regarding economic human rights over time and how they are conveyed within the family structure. The article poses the following questions in regards to the act of resisting unemployment:

- What values, beliefs, secrets, legacies, loyalties, rituals, and myths, are these workers who have recovered their jobs transmitting to their children?
- In what ways are these evident, after that struggle, in current cooperatives?
- Are there policies (or drafts of policies) that address transgenerational occupation within cooperatives?

A separate article quoted the Minister of Employment speaking during an award ceremony that celebrated Women’s History Month. He stated that, “Memory and acknowledgement are indispensable tools if we want to recover the culture of work. These values are going to help us be a more equal society.”²²

The eighth issue features an interview with Alberto Alberani, the head of Social Policies and Cooperatives at Legacoop Bologna, an organization that

²¹ Staff writer, “Crear el espacio para las nuevas generaciones,” Florencio Varela, July 2007, Year 1 Number 12, p. 4.

²² “Reconocimiento a Nelli Perinel, de Química del Sur,” Nudos: Florencio Varela, April 2007, Year 1 Number 9, p. 12.

represents cooperative interests in Italy. In the article, Alberani is asked to speak about what having a balance between economic, environmental, and social responsibilities means. He answers, “Why would a company want to embrace a social balance? It is a premise that speaks of how internal and external actors are involved. But it is also a marketing and communication tool with which we show who we are, what we do, how we are organized.”²³ In this way Alberani is promoting the concept of economic rights through the idea of doing business in a socially conscious way, instead of the “race to the bottom” models of the past. Additionally, he is emphasizing the use of the ERT model and the social economy to promote the broader idea of an economic rights norm in development discussions. In this way, the ERT model is a marketing tool through which the economic rights norm may travel to a wider audience.

As previously noted, both the national and provincial constitutions provide for “the right to work in any lawful industry, the right to strike for lost compensation, and allow for the expropriation, duly compensated, of private properties on behalf of workers for reasons of the ‘common good’ and ‘public use’” (Briner and Cusmano 2003, p. 26-30). Proponents of legal reform for ERTs believe that the right to work should be preeminent in legal discussions. As explained by Vieta (2013), many leaders of the ERT movement ran for public office in an effort to have an impact on the institutional changes that would propel a “right to work” and an economic rights agenda into the mainstream arena of legislative politics. While many of them did not win their campaigns, some have had an impact on expropriation laws at the local level (Vieta 2013). During the past eight years, the Facultad Abierta has organized six

²³ “Qué es el balance social,” *Nudos*: Florencio Varela, March 2007, Year 1 Number 8, p. 13.

conferences on the topic of ERTs. Other universities also support ERTs, including the regional university in the province of Quilmes that has a program on Self-Managed Work that aims to assist self-managed organizations in the processes of production, circulation, distribution and consumption (Universidad de Quilmes). These initiatives facilitate the sharing of information, resources, and technical assistance within this economic human rights issue-network.

Forms of economic rights norm dissemination were also located at the state level. Two laws govern the process of expropriation for the ERTs: the national bankruptcy law and the provincial or municipal expropriation law. These laws govern the viable options available to workers on the brink of losing their employment during precarious economic times. In this context, two different movements representing ERTs have made two very distinct policy recommendations regarding each of these legal frameworks. It is in this context that issues regarding private property, the right to employment, the “public good,” and the fragile economic state of the country arise in the debate surrounding ERTs as a community development initiative.

The Argentine Bankruptcy Law, codified in the Commercial Code as law number 24.522, underwent an important revision in June 2011. Historically, the law named workers only as secondary creditors, prevented the continuation of production during court proceedings, and did not allow for back pay, in the form of wage credits, to be used to purchase company assets. During the precarious situation of liquidation, owners or primary creditors are often in a rush to sell the assets of the company at auction. The former law gave primary creditors four months to complete this process

