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Cooperatives in social development

Report of the Secretary-General

Summary

The present report is submitted in response to General Assembly resolution 60/132, in which the Secretary-General was requested to submit a report to the Assembly at its sixty-second session, focusing on the role of cooperatives in promoting full and productive employment. Chapter I of the report provides an introduction and review of the role of cooperatives in promoting employment generation. Chapter II discusses how cooperatives, as business enterprises, contribute to employment creation in different sectors and for certain social groups. Chapter III identifies some emerging opportunities and some challenges that cooperatives face in relation to employment creation; and discusses the role of the different stakeholders towards that end. The report also presents the results of a survey of Member States regarding their views on the role of cooperatives in employment creation and offers recommendations for consideration by the Assembly.

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I. Introduction

1. The present report examines the contribution of cooperatives in promoting full and productive employment and identifies opportunities and initiatives to scale up and broaden the potential of cooperatives in employment creation. The report incorporates the views expressed by 48 Member States in response to a survey carried out by the Secretariat and contributions by the International Labour Organization (ILO) and the Food and Agricultural Organization of the United Nations (FAO). It also reflects issues discussed at the expert group meeting on cooperatives and employment organized by the Department of Economic and Social Affairs, ILO and the International Cooperative Association (ICA) and hosted by the All China Federation of Supply and Marketing Cooperatives, which was held in Shanghai, China, from 15 to 19 May 2006.

2. Since the holding of the World Summit for Social Development in Copenhagen in 1995, the United Nations has underscored the role of productive employment in reducing poverty and promoting social development. At the World Summit held at United Nations Headquarters in September 2005, world leaders made the commitment "... to make the goals of full and productive employment and decent work for all, including for women and young people, a central objective of relevant national and international policies ...".¹

3. Today, more than a decade since the World Summit in Copenhagen, the number of unemployed is at an all time high of 195 million in 2006, even though more people are working globally. According to ILO estimates, unemployed young people account for 86 million, or more than 40 per cent of the total number of unemployed. Furthermore, the employment gap between men and women persists. Hence, the challenge of promoting and generating full and productive employment continues to confront policymakers everywhere.

4. As economic and social enterprises, cooperatives help generate employment in many areas worldwide. Employment creation is not, however, the primary goal of cooperatives, except for the worker-owned type.² Cooperatives are formed in order to meet the needs of their members and the employment generated is the product of meeting those objectives.

5. More broadly, cooperatives facilitate the economic and social progress of their members, through self-help efforts and help in the fight against poverty. The benefits and employment generated by cooperatives enable their members to achieve economic security and prevent millions from falling into poverty. By helping to sustain income and employment opportunities, especially in remote areas where public and other private sector initiatives tend to be weak or absent, cooperatives contribute to generating sustainable livelihoods and to the overall development of the local communities in which they operate.

6. Cooperatives have an impact in employment through the direct, indirect and induced employment they generate as a result of their economic activities. Direct employment refers to jobs generated within and directly paid for by cooperative organizations. Indirect employment refers to jobs generated by suppliers of inputs

¹ General Assembly resolution 60/1, para. 47.

² See Lindenthal, R., "Cooperatives and employment in developing countries", Enterprise and Cooperative Development Department, ILO, Geneva, 1994.

into cooperatives. For example, jobs in fertilizer manufacturing arising from the demand for fertilizers by agricultural cooperatives, are considered to be a form of indirect employment. Induced employment refers to jobs generated in the local economy as a result of spending wages and incomes earned from employment and membership in cooperatives.³ However, comprehensive measurement of and reporting on the effects of cooperatives on employment at the national and global levels are hampered by the lack of data and by complexities in measurement.⁴ Nevertheless, case studies and anecdotal evidence can be cited to indicate and suggest the effects of cooperatives on employment.

7. Various types of cooperatives facilitate employment generation in different sectors and segments of society. Financial cooperatives, which provide members with financial services, help finance new and small enterprises and thus promote job creation. Agricultural and consumer cooperatives, among others, generate jobs directly in production, marketing, sales, transportation and distribution and indirectly through multiplier effects. Worker cooperatives also promote employment by enabling skilled workers to organize and start businesses.

8. Cooperatives also help generate job opportunities for women, youth, indigenous peoples, persons with disabilities and older persons, who are often subject to discrimination and exclusion from employment opportunities. Experience has shown that properly designed and managed cooperative enterprises and microfinance schemes are particularly helpful in promoting the employment and empowerment of women. Cooperatives, as self-help organizations, are also relevant in providing livelihoods in post-conflict situations.

9. Given the role of cooperatives in generating employment and in fostering economic activity, without undermining their autonomy and independence, serious consideration should be given to scaling up the impact of cooperatives in their traditional areas of engagement and to promoting their engagement in new activities where the potential for employment exists.

