

# 100 million jobs

## The contribution of cooperatives to employment creation

Maria Elena Chavez Hertig  
ILO COOP



ILO Cooperative Branch

Thank you for inviting the ILO to share with you information on the important contribution that cooperatives making to employment creation today and in the future and why the ILO supports and works closely with the cooperative movement.

## Significant Employers

- ILO estimates that 100 million jobs are provided by cooperatives – more than 20% more than MNCs
- Significant employers in many countries
  - Largest private employer in Switzerland
  - Second largest employer in Colombia
  - Indian dairy co-ops generate jobs for 12.96 million families
  - Over one million jobs in France and Italy
  - Largest employer in province of Quebec (Canada)
  - Provide 71% of all jobs in the state of Wisconsin (USA)
- Jobs are created are through self-employment, salaried, indirect and induced employment



ILO COOP

The cooperative form of enterprise despite its significant and positive impact on economic and social development continues to be underutilised and poorly understood.

Few today are aware that an estimated 100 million jobs are provided by cooperatives to salaried employment – which is 20% more than multinational corporations. This is in fact a conservative figure considering that cooperatives provide not only direct employment, but also self-employment, indirect and induced employment. For example, in agriculture where the majority of cooperatives are still found, cooperatives maintain farmers' ability to be self-employed given that for many farmers the fact that they are members of a cooperative and derive income from the services, allows them to continue to farm and contribute to rural community development. And in both urban and rural contexts, the impact of cooperatives in providing income to members creates additional employment through multiplier effects including enabling other enterprises to grow and in turn provide local jobs – the indirect employment capacity of cooperatives.

Many are also unaware of the significant impact that cooperatives have on national economies and in particular their impact on employment. In a number of countries, cooperatives are sizable employers, for example, cooperatives are the largest private employer in Switzerland, the second largest employer in Colombia; in India the dairy co-operatives alone generate nearly 13 million jobs for farm families, while in France and Italy they provide for over a million jobs to cite a few salient facts. At the state, provincial and local levels, they too are significant as is the case in Quebec, Canada where a financial cooperative, The Desjardins Group is the leading employer, or in the US State of Wisconsin where 71% of all jobs are attributed to the cooperative sector.

## Flexible form of enterprise

- Bring together individuals, a group of enterprises (shared-service co-ops) or a multi-stakeholder group (individuals, enterprises, local authorities, etc) in community-based co-ops
- Finds renewed resonance in today's globalized world to address today's challenges – unemployment, youth employment, informal economy, gaps in social protection, rural employment .....

ILO COOP



From an employment perspective and indeed a development perspective in general, the cooperative form of enterprise is particularly interesting as it is an entrepreneurial form that is flexible; it can be used for virtually any type of economic activities – agriculture,

finance, insurance, consumer, social care, health, tourism, biofuel, child care, funeral services, orchestras, football clubs, etc. The spectre of cooperative activity is wide.

Although principally set up by individuals who own and democratically control the enterprise, the model has shown its adaptability by being used as a means for enterprises to also pool capital and create commonly controlled business – for example auditing firms forming KPMG; hotel chains creating a cooperative to handle reservations, etc. More recently, new forms of cooperative enterprises have been set up as a response to community development opportunities or challenges where individuals, enterprises and local authorities form cooperatives to provide goods and services that otherwise would not be provided by other forms of enterprise. These multi-stakeholder cooperatives or community interest cooperatives are often the only provider of services in rural communities given that commercial companies may find it too costly to invest in these areas or expect insufficient return.

There is also a renewed interest in the cooperative form of enterprise in recognition of its potential to address today's challenges.

For example an area of concern for the ILO is the growing informal economy. It estimates that between one-half to two-thirds of the world's workforce is in the informal economy. Organizing these workers to ensure better livelihoods and access to social protection is a global challenge and one which the cooperative form of enterprise can address.

Cooperatives have proven to be a means for informal economy actors to join the formal economy in many countries around the world as it tends to be more easily accessible to informal actors than other forms of enterprise. As capital requirements are minimal for cooperatives – at least for the starting phase - and as an initial lack of skills can be overcome by information, training and education programs offered in most countries by governments, cooperative movements, and others, informal economy actors have relatively easy access to a form of organization which may be registered in most, if not all countries, and thereby acquire legal status. An example of a recent initiative of transitioning informal workers is the ILO joint initiative, Syndicoop. The ILO is working together with trade unions and cooperatives to formalize informal workers through cooperatives. It has been successful in East Africa and is now being expanded to also include Asia.