(with an appeal which allows for an extension of thirty days) stipulating that “authorization for keeping the company open will be given by a judge only in cases in which closure could result in a serious decline in value or if it would interrupt ongoing production (Cole 2007, Sin Patrón 2007). The new law, revised as 26.684, gives workers the same status as primary creditors and provides some legal protection against the liquidation of assets including machinery, raw materials, and patents. Formerly, a 1995 reform permitted the workers to remount production with a majority vote, *up until* auction proceedings take place (Cole 2007, Ranis 2010) when workers would receive a mere 5-50% of their claims on the business, while court-appointed trustees make a commission on successful auctions of about 12% (Ranis 2010). Under the 2011 revision, Article 48 was amended to include creditors, worker cooperatives formed by workers of the enterprise (or cooperatives in formation), and other third parties interested in acquiring shares as participants in the reorganization (Boletín Oficial de la República Argentina 2011).

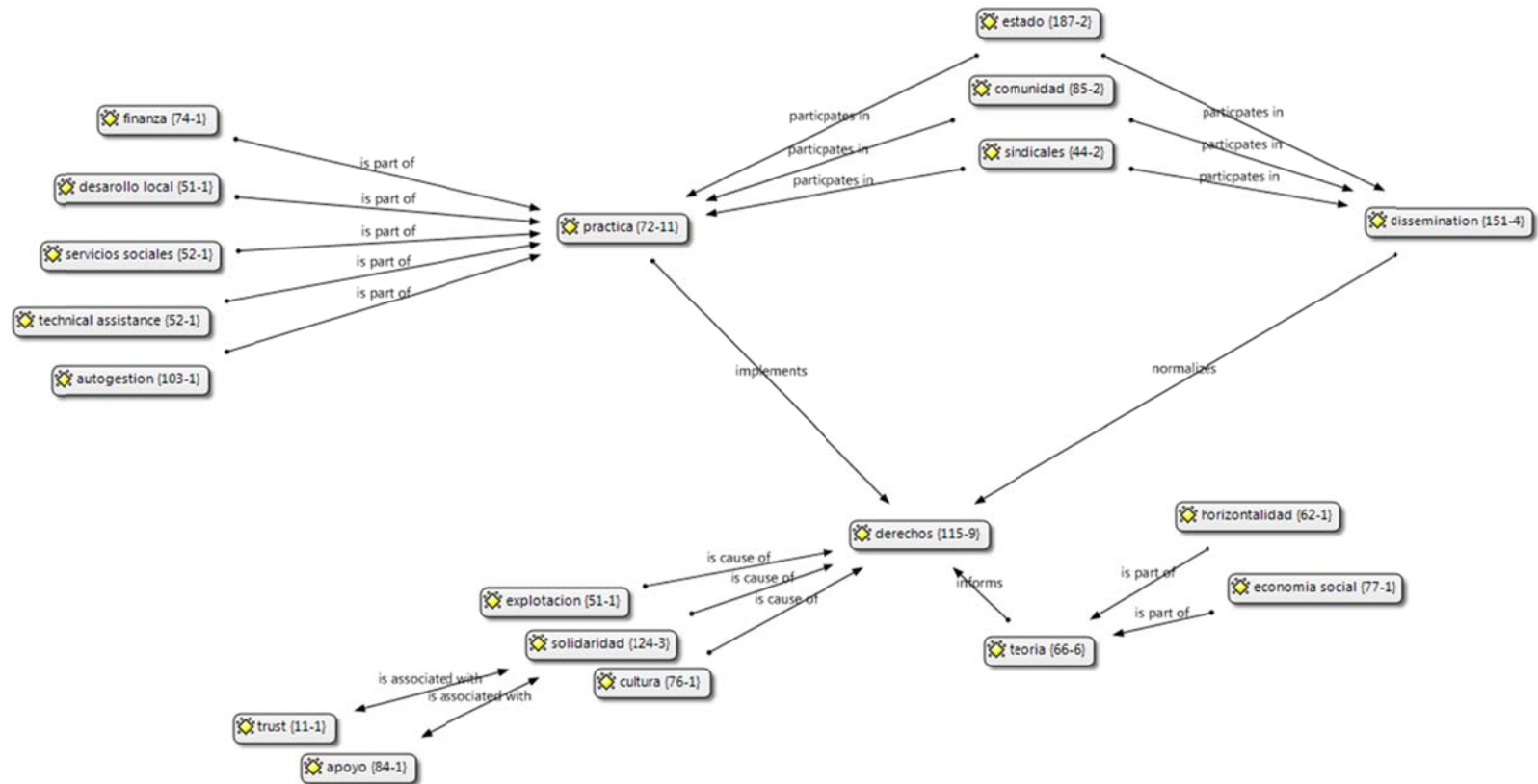
The changes to the bankruptcy law also give the workers 100% of their claims for back wages and allow them to pool their bankruptcy credits to put towards the cost of expropriating the firm (Cole, 20007). Lastly, the 2011 revision allows the bankruptcy judge to suspend mortgage and/or collateral executions for a period of up to two years (Boletín Oficial de la República Argentina 2011). This allows the workers time to purchase any “goods” (machinery, materials, patents) directly, instead of through the immediate auction process detailed in prior iterations of the law. While historically, “the workers’ 20–30 years of work is sold for a pittance at a rigged auction,” the 2011 revision has removed the asymmetry in the way in which