II. Cooperatives and the promotion of full and productive employment

A. Cooperatives as business enterprises contributing to employment creation

10. The contribution of cooperatives to promoting full and productive employment is manifold. Firstly, they provide direct employment to their own employees. In addition, according to ICA, through their self-help enterprises and their commitment to members and their communities, they generate an estimated 100 million jobs worldwide. In Canada cooperatives and credit unions employ over 160,000 people; in France, 21,000 cooperatives provide jobs to 700,000 people; and in Germany

³ Standard definitions used in impact analysis studies. See Joe Folsom, United States Department of Agriculture, "Measuring the Economic Impact of Cooperatives in Minnesota", Rural Business-Cooperative Service (RBS), research report No. 200.

⁴ McKee, G., Kenkel, P. and Henehan, B., "Challenges in Measuring the Economic Impact of Cooperatives", paper prepared for presentation at the 194th annual meeting of NCERA, Minneapolis, 2-3 November 2006.

about 8,100 cooperatives provide jobs for 440,000 people. In Kenya, 250,000 people are employed by cooperatives, while in Slovakia the Cooperative Union's 700 cooperatives employ an estimated 75,000 individuals. In Colombia, the cooperative movement provides employment to 109,000 persons and to an additional 379,000 owner-workers in worker cooperatives.

11. Cooperatives also generate indirect and induced employment. Indirect employment arises in those businesses that provide inputs (whether goods and services) to cooperatives. Induced employment is the result of the increased demand on the economy created by the spending of wages and incomes by employees and members of cooperatives. While comprehensive national and global estimates of the indirect and induced employment effects of cooperatives are not available, some studies on cooperatives in the United States of America and on their economic activities suggest that indirect and induced employment effects could be about 70 per cent of the direct employment effects of cooperatives, suggesting that for every 10 cooperative jobs, 7 additional jobs are generated elsewhere.⁵

12. Cooperatives also promote employment by providing training and developing entrepreneurial abilities. They harness credit, other capital and other resources, thus enabling productive employment, which would not have been possible without the pooling of resources and abilities. Cooperatives that provide microfinance help generate self-employment and jobs in microenterprises. Cooperatives are particularly relevant for capacity-building and tapping productive potential within marginalized groups, including women, youth, people with disabilities and indigenous peoples, who often have limited access to education and training. Cooperatives in the dairy industry in India, which have been catalysts for local entrepreneurial growth among women, are particularly successful examples of such an impact.

13. As self-help enterprises, cooperatives generate much needed job opportunities in areas often least served by governments and other private business enterprises. In addition, they also serve as a helpful counter-cyclical measure in employment crises and create opportunities for alternative livelihoods. The growth of cooperatives to coincide with difficult economic and social conditions and periods of high unemployment.⁶ The Mondragon cooperative, for example, was established primarily to provide meaningful employment in the depressed Basque region in Spain in the 1940s.

14. In addition to generating job opportunities, cooperatives subscribe to the principles of the decent work agenda advocated by ILO.⁷ Since cooperatives unite business and social goals, they often provide strong mechanisms for encouraging social objectives among their members and within the wider community, including

⁵ The Folsom study covered 311 cooperatives and 185 credit unions directly employing 45,922 people, with an estimated total employment effect of 79,363; Hodges, A., Mulkey, D., Philippakos, E. and Adams, C.; "Economic Impact of Florida's Commercial Fisheries and Aquaculture Industries", Department of Food and Resource Economics, Florida Cooperative Extension Service, Institute of Food and Agricultural Sciences, University of Florida, Gainesville, June 2001.

⁶ Dickstein, Carla, "The promise and problems of worker cooperatives", *Journal of Planning Literature*, vol. 6, No. 1 (August 1991).

⁷ The ILO decent work agenda promotes opportunities to obtain decent and productive work based on the following four pillars: rights; employment; social protection; and social dialogue.

objectives related to the promotion of decent employment. Furthermore, social responsibility, a recent concern of corporations with the growing emphasis on corporate social responsibility, has long been at the core of the *raison d'être* of cooperatives.

B. Cooperatives and employment in various sectors

15. Cooperatives play an important role in agriculture and in rural communities where they remain an integral part of the social fabric. Cooperatives of agricultural producers enable individual farmers/members to be more competitive and efficient, leading to greater sustainability in farming employment. In addition, agricultural supply, marketing and service cooperatives impact the farm economy through the provision of services, including access to agricultural inputs and markets, direct employment, and support for the self-employment of millions of farmers. Agricultural cooperatives are particularly relevant since external public and private business investments are often lacking in rural areas and people have to rely on self-help initiatives to address their needs.⁸

