

# Case Study: La Base / The Working World (Buenos Aires – Argentina)

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## Summary :

Solidarity-based finance for recovered enterprises and production cooperatives in Greater Buenos Aires

## 1. Specification

- Name: The Working World / La Base
- Short name: La Base
- Legal structure: NGO (in USA), Foundation (en Argentina)
- State: Active
- Date of creation: 2004
- Number of employees: 5 (part-time)
- Number of volunteers: -
- Postal address: **USA:** 228 Park Ave S / New York, NY – 10003 ; **Argentina:** Talcahuano 215, 1B / 1013 - Ciudad Autónoma de Buenos Aires
- Tel: (+54-11) 4382-1520
- Website: [www.theworkingworld.org](http://www.theworkingworld.org)

## 2. Sector

- Category: Solidarity-based finance
- Reach : Local. Offices in Buenos Aires, Leon (Nicaragua) and New York
- Context: Urban, peri-urban

## 3. Description

### The beginnings: problem and start-up

In 2002, Argentina was beset by a devastating economic crisis, the worst in its recent history. The peso-dollar parity was abandoned, the banking sector collapsed and the economy went into severe recession. In practically all the production sectors, enterprises - the majority of them factories - filed for bankruptcy, completely halted all production and were abandoned by their owners. In response to this, the workers mobilised, formed cooperatives and took steps to recover businesses and jobs.

In fact, the movement of recovering enterprises began long before the 2002 crisis. It started back in 1998 with some notable cases, such as the Argentine Metallurgic and Plastics Industry. At the time, the reasons for workers to recover a business were mainly non-compliance of contracts, mass unjustified dismissals and financial fraud. When the 2002 crisis hit, this movement gained strength, with the abandonment of enterprises being the main driving motivation. In 2003, Canadians Avi Lewis and Naomi Klein travelled to Buenos Aires to document up close the process of recovering these factories and the socio-political context in which this

movement was developing. A year later they screened *The Take* (87 minutes), which made the movement and its slogan, “occupy, resist, produce”, visible on the international scene.

The economist Brendan Martin is one of the founders of The Working World, the US registered NGO, through which the Solidarity Fund The Working World is run and donations are given. In mid-2004, after a screening of *The Take* in New York, Brendan went to speak to Avi Lewis about cooperativism and the experience of recovered factories in Argentina. Months later, they founded the NGO and set up the Solidarity Fund The Working World, which was up and running by December 2004. It started with 100,000 ARS (Argentine pesos, approx. 18,000 euros) and the recovered factories from the documentary *The Take*.

## The concept: ideas, innovation, social technology

Workers knew that no economic or political miracle would give them back their jobs; therefore they themselves went to recover them. By creating labour cooperatives, they could break away from the boss-employee dichotomy and could instead implement horizontal decision-making and organisational processes. The principal of “one worker = one vote” was applied to all in open assemblies. According to the Labour Ministry, by 2010, 280 enterprises had already been recovered by their workers, the majority of them in Greater Buenos Aires.

In the majority of cases, all employees end up earning the same wage, and they participate in creating a strategy for the recovered enterprises, irrespective of their position within the business. Furthermore, this structure means that the profits are re-invested in the growth of the business, which not only safeguards thousands of jobs, but also leads to many new jobs being created.

At first sight the process appears simple. The first step is to form a workers’ cooperative, which asks the Bankruptcy Court for permission to inspect the property and check that everything is there. If they discover that the owners have been selling the materials without authorisation, legal action can be taken allowing the cooperative to take control of the enterprise, and, after putting forward a business plan, to resume its activities. The last step is the expropriation of the enterprise from its previous owners and the transfer of goods to the cooperative, using the laws governing expropriation.

Brendan’s graduation thesis “had centred on cooperativism as a development alternative centred on democracy in the workplace and equity in distribution. For his investigation, he had visited the Mondragón region of Spain, where a cooperative community project had enabled people’s quality of life to increase markedly in only a few decades”.

Solidarity Fund La Base, whose headquarters are in Buenos Aires, began granting non-collateral based loans to recovered factories in December 2004. These were productive loans which could be adjusted according to the needs of the specific projects, but which were aimed at consolidating stability and growth of the cooperatives. As Julián, member of La Base states, it is about strengthening the “work with the power of decision making.” They work with cooperatives, oversee the projects together and decide how the loan money will be invested.

As there is no collateral, the loans are based on the principles of commitment and shared risk. Also, La Base has a policy of not transferring money to the cooperatives, but rather paying the input suppliers of each project directly. The entire process is transparent, which reduces the moral hazard and gives rise to “collective punishment” towards those cooperatives that embezzle funds - which has happened very rarely. When there are losses incurred “in good faith”, La Base absorbs them, thereby reducing the funds available to the other cooperatives. By word of mouth, the Fund has broadened its base by working with other factories and subsequently with other production cooperatives.