The ILO too is concerned about rural unemployment and how to ensure that decent jobs are available in rural areas. Here too, the cooperative model is an option by virtue of the integral relationship between a cooperative and its community. Cooperatives are rooted in their communities. They offer jobs to local people. They tend to be more stable employers especially in rural areas as their members are in the community where they are located. As individuals and enterprises in a particular community form cooperatives to serve their needs, cooperatives are less likely to relocate to lower wage areas, but find innovative ways to retain jobs and remain competitive. They also assist in circulating

financial resources locally. The services and products offered assist in keeping money in the community and so promote further employment opportunities in other enterprises.

With regard to youth employment, cooperative too provide an option. A few years ago, the Ford Foundation asked college aged people what they wanted in a work environment. They spoke of accomplishing something worthwhile, celebrating community, learning new skills and expanding knowledge, feeling needed and able to make a real contribution. Young cooperators have echoed this and have found that cooperatives provide the basis for attaining their goals. In fact at the International Co-operative Alliance Youth Conference held in Oslo in 2003, youth co-operators noted

“Young people are passionate about cooperation Why? Because it puts people first and cares about the environment in which we live. Co-operative values and principles make peoples’ right to enjoy life in a decent way, a reality.”

A more recent study on youth and cooperatives confirmed the sentiments expressed by these cooperators. It noted that young cooperators found that cooperatives allow creativity and innovation and the opportunity start productive enterprises.

## Enterprises with a difference

- The cooperative organizational model and the decent work paradigm are based on common values
  - Fair wages
  - Secure jobs
  - Social protection
  - Voice and participation
  - Equality of opportunity

ILO COOP



However, for the ILO and indeed the international community, the key is not just to provide any kind of job, but to provide decent jobs. In this regard, the ILO recognises that the cooperative organizational model and the decent work paradigm are based on common values. These values are translated into creating and maintaining quality jobs in cooperatives worldwide – jobs that are productive and deliver a fair income, security in the workplace, social protection for families, better prospects for personal development, social integration, freedom for people to express their concerns and participate in the

decisions that affect their lives, and equality of opportunity and treatment for all women and men.

A recent Fortune survey on the top employers of the United States confirms that cooperatives are among the best employers. Three of the 100 enterprises listed are cooperatives. Considering the vast number of enterprises in the US, this is indicative of the how cooperative put their values and principles into practice by providing their employees with superior conditions of work in terms of benefits outside of salaried remuneration including excellent pension plans, child care, full coverage health care, access to health improvement facilities and flexible conditions of work to name only a few.

The social protection capacity of cooperatives is another area of particular interest to the ILO; and with 80% of the workers not covered by social protection today, this remains a pressing issue. In line with the self-help principle, cooperatives have traditionally catered for the social security of their members and their families. They do so by setting aside money for the access to health care, education and for the payment of pensions, for group insurance schemes for their members and by negotiating insurance conditions on behalf of their members.

Indeed some cooperative legislation even provides for the usage of surplus to be spent for these purposes, if not by prescribing it, at least by giving incentives to cooperatives to act in this manner. Worthy of note too is the initiative being taken in Latin America in the development a model cooperative law, where social protection will be included.

## Sustainable enterprises

- Stability and longevity of enterprises
- Rooted in community, do not delocalise to lower wages
- Contribute to community development especially in rural areas
- Tried and tested model

ILO COOP



Cooperatives have in many cases also proven that they have the capacity to maintain employment as sustainable enterprises. A Canadian government study concluded that:

- Co-operative businesses tend to last longer than other businesses in the private sector.
- More than 6 out of 10 cooperatives survive more than five years, as compared to almost 4 businesses out of 10 for the private sector in Québec and in Canada in general.
- More than 4 out of 10 cooperatives survive more than 10 years, compared to 2 businesses out of 10 for the private sector.

The stability of the cooperative enterprise indicated by a low number of bankruptcies and the longevity of cooperatives is attributed in part to the fact that they are locally rooted in their communities. As mentioned previously, cooperatives are less likely to relocate to lower wage areas, but find innovative ways to retain jobs.

A 2007 International Monetary Fund research study on cooperative financial institutions has equally noted the stability of cooperatives. It concluded that cooperative banks are more stable than commercial and savings banks. This is due to much lower volatility of cooperative bank returns which offsets their relatively lower profitability and capitalization. Lower variability is thought to be due to cooperative banks passing on most of their returns to customers but are able to recoup that surplus in weaker periods. This result also reflects the mutual support mechanisms that many cooperative banks have created. As sound financial institutions, cooperative banks enable small entrepreneurs to access financing for growth, thus too indirectly creating conditions for employment creation.