16. In India, the value of cooperatives in promoting and providing employment in rural areas is clearly evident. Its agricultural cooperatives played a major role in its “green” and “white” (dairy) revolutions, supplying income and employment to tens of millions of the rural poor. There are over 150,000 primary agricultural and credit cooperatives in India, serving more than 157 million agricultural/rural producers.⁹ The dairy cooperatives in India, which generate employment for around 12.4 million farm families,¹⁰ have proven to be particularly effective mechanisms for employment generation and for improving the livelihoods of the poor. These dairy cooperatives remain economically viable especially in the informal milk markets, despite the lack of modern technology in handling highly perishable milk and dairy products.¹¹

17. In developed countries, agricultural cooperatives and cooperatives in rural areas also contribute to employment generation. For example, in the United States, the farm supply and grain marketing cooperatives in Colorado and Indiana help generate direct and indirect employment and incomes.¹² Approximately 30 per cent of farmers’ products in the United States are marketed through 3,400 farmer-owned cooperatives. In Japan, a society where the agricultural sector enjoys widespread public support, membership in agricultural cooperatives includes about 90 per cent

⁸ Das, B., Palai, N. and Das, K., “Problems and Prospects of the cooperative movement in India under the Globalisation Regime”, XIV International Economic History Congress, Helsinki 2006.

⁹ Polman, W., “Presentation on Rural employment through agricultural/rural cooperative development: Lessons learned from FAO experience in Asia”, FAO Regional Office for Asia and the Pacific, prepared for the Expert Group Meeting, Cooperatives and Employment, Shanghai, 15-19 May 2006.

¹⁰ National Dairy Development Board, facts as of March 2006.

¹¹ FAO, Employment generation through small-scale dairy marketing and processing. Experiences from Kenya, Bangladesh and Ghana. A joint study by the International Livestock Research Institute market-oriented smallholder dairy project and FAO, Animal Production and Health Division, FAO 2004.

¹² McNamara, Fulton, and Hine, 2004, “Weighing in: study gauges impact of local agricultural cooperatives on rural economies of Great Plains, Eastern Cornbelt” (http://findarticles.com/p/articles/mi_m0KFU/is_2_71/ai_116525611/print).

of all Japanese farmers. In several European countries, including France, Germany and Italy, agricultural supply and marketing cooperatives are known to employ hundreds of thousands of workers.¹³

18. Given the work seasonality and informal labour market in most rural areas, agricultural cooperatives make a significant contribution to decent work. In agricultural cooperatives, staff members typically receive salaries above the minimum wage and enjoy comparatively higher job security. Despite the seasonality in agricultural activities, the majority of those working for agricultural cooperatives are retained under non-seasonal contracts that provide for year-round employment.

19. Another large group of cooperatives that help generate employment are consumer cooperatives. These cooperatives are formed in order to enable consumers to purchase goods economically, by reducing reliance on middle-men, by bulk-buying and through joint production. They also operate retail outlets. In carrying out these activities, consumer cooperatives employ sales clerks, managers and transportation workers.¹⁴

20. Consumer cooperatives can be significant players in their respective countries, as is the case in Europe. The Cooperative Group, the largest consumer cooperative in the United Kingdom of Great Britain and Northern Ireland, employs 68,000 in all its subsidiary undertakings, which include food stores, banking, insurance, funeral services, farming and pharmacy services. In Sweden, consumer cooperatives account for 17.5 per cent of the market. Migros, the largest cooperative supermarket chain in Switzerland, employs 79,000 people. In Hungary, consumer cooperatives account for 14.4 per cent of national food and general retail sales and in Denmark, they account for 37 per cent of the market.¹⁵ In Asia, Japan has a very large and well-developed consumer cooperative movement, with over 14 million members, and in 2003, retail cooperatives alone had a combined turnover of 2.5 trillion yen or about 21 billion United States dollars.¹⁵ In Singapore, consumer cooperatives get 55 per cent of supermarket revenues, while in Kuwait they handle about 80 per cent of national retail trade.

21. Other cooperatives of this type, including housing and building and utility cooperatives, also contribute to employment. Housing and building cooperatives directly create employment through the construction and maintenance of housing facilities. They also promote and facilitate the improvement and expansion of infrastructure (roads, water, and playgrounds), which generate more employment.

22. While the direct employment impact of utility cooperatives may not be large, since they are not as labour-intensive as service or production cooperatives, they nevertheless help promote employment by providing electricity in their localities. Utility cooperatives generate employment in both the farm and off-farm sectors and help reduce poverty, even among households without access to electricity.¹⁶ They provide a stable, reliable and affordable supply of power in rural areas, thereby enhancing the standard of living of the rural population by expanding production-

¹³ ICA website: <http://www.ica.coop/coop/statistics.html>.

¹⁴ <http://www.eurocoop.org/FAQS/en/default.asp>.

¹⁵ Japanese Consumers' Cooperate Union, 2003.