## Progression

Recovering enterprises was not a guarantee of success, especially in the post-crisis phase, as the credit markets were still frozen, the debt was dollar denominated and economic stability was late to take hold. In the case of the factories, the lack of access to credit was the main concern, as most of them needed capital to start production and a flexible credit line to keep the business running.

In principle, each project which receives a loan from La Base has to be an example of good practices and good planning, but there is much uncertainty all around and it prevents the cooperatives from planning ahead beyond one month at a time. This makes it difficult when trying to come up with a long term strategy. Furthermore, external factors such as high inflation or legal barriers are difficult obstacles to overcome, while it is also hard to break with the inertia of managerial-level bad practices. Although one of the objectives is the self-sufficiency of the cooperatives, it is a sensitive issue and it is rarely spoken about. For some, La Base is a support, whilst others depend on its loans in order to function as a business.

From the very beginning, the demand for credit has outstripped the supply, and the lack of funds has limited the scope of The Working World's work. As a response to this demand and as part of a growth strategy, The Working World registered as a foundation in Argentina in 2008. They began to work in other cities and created cooperation links with other organisations and with the Government.

Problem: the training programmes offered by the Government are not tailored to the needs of different enterprises.

## Objectives

- Democratisation of business management
- Empowering workers
- Facilitating the creation and expansion of production cooperatives, as well as the process of recovering enterprises.

## Activities

- Principal: providing solidarity-based credit to production cooperatives
- Secondary: encouraging the creation and growth of production cooperatives. Supporting cooperatives in improving management strategies (business plans).

## Beneficiaries/Clients

Production cooperatives (and their workers)

## Financial backing

Donations from the USA, Government Funding (loans with low interest rates).

## Other stakeholders

## Self-sufficiency and autonomy

The Working World is self-managed and promotes the self-management of the cooperatives that it works with. The Working World is not self-sufficient yet.

# 4. Analysis

## Results obtained

In 2008, Brendan won the Help Argentina prize: [www.helpargentina.org/en/node/637](http://www.helpargentina.org/en/node/637)

The Working World's fund currently amounts to 500,000 ARS (approx. 90,000 euros), and the organisation has a portfolio of at least 536 completed loans and a 97% reimbursement rate. Given the heterogeneity of the cooperatives, the loans amount to between 5,000 ARS (approx. 900 euros) to 40,000 ARS (approx. 7,200 euros), with terms starting from one week and with a nominal annual interest rate of 18%. At the present time, half of the loans are offered to recovered factories and the other to production cooperatives; on average the credit amounts to 17,000 ARD (approx. 3,000 euros) for a term of 3 months.

Protection and creation of thousands of jobs.

## SWOT analysis

- Weaknesses: reliance on donations. The cooperatives they work with lack a long term vision.
- Opportunities: increase in the amount of funds available for microcredit. International year of cooperatives (2012). In a crisis context more cooperatives are created. The model can easily be replicated in other countries.
- Strengths: Increase in the range of loans available (increase in demand). Relationship between cooperatives is built on trust (direct contact, work together). Growth and strengthening of the network of cooperatives. Have spread to various cities in Argentina, Latin America and the USA.
- Threats: Cooperatives who receive loans might find themselves in situations of dependency. Lack of adequate training to respond to the growth in the medium and long term. Uncontrolled inflation and other external economic factors.

## Sustainability

- Economic: Despite being dependent on donations, La Base's portfolio has grown consistently since its creation. The reimbursement rate of 97% and the cost structure is efficient.
- Social: Working directly with cooperatives, in a context of trust, has had and continues to have a positive impact. Thousands of jobs have been saved and created, decision making has been democratised and the management model of those cooperatives that received loans has improved.

## Spread of good practices and transfer of social technologies

La Base is a potential centre of a network for cooperatives to work together and for their products to be commercialised. This is a necessary step, given the competition they face from private firms in the market. In fact, Julian cites the lack of relevance of the training provided by the Government and the lack of marketing knowledge as the main barriers to the growth of cooperatives. Once this network has been consolidated, a conducive environment will have been created for workers to generate and produce positive change in society through self-management.

The financing difficulties that cooperatives face are not exclusively the consequence of the 2002 crisis nor did they disappear once the economy recovered. The banking sector imposes conditions that do not correspond to the reality of cooperatives, and interest rates that are too high. During the post-crisis period the movement's priority was to foster the recovery of the industrial sector and to preserve jobs, while today the priority is to create decent jobs and to encourage democracy in the workplace.

Although La Base still depends on donations to cover its operating costs, its model has delivered notable results and can be replicated in other countries where there are also movements to recover enterprises and have self-managed workplaces, such as in Brazil, Paraguay, Uruguay and Venezuela. In fact, the organisation already has a working office in Nicaragua and in May 2011 opened one in New York, where the current crisis continues to increase unemployment and where the cooperative movement is growing in popularity.