workers and employers have traditionally been treated (Luis Caro, quoted in Ranis 2010, p. 85). This acknowledgement by the state of workers' stake in the companies in which they work, has promoted an economic rights norm at the national level.

In order to understand the processes involved with the development and dissemination occurring around economic rights norms within the case study and its industry network, a qualitative analysis was performed which included code-concurrence and network views in Atlas.ti. Code-concurrence tables allowed a view into the relevance that certain pre-determined codes have with all other codes that appeared in the text. By analyzing the frequency of all codes associated with the specific codes (rights, community development, dissemination, and unemployment) I was able to provide insight into the meanings of these terms to the case study and the metallurgy network. Using network views, I was able to see how the various codes related to one-another. You can see these relationships represented visually in Figure 3. For example, the analysis illustrated that the economic human rights norm develops from the workers' deep history with the left and unionism in Argentina. This culture comprised of worker dignity and solidarity builds trust and support within the movement, which acts out against the exploitation of the former capitalist owner. From here the economic human rights norm emerges. Dissemination of the norm occurs in many different forms through actors including employees of ERTs, unions, the community including universities, and the state. These actors employ different methods of dissemination including support of ERTs such as financing, social services to the community including educational and cultural events, which promote

ideas of cooperativism, technical assistance, and the direct democratic practices that take place within ERTs during decision-making.