¹⁶ Barkat, Abul, "Rural Electricity Cooperatives in Bangladesh: Impact on Employment Creation and Poverty Reduction", paper presented at the Expert Group Meeting on Cooperatives and Employment, Shanghai, 16-19 May 2006.

oriented and human development activities. In Bangladesh, rural electrification cooperatives, which serve as the nucleus of the Bangladesh rural electrification programme, had 4 million members in 67 cooperatives during the period from 1983 to 2004. In the United States, 900 electric cooperatives provide services to 37 million members in 47 States, and their focus on economic development helps to create new businesses and employment.

23. Financial cooperatives, including credit unions, contribute to direct employment by providing jobs for front line staff and managers. According to the World Council of Credit Unions, there are around 42,000 credit unions in some 92 countries, with a combined membership of 157 million. Statistics for 2004 indicate that 8,400 credit unions have a combined employment level of 230,000 people,¹⁷ in the United States, suggesting that credit unions worldwide employ an estimated 1 million people. In Europe, 4,500 cooperative banks employ an estimated 700,000 employees,¹⁸ with more than 56,000 branches playing a vital role in providing services to the continent, particularly to its inner cities and some of its most remote villages. The market share of cooperative banks in rural areas in Europe ranged from about 41 per cent in Germany to up to 85 per cent in France.¹⁹

24. The most significant impact of financial cooperatives on employment is through the enterprises they finance. By providing credit to businesses and entrepreneurs, cooperatives drive local economic growth and employment generation. The role of financial cooperatives is particularly meaningful since they finance business activities that would otherwise not receive support from larger corporate financial institutions. By providing microfinance, cooperatives also promote self-employment through microentrepreneurs, which are known to have a positive effect on households and to promote the empowerment of women. The World Council of Credit Unions estimates that, globally, self-employed entrepreneurs and a smaller number of self-employed farmers account for anywhere from 10 to 70 per cent of the total membership of credit unions.²⁰

25. In providing consumer credit or instalment programmes, financial cooperatives stimulate local consumption spending, thus further stimulating demand for labour. Additionally, large financial cooperatives, such as Desjardin in Canada, create employment, not only in their countries of origin, but also in developing countries through their development assistance programmes and other cooperative-to-cooperative activities.

26. Among the different types of cooperatives, worker cooperatives are organized primarily for employment purposes. They are businesses that are owned and managed by their employees, who, as member-workers, have direct control over the labour-capital mix in the production process. They are typically formed by skilled artisans who unite into one enterprise, or by workers who organize to buy out businesses that are at risk of closure because of failure, relocation or owner retirement. By uniting under a cooperative enterprise rather than operating

¹⁷ <http://www.census.gov/epcd/susb/latest/us/US52213.HTM>.

¹⁸ European Association of Co-operative Banks <http://www.eurocoopbanks.coop>.

¹⁹ Cooperatives and cooperatives banks, Rabobank, 2000, cited in "Corporate Social Responsibility: The Performance of Cooperative Banks", European Association of Cooperative Banks, 2005.

²⁰ See Ikeda, John, "Financial Cooperatives and Microfinance", paper presented at the Expert Group Meeting on Cooperatives and Employment, Shanghai, 15-19 May 2006.

individually, production workers and artisans increase their odds of success and improve their chances for sustainable employment.

27. Workers' cooperatives tend to create more jobs and require less capital per unit of output compared to other private enterprises. In addition, they are able to achieve wage flexibility and to lower the cost of capital through the mobilization of the savings of their members and hence are relevant in areas with surplus labour and limited capital.

28. Workers' cooperatives promote job retention in their local communities. There have been cases where workers in non-cooperative enterprises, faced with actual or threatened unemployment through lay-offs, closure or relocation, have formed worker-owned cooperatives instead.²¹ In Argentina, which underwent severe economic adjustments in 2001, worker cooperatives took over about 100 shuttered factories and shops, preserving about 10,000 jobs.²²

29. Despite their long history, however, workers' cooperatives have not generated large-scale employment. The absolute numbers of employed are not significant compared to the size of the labour force. In Japan, for example, their impact on employment relative to the size of the total labour force remains modest. The Women's Worker Cooperatives employ 12,000; the Japan Workers' Cooperatives Union has 9,000; and the Senior Cooperatives, a hybrid of consumer/worker cooperatives by and for those 55 years and older, has 15,000 workers.²³ In Colombia, there are an estimated 379,000 worker-owners in worker-owned cooperatives.¹³ Other notable worker cooperatives are found in the following sectors: the manufacture of tile-making machines in Italy; the production of coir and beedi in India; the operation of taxi companies in Singapore, Jakarta, Toronto (Canada), Auckland and Dublin; forest-harvesting cooperatives of the province of Quebec (Canada); and plywood cooperatives in the United States.²⁴

30. The number of worker cooperatives has increased in recent years. The International Organization of Industrial, Artisanal and Service Producers' Cooperatives reports that there are currently 85,000 worker cooperatives in Europe, with 1.5 million worker-owners employed, compared to 2,500 in 1980.²⁵ The growth in worker cooperatives is partly explained by a growing trend in combining small service-sector and community-based activities to meet increased demand for services,²⁶ and by an ageing population of business owners hitting retirement. In France, for example, the ageing of business owners is driving the conversion of businesses into worker-run cooperatives. It is estimated that as many as 10,000

²¹ ILO, 2001, Promotion of cooperatives, report V(1), 89th session, 2001.