Others studies note that cooperative stability is a result of a number of features, among which include:

- low transaction costs because cooperatives are member-user driven.
- strong user loyalty and commitment as they are membership organisations.
- cooperative specific social management and financial audit and professional advice by cooperative auditors
- avoiding the negative sides of the investor versus member user conflict
- emphasis on creating surplus instead of profit
- identification of member employees with the employer, especially in the worker cooperative context
- people-centred focus of cooperatives in relations to the fact that increasingly knowledge drives productivity.
- inter-cooperative solidarity, for example fund systems to operate in case of financial difficulties
- that main constituent parts of capital are not mobile: member shares cannot be traded; and that
- the reserve fund is indivisible.

These are all factors which result in cooperatives longevity and stability in the marketplace.

## ILO mandate

- Cooperative mandate in ILO Constitution since 1919
- ILO participation in interagency coordination on cooperatives through COPAC since 1969
- ILO Recommendation 193 on the Promotion of Cooperatives



ILO COOP

However, the recognition that cooperatives are an important model of enterprise is not new to the ILO. Its activities in promoting and supporting cooperatives are long-standing. In fact the ILO constitution since 1919 mandates the organisation to work with employers, workers and co-operators. Cooperatives therefore, are not a new form of entrepreneurship but a tried and tested model with success as well as an interesting innovation capacity to enable it to address the changing needs of society. Therefore, the fact that cooperatives are already currently providing 100 million jobs in direct employment shows the potential of the model to increasingly serving peoples needs for goods, services and livelihoods including providing more jobs.

It is also worthy of note that the ILO is not alone is addressing the cooperative issue. It is one of the founders of the international inter-agency committee, the Committee for the Promotion and Advancement of Cooperatives, COPAC which was founded in 1971. The members of COPAC include the ILO, UN, Food and Agriculture Organization of the United Nations, the International Co-operative Alliance and the International Federation of Agricultural Producers. Together they work in four strategic areas: policy, information exchange, inter-agency technical cooperation and awareness-raising.

COPAC's work is on-going as there continues to be misconceptions about the cooperative enterprise. As the World Bank Development Report 2008 notes that so called cooperatives that were government controlled were rarely successful and that

political interference and elite capture resulted in poor performance and discredited the movement. It states, Governments' interference in cooperatives management must be removed, a difficult process that requires confronting powerful, vested individual and political interests. True cooperatives, those that are autonomous, member-owned and controlled, and democratically operated have the capacity to make real contributions.

However, policy makers too need to be reminded of the specificities of the cooperative form of enterprises and that these require appropriate policies to address their distinctive nature – capital issues, social concerns, auditing issues - policies that will not hinder the formation or growth of cooperatives or compromise their existing contribution to job creation and retention and development in general.

## ILO focus

- ILO Recommendation 193, « The Promotion of Cooperatives » to increased awareness and understanding of cooperative model of enterprise
  - Appropriate policy and legislation and its application
  - Cooperative education in national curricula
  - Statistical information



ILO COOP

Here the instruments approved by the UN and the ILO can assist in providing guidance to policy makers. Both the UN Guidelines aimed at creating a supportive environment for the development of cooperatives and the ILO Recommendation 193 on the Promotion of Cooperatives pinpoint key areas in policy that can ensure that cooperatives are able to develop and contribute to national economic and social development including particular guidance on policy and legislation which impacts cooperatives and the need for a broader knowledge on cooperatives. In this regard, both make reference to including the teaching of cooperatives in national school curricula at all levels, as well as the integration of collection of statistical information on cooperatives in national statistical programmes as a means to better understand and take appropriate policy measures to enable cooperatives to contribute to national economies. The ILO have already assisted more than 70 countries in the revision of legislation, but still more work is needed.

There are many ways of organizing economic activities. The cooperative form of enterprise provides one option for people through self-help, to serve their needs, improve their livelihoods, offer job opportunities and promote national economic and social development. It is one form of enterprise that merits our full attention to ensure that people around the world have the option to make their lives better through cooperative enterprise.

Thank you.

## More Information

COOP

International Labour Office (ILO)

Geneva, Switzerland

Web: [www.ilo.org/coop](http://www.ilo.org/coop)

Email: [coop@ilo.org](mailto:coop@ilo.org)



ILO COOP