Figure 3: Economic Rights Norm Development and Dissemination Relationships

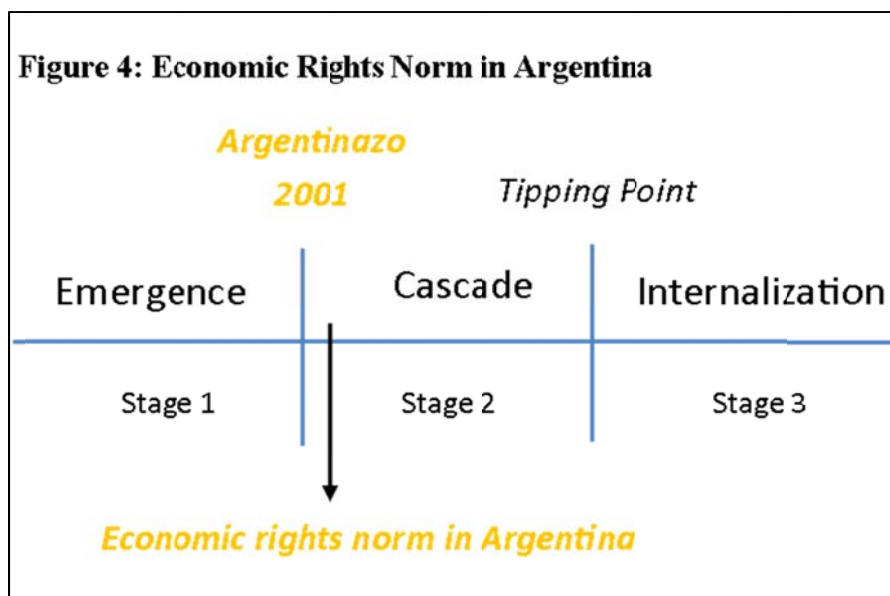


In summary, Argentina's rich labor history and the great period of economic and political crisis that culminated in the *argentino* of 2001 precipitated the emergence of worker cooperatives as a method to prevent additional unemployment. Through the physical and legal struggles undertaken by ERTs and their supporters, these organizations have evolved into community institutions from which the growth and reproduction of social capital has emerged. The network that now encompasses this movement includes members from universities, small businesses, neighborhood assemblies, solidarity movements, and professionals. These strong advancements in social capital development have allowed ERTs to survive during difficult economic times and vice versa. ERTs and their communities participate in a mutual support system within which ERTs provide jobs and community resources such as educational or cultural activities and the community provides political and other forms of support.

In addition to promoting the development and reproduction of social capital within the local community, ERTs and the resulting networks have also helped to develop and disseminate an economic rights norm. This human rights norm centers on the dignity that work gives to individuals who can support their families financially. The norm is disseminated through the supporting network of universities, community members, and the state through policy interventions that help to level the playing field between workers and private enterprise. There is even a cooperative band that spreads the message of worker rights through their songs.

Following in the vein of Finnemore and Sikkink (1998), this research located the emergence of an economic human rights norm on the continuum. In this case, the

norm has passed the state of “emergence” and entered into the early stages of the “cascade.” In order to reach the cascade, the argentinazo of 2001 provided the “tipping point” at which time ERTs emerged as a response to the economic and political crisis of the country in an effort to maintain employment. You can see the economic human rights norm continuum in Figure 4 below.



The resulting issue-network has promoted and disseminated the economic rights norm in a way that has allowed for some policy change but that has also helped local communities regain the strength to reproduce critical spouts of social capital. This social capital helps isolate communities from national economic crisis as neighbors help one another with necessities, and it also gives communities the political power they need to confront institutional inequalities. When asked, “How do you see the future prospects of the worker cooperative and of recuperated enterprises in general?,” on the Facultad Abierta survey, the respondent answered, “Our colleagues took the responsibilities into their own hands. Self-management is very rich and we

have illustrated that we are capable in any crisis.”²⁴

²⁴ Facultad Abierta, 2009-2010 Survey, Metal Varela, Question 121.

Chapter 5 – Conclusions & Recommendations

This research sought to explore ERTs in Argentina in terms of the circumstances under which a worker cooperative can provide an economic development strategy to address unemployment in times of crisis and how ERTs create and disseminate economic rights norms. The case study of Metal Varela and the accompanying newsletters of the metallurgy worker cooperative network have provided insight into both of these questions. In terms of employment, the case study Metal Varela did provide employment for twenty individuals. Additionally, it provided opportunities for growth in local social capital expressed in political participation; networking opportunities; financial, social, and political support of other ERTs; and the provision of community amenities such as educational and cultural programs. Recommendations regarding how ERTs and policymakers could make worker cooperatives a more successful strategy for economic development initiatives follow later in this chapter. In terms of an economic human rights norm, the case study has illuminated the meaning and development of a norm as well as different dissemination methods undertaken by different groups within the issue-network.

Due to the fact that worker cooperatives still operate within the capitalist market, it is important to help them overcome some of their shortcomings including business development tools such as training, management consulting, and financial assistance. As Bendick and Egan (1995) point out, “Worker ownership and participation itself affects these ‘business fundamentals’ only marginally.” By initiating programs that promote collaboration with local social anchors such as

hospitals, incentivize financing opportunities, and develop joint projects which support professional development and consulting opportunities, the state could help shelter ERTs from market forces which prevent them investing in professional services or upgrading technology due to the unknown risk (Samford 2014). I have developed three recommendations for policymakers.