²² Jeter, J., "For Argentine, a sweet resolve, cooperatives step in when factories fail", Washington Post Foreign Service, 24 February 2003.

²³ Marshall, B., "Japan's worker cooperative movement into the 21st century", 3 June 2006, (<http://www.zmag.org/content/showarticle.cfm?ItemID=10368>).

²⁴ See MacPherson, Ian, "Cooperatives and Employment: from self-help and survival initiatives to the sustainable livelihoods of communities", paper presented at the Expert Group Meeting on Cooperatives and Employment, Shanghai, 15-19 May 2006.

²⁵ Livingston, J. and Nembhard, J. G., "U.S. Federation of Worker Co-ops and Democratic Workplaces", http://www.worldproutassembly.org/archives/2005/08/us_federation_o_1.html.

²⁶ Mischa Gaus, "Worker Coops", Z Magazine online, July-August 2003, vol. 16, No. 7/8 (<http://zmag.org/Aug2003/kaus0803.html>).

small and medium-sized enterprises could become worker cooperatives in France within the next 10 years.²⁷

31. A study of workers' cooperatives in North America and Europe suggests that the rise in the number of workers' cooperatives is the result of supportive measures such as legislation in support of their creation, support for social economy enterprises or funding assistance and preferential tax rates in several countries, including Argentina, Colombia, France and Spain, as well as in the province of Quebec in Canada. On the other hand, in countries that lack government support for workers' cooperatives, their growth has slowed down.²⁸ In addition, the potential for a significant increase in the number of workers' cooperatives is inherently hampered by the fact that the profits are shared by a large number of workers, and by higher start-up and management costs.

32. The growth of the informal economy in rural and urban areas poses a challenge for employment generation and in ensuring decent work for many. Informal workers are usually unorganized, unprotected and vulnerable. In response, informal workers have formed associations, considered as informal cooperatives or "pre-cooperatives", to improve their working conditions and bargaining power. Examples include taxi driver associations in many cities in developing countries and loose associations of craft workers such as tailors, woodcarvers, silversmiths and furniture-makers.

33. Formally organized cooperatives operating in the informal economy offer an effective method for promoting and enhancing employment and decent work for informal workers.²⁹ Cooperatives and trade unions, through the ILO SYNDICOOP programme, help workers in the informal economy to organize into cooperatives or self-help organizations. In so doing, cooperatives help to ensure income through setting piece-work rates, overtime work rates, pay guarantee, and gender equality arrangements. They also promote decent work through the adoption of health and safety standards, including measures for the proper use of toxic materials, and by reducing accidents and health hazards. In Rwanda, the ILO SYNDICOOP programme helped motorbike transportation workers to formally organize themselves into a self-help organization that provides credit, training, crime protection and local government lobbying for its members.³⁰

34. Cooperative organizations in the informal economy also provide informal workers with low-cost services such as basic life insurance coverage and credit schemes for health and medical expenses. In Dar es Salaam, the Mwanayamala Cooperative organizes market vendors, offers life and health insurance, providing its membership with affordable social protection. In San Salvador, vendors in the Central Municipal Market have a similar scheme. In Manila, informal workers also avail themselves of cooperative insurance schemes that provide lower and more

²⁷ International Organization of Industrial, Artisanal and Service Producers' Cooperatives, 2005.

²⁸ Craddock, T. and Kennedy, S., "Worker Cooperative Trends in North America and Europe", 2006 (<http://www.geo.coop/InternationalTrendsInWorkerCoops.htm>).

²⁹ Birchall, J., "Organizing in the informal sector: A strategy for trade union-cooperative action", Coop Working Paper 01-1, 2001.

³⁰ Smith, S. and Ross, C., "Organizing out of poverty: stories from the grassroots: How the SYNDICOOP approach has worked in East Africa", ILO, International Cooperative Alliance and the International Confederation of Free Trade Unions, 2006.

flexible payment terms. Finally, cooperatives, through their microfinance businesses, encourage the growth of microenterprises in the informal sector.

C. Cooperatives and employment creation among certain social groups

35. In addition to the employment impact in various economic sectors in urban and rural areas, cooperatives are also effective in opening up employment opportunities for certain social groups that tend to be marginalized from the labour market. By enabling marginalized members of society to pool their resources and skills in self-help enterprises, women, youth, older persons, persons with disabilities, indigenous peoples and migrants are able to obtain employment and exploit productive opportunities. Over time, some of these cooperatives have been able to raise output per worker substantially, in spite of the initial disadvantages of lack of labour skills and under-capitalization. Additionally, cooperatives provide social benefits and serve as effective means of government-assisted employment in lieu of welfare.⁶

36. Women find membership in cooperative enterprises an effective means of achieving economic empowerment and engaging in entrepreneurial activities and wage employment. In rural Andhra Pradesh province in India, for example, women's cooperatives that emphasize thrift even more than credit have been effective in enabling women to take part in productive employment, engaging in microenterprises such as vegetable vending, small retail shops and catering outlets.³¹ The dairy cooperatives in India provide another example of how cooperatives have an impact on the lives of women. About 1.6 million women are members of dairy cooperatives in India, representing 18 per cent of the total dairy cooperative membership. There are also about 2,500 all-women dairy cooperatives operating in the country. These cooperatives, by providing post-milking facilities and marketing support, as well as training, cattle insurance and loans to purchase cattle, enable women to be actively engaged in the dairy industry.³²

37. The impact of women's involvement in cooperatives extends beyond direct employment and entrepreneurship. Membership in health, childcare and consumer cooperatives have enabled women to significantly reduce their household burden, giving them the flexibility to work. Furthermore, cooperative membership by women has led to improvements in child health and education, thereby raising human capital, which has important long-term implications on labour productivity.

38. Today's youth are increasingly finding opportunities for entrepreneurial activities through the cooperative model. Employment opportunities and entrepreneurial livelihoods are particularly needed in developing countries with fast growing populations of young people. It is estimated that youth represent about half of the total of 192 million unemployed persons worldwide, a disproportionate share since they account for only 25 per cent of the world's population. Since capitalization is a major constraint to starting economic activities, cooperatives have provided young people with employment and income opportunities by pooling resources. While very small in size, these cooperatives enable young people to

³¹ Ghosh, Jayati, 1998, <http://www.twinside.org.sg/title/rural-cn.htm>.

³² <http://www.indiatogether.org/2005/sep/wom-dairy.htm>.

acquire the skills to enter the job market and to develop their entrepreneurial abilities.³³

39. For older persons, cooperatives provide the means to set up mutual self-help programmes. Most cooperatives for older persons mainly provide services and generate employment directly for those providing the services. There are also hybrid cooperatives that provide older persons with employment, serving partly as workers' cooperatives and partly as consumers' cooperatives. These cooperatives enable retired persons to provide services to others based on their experience and skills. In Japan, for example, Koreikyo, a senior cooperative, helps able seniors to find work and provides services that allow frail older persons to live independently and remain in their homes.²³ In view of the rapidly growing population of older persons, such cooperatives enable older persons to remain productive members of society while, at the same time, catering to their own needs, providing an attractive option from both an economic and social point of view.

40. Worker-owned social cooperatives are especially relevant in helping meet social service needs and providing persons with disabilities with employment opportunities and a sense of productive well-being. Social cooperatives have been quite successful in Italy. With the downsizing of the welfare model in Italy in the 1970s, two basic forms of cooperatives have evolved: one providing social services in health care and education; and the other creating employment for certain disadvantaged groups such as those with severe disabilities, people with mental illness and recovering drug addicts and alcoholics.

41. In 2003, social cooperatives in Italy employed an estimated 193,000 workers, 50 per cent of whom, as required by law, were persons with disabilities. In addition, 70 per cent of managers and workers of social cooperatives in Italy are women.³⁴ In order to scale up the success of social cooperatives, social franchising was recently introduced. "Le Mat", an example of a social franchising network of social cooperatives in the hotel business in Italy, creates job opportunities with career prospects and promotes economic independence by developing the entrepreneurial abilities of people with disabilities.

42. Social cooperatives also help promote employment through their programmes to prevent disability and impairment and to advance occupational and consumer safety awareness and healthy living. In addition, together with some worker-owned cooperatives, they provide opportunities for reintegration for persons with disabilities through vocational rehabilitation. Examples of such cooperatives can be found in several countries in South-East Asia, particularly in the agricultural sector.

43. Cooperative business enterprises have been used by indigenous peoples to generate employment and sustain livelihoods. In the process, they have gained valuable lessons about economic empowerment that have enabled them to mobilize and utilize local resources and secure access to markets under fairer conditions. In the United Republic of Tanzania, modernization and the breakdown of traditional institutions have resulted in the erosion of traditional knowledge, education and means of sustenance of the Masai people. As a result, the traditional pastoral

³³ Smith, Puga, MacPherson, editors, "Youth Reinventing Cooperatives", British Columbia Institute for Cooperative Studies, 2005.