Policymaker Recommendations

1. Financing

Traditional financing is often wary of unusual legal structures such as cooperatives, skeptical about the quality of their management, and unsure about the risk and associated collateral. ERTs often can only access credit from cooperative banks or nonprofit organizations, which limits their long-term potential for growth. Policymakers should help ERTs access traditional lines of credit in an effort to diversify their portfolios, upgrade technology, and use funds for professional training. In 2006, the Municipality of Buenos Aires created a sub-ministry dedicated to the Social Economy in an effort to support projects related to the informal economy by providing small subsidies of \$1,000–2,500 (USD) to newly formed cooperatives (Ranis, 2010). Efforts like these should continue and promoted in other municipalities. Another way of making ERTs easier for traditional lenders to finance, would be to create a national expropriation law, which would formalize the ERT structure on a national level and create uniformity in their situations across provinces. This change in policy could greatly enhance an ERT's chance of survival, minimizing the fear and uncertainty during the initial takeover. This would allow larger financing institutions to become familiar with one legal structure, instead of dealing with each

different province and its distinct expropriation law.

The Movimiento Nacional de las Empresas Recuperadas, MNER (The National Movement of Recovered Enterprises) seeks the transformation of the expropriation law into one of national context and scope. Such a law would apply to all recovered businesses in the country and would turn them into national enterprises under federal jurisdiction. MNER makes the following recommendations:

1. Federal recognition,
2. A subsidy of \$10,000 for each ERT expropriated,
3. The full indemnification of workers' credits,
4. A special retirement plan for workers of ERTs (Cole, 2007).

2. Anchor institutions

Anchor institutions provide another example of how policymakers could help ERTs by sheltering them from unpredictable market forces. By fostering relationships with ERTs and local anchor institutions such as hospitals, schools, or state enterprises, the government would help ERTs find long-term, more dependable clients. This may not work in the case of a metallurgy cooperative as much as it would for a laundry cooperative; however the local hospital could devise a contract with a metallurgy cooperative for certain projects such as elevator maintenance, construction projects, or other needed services.

The city of Buenos Aires then creates contracts with the cooperatives to purchase their goods including hospital sheets, public school uniforms, and school lunches. Anchor institutions could also help set up program sharing situations where the group could share benefits such as health insurance and retirement benefits. While Metal Varela shared in the retirement fund of the metallurgy union, health care was not offered to employees.

3. Technical assistance

It was revealed during this study that ERTs suffer from a lack of technical assistance, in terms of management as well as technical innovation. As mentioned early, those who left the case study after becoming a cooperative were administrators (this option was chosen 42% of the time), production experts (this option was chosen 69% of the time), and professionals (this option was chosen 15% of the time) (Facultad Abierta 2010, p. 42). The void left by these employees certainly impacts the ERTs likelihood of success. Additionally, within the case study it was discovered that the participation in cooperative, direct democratic practices may not be entirely intuitive to employees. This creates an additional training need, one that the case study saw as the biggest challenge to their existence. Lastly, the case study illustrated the need for ERTs to be able to upgrade their equipment in order to continue to compete in the market. The need for both cooperative management training and technical assistance in terms of machinery maintenance and upgrading could be addressed if the state initiated a relationship between a body of experts and the ERTs (Samford 2014). From this pool of qualified consultants, ERTs could gain valuable knowledge and skills while these experts gain employment and experience. The state would pay the experts a wage as part of their belonging to the pool, which would balance out the unemployment benefits that would need to be paid to both the experts and the employees of the ERT if the cooperative does receive this vital technical assistance. By promoting the development of the ERTs through this training program, the state could potentially avoid more unemployment claims in the future as the ERTs become more profitable and hire more employees.

Policymakers are not the only responsible entities in terms of ERT survival and success, the ERTs themselves can take some steps to help make them more marketable, promote their economic rights norm, and create equity. I have developed three recommendations for ERTs.