³⁴ Goergen, R., "Social Cooperatives in Italy", paper presented at the Expert Group Meeting on Cooperatives and Employment, Shanghai, 15-19 May 2006.

economy has been compromised. In response, through the ILO's Interregional Programme to Support Self-reliance of Indigenous and Tribal Communities through Cooperatives and other Self-help Organizations (INDISCO) project, a pastoralist cooperative society has been organized to provide alternative livelihoods and employment in farming and small-scale businesses.³⁵ In Orissa in India, the tribal cooperatives and self-help groups formed through INDISCO generated 2,330 jobs in traditional and in new enterprises, including a saal leaf collection business and horticulture.³⁶ These examples provide evidence to suggest that cooperatives by indigenous peoples can be instrumental in preserving and promoting indigenous knowledge and livelihoods while also providing training for new skills.

44. Finally, cooperatives also play a role in jump-starting employment activities in post-conflict or post-disaster areas. This role is particularly important when many private enterprises cannot yet justify making an investment in these areas owing to higher uncertainties in business outcomes, damaged or inexistent infrastructure and poor communications and transportation systems. A study on the role of cooperatives in post-conflict areas provides anecdotal evidence that cooperatives have been successful in creating jobs for returning minorities and ex-combatants, and are particularly effective in cases when markets are distant.³⁷ In East Timor, El Salvador and Bosnia, for example, the study found that cooperatives provide effective incentives for the return of ex-combatants and displaced persons to their homes and help restart businesses disrupted by conflict, while in Nepal, Rwanda and the Sudan, cooperatives have succeeded in creating market linkages between ethnic minority and majority populations.

III. Strengthening the role of cooperatives in employment generation

A. Emerging opportunities and challenges

45. Given the capacity of cooperatives to generate employment, especially in areas least reached by government or other private businesses, it is important for policymakers to understand the challenges and opportunities that cooperatives face in today's rapidly globalizing world. At issue is the long-term viability and growth of cooperatives, so that the employment opportunities they generate are sustainable, and the question of how to scale up cooperative enterprises in order to maximize their contribution to employment generation.

46. Globalization and rapid developments in the field of information and communications technology have both intensified business competition and opened up new markets. Demographic trends, such as ageing and rapid urbanization, and growing environmental concerns have also generated possibilities for growth and expansion into new activities. Another area that requires the attention of

³⁵ Bee, Diyamett, Towo, "Challenges to traditional livelihoods and newly emerging employment patterns of pastoralists in Tanzania", an ILO-INDISCO study in collaboration with Jobs for Africa, Geneva, June 2002.

³⁶ Mahanti, Dilnawaz, "Building Capacities Towards Sustainable Tribal Cooperative Enterprise in Mayurbhanj, Orissa", March 2006.

³⁷ Weihe, T., "Cooperatives in Conflict and Failed States", United States Overseas Cooperative Development Council, 25 May 2004.

policymakers is how to help the cooperative movement identify and promote new areas of cooperative involvement and to create additional employment opportunities in those fields.

Improving the economic performance of cooperatives for employment generation

47. The impact of cooperatives on employment largely rests on their economic viability. In developing countries, cooperatives have traditionally been dependent on government and international support. External support, in particular during the formative stages of new cooperatives, has proven to be critical to the sustainability of the enterprises. However, securing such external support has tended to be increasingly difficult in view of the global trends towards privatization and reduced government funding. Similarly, raising additional capital to finance the expansion of existing cooperatives has become increasingly challenging.

48. Improvements in internal governance and management are equally important for today's cooperative enterprises. Some cooperatives are faced with dormant memberships, while others fail to conduct elections or to improve their human resources capabilities and their professional standards in the workplace. On another hand, economically successful cooperatives should also be prepared to address potential pressures to convert to for-profit public companies.

49. With global trade growing, cooperatives should be encouraged to take advantage of new or niche markets for their products and to introduce innovations in the production, marketing and distribution of their products. Cooperatives that standardize and make quality improvements to their products are likely to achieve economies of scale, thus gaining additional bargaining power in sourcing inputs and marketing outputs. Cross-cooperative collaboration between agricultural and industrial cooperatives may lead to similar benefits through vertical integration.

New and emerging market opportunities for cooperative engagement and the promotion of decent work

50. Trends in globalization, demographics and environmental awareness pose opportunities for new cooperatives and open new options for existing ones. Fair trade is a recent development that is increasingly utilized by some agricultural cooperatives as a means of expanding their markets and ensuring their incomes of producers in response to increasing global competition. Under fair trade, agricultural cooperatives in developing countries partner with distribution and consumer cooperatives and groups in developed countries and are paid a fair price guaranteed to cover the full cost of production. In turn, producer cooperatives are expected to meet international labour standards and to adopt non-discriminatory practices. By ensuring the incomes of producers, this arrangement helps the sustainability of agricultural cooperatives. Fair trade arrangements have been used in the marketing of such products as coffee, tea and bananas in countries such as Ghana, Ethiopia and Mexico.