ERT Recommendations

1. Experiment with transferable membership shares

Membership shares are a common way that consumer cooperatives procure and diversify their capital. Typically, a membership share allows an individual to shop at the cooperative market and receive the benefits of other members (membership, discounts, dividends, etc.). Diversifying capital is important to worker cooperatives because according to Mikami (2013, p. 257), “As long as they rely almost entirely on debt capital, worker cooperatives will be limited in their ability to overcome their financial weakness in the free market system.” By providing membership shares as a form of financial investment, ERTs may be able to generate equity capital much like traditional capitalist firms generate equity through the sale of stocks. If enough equity is generated, an ERT will need to be less dependent on debt capital from the traditional financiers mentioned in policymaker recommendation #1, above. These shares would be sold by the ERT to the workers, who could then sell resell them to other workers, in a similar fashion to how stocks are sold to generate equity in capitalist firms. While it has not been common practice for worker cooperatives to regard their membership as a tool for procuring capital, it may be a worthwhile experiment. Additionally, appropriate institutions would need to be devised to promote the trade of membership shares and there are precautions such as takeover

and speculative investment. The state could help determine whether this is a viable strategy, by using the expert pool mentioned in policymaker recommendation #3, to undergo research and experiments.

2. Balance “bonding” and “bridging”

While it is reasonable to exert “bonding” social capital to cement the relationships within the network, ERTs should look for appropriate ways to balance their “bonding” and “bridging” social capital. While ERTs often have legitimate reasons for being untrustworthy of politicians, lawyers, educators, and other outsiders, it will be essential to overcome some of this fear in order to collaborate in programs such as the expert pool mentioned in policymaker recommendation #3 and traditional financing institutions. In an effort to begin expanding levels of trust, ERTs such as Metal Varela and others may want to revise their recruitment policies to include others outside of the one-degree of separation from current employees. This will allow other potential candidates to apply, learn from the worker cooperative model, provide their new ideas, and extend the reach of the economic rights norm into a new spoke of the wheel.

3. Marketing

ERTs should fully utilize the benefits available to them and their issue-network through the network society described by Castells (2005). By creating a more prominent web presence in order to disseminate the economic rights norm, ERTs could generate powerful support from across the globe. By marketing their products, events, and models through a comprehensive web presence, ERTs could unite the nodes of their issue-network more cohesively. Additionally, ERTs should recognize

that by harnessing the power allotted through the access to technology, they could leave out potential allies. By recognizing the uneven distribution of access to information in this way, ERTs could promote equal access in their cultural and educational agendas. Castells (2005) explains that the network society is a hypersocial society, “People fold the technology into their lives, link up virtual reality and real virtuality, they live in various technological forms of communication, articulating them as they need it” (p. 11). In this sense, some ERTs do use social media and websites to communicate with their network; however, it seems as though it could be more centralized and comprehensive in order to reach policymakers, financial institutions, and constituents alike.

In conclusion, Metal Varela provided a survival response to high levels of unemployment during crisis within the community of Florencio Varela. It prevented unemployment for 20 individuals and helped to continue the financial support of 20 families. The ERT provided a starting point for the development of a local institution through which strong networks of social capital were formed which promoted political empowerment and insulation during economic crisis. Additionally, these new networks helped to develop and disseminate an economic rights norm. ERTs have grown over the years to employ an estimated 14,000 individuals. The local communities where these ERTs are located benefit from the social capital reproduction that these organizations promote. ERTs have become “powerful actors of innovation on the new meaning of work and wealth creation in a production system based on flexibility, autonomy, and creativity” (Castells 2005, p. 11).²⁵

²⁵ In this quote, Castells (2005) was referring to trade unions. I have used it here to illustrate that ERTs have in a way become a new interpretation of the trade union.

Argentina has been both a human rights violator and implementer. Argentina participated in the American Declaration of the Rights and Duties of Man, the world's first international human rights treaty in 1948 (before the UDHR), and a norm implementer with the changes that were made after the atrocities of the Dirty War CONDEP report. Therefore, the growth of an economic rights norm in Argentina is not surprising and could signify the beginning of a "norm cascade" within the Global South.

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