51. Another innovative concept is the "New generation cooperatives", which have evolved in North America, where niche markets are served by rural-based activities relying on improvements in technology and communications. Promoting ecotourism and expanding markets for traditional arts and crafts, they offer alternative models for rural cooperatives and cooperatives operated by indigenous peoples.

52. Other non-traditional areas for cooperative engagement include health-care and caregiving services. With the growing demand for elderly care and with the labour-intensive nature of their services, health-care cooperatives offer opportunities for employment generation. In China, the rebuilding of the rural cooperative medical system is generating employment in services in addition to addressing local health needs.³⁸

53. The trend towards rapid urbanization offers increased opportunities for cooperative growth. As crowding and slums increase, consumer cooperatives can offer basic services such as water supply and sanitation. In Bolivia, SAGUAPAC is an urban water supply and sanitation cooperative that successfully operates in the city of Santa Cruz.³⁹

54. With growing concern for the environment, cooperatives are increasingly engaged in environmentally related activities. Forest cooperatives, for example, while common in Nordic countries, especially Finland, are now being formed in the United States. In this arrangement, small groups of landowners form cooperatives to bring together the management of their woodlands. About 56,000 acres of woodlands are currently lined up for sustainable management, guided by forest landowner cooperatives.⁴⁰

55. Developing countries could benefit from the lessons learned by developed countries in developing cooperative models for sustainable forestry management. An example of such an approach is the Tree Growers' Cooperative Project, carried out in India with assistance from the Canadian International Development Agency, which aims to address deforestation and to introduce a forestry and agricultural production system that generates employment and long-term sustainability of natural resources.⁴¹

Enlarging cooperatives networks

56. Cooperatives' existing social networks need to assess and adapt to new developments. The federated structures in most national cooperative movements may not be best suited to developing new cooperatives that are outside the specific economic activity and mandate of a federated structure.²⁴ The development needs of new cooperatives may require the support of wider networks of cooperatives and cooperative banks that span different federations. Lessons learned from failed cooperative marketing efforts due to fragmented approaches and a lack of coordination at the local, national and international levels suggest the benefits of exploring new arrangements and collaborations between cooperatives in different sectors. In addition to agricultural and consumer cooperative collaborations, agricultural cooperatives can also collaborate with financial cooperatives in farm production credit arrangements.

³⁸ Xinhua News Agency, "China to Promote Rural Cooperative Medical System", 11 August 2005, <http://www.china.org.cn/english/features/poverty/138123.htm>, accessed 30 May 2007.

³⁹ Ruiz-Mier and Van Ginneken, "Consumer Cooperatives: An Alternative Institutional Model for Delivery of Urban Water Supply and Sanitation Services", World Bank Note No. 5, January 2006.

⁴⁰ Padgham, J., "Sustainable Forestry Cooperatives in the Midwest", University of Wisconsin, Center for Cooperatives, Bulletin No. 1, July 2002.

⁴¹ Forestry Profiles, "India: Tree Grower's Cooperative" (<http://www.rcfa-cfan.org/English/profile.7.html>), accessed 4 May 2007.

57. Cooperatives also face the weakening of traditional bonds that have encouraged cooperative formation in the past, when people were less mobile. New bases and bonds are needed in order to build the trust among members that is essential for the growth and success of cooperatives. Cooperative formation in the informal economy, particularly in slums in many cities in developing countries and in pockets of illegal immigrants and refugees in developed countries, faces this difficulty.

58. Finally, despite recent developments, cooperatives in some countries continue to face legal restrictions on certain areas of engagement. These restrictions limit the ability and flexibility of cooperatives to expand or operate in new areas. Continued dialogue between cooperatives and government agencies as well as representation in legislative and regulatory bodies may be essential to enhance the growth and expansion of cooperatives.

B. Role of stakeholders

59. Given the opportunities and challenges cooperatives face in terms of sustainability, growth and scaling up of existing activities, expansion into new areas of activities and the changing social network they operate in, it is imperative that various stakeholders contribute and coordinate their efforts so that the impact of cooperatives, especially on employment, is maximized. National and international stakeholders and the cooperative movement itself have all taken steps, albeit not always aligned and coordinated, to promote, support and sustain cooperative enterprises.

National stakeholders

60. At the national level, Governments play a role in enabling cooperatives to act as instruments for employment generation and adherence to decent working standards by providing them with the legal basis to operate and, increasingly, with an enabling environment.

61. Responses to the recent survey of Member States indicate that governments recognize the contribution of cooperatives to employment generation. Of the 48 Member State respondents, 46 indicated that government policies promote the development of cooperatives in their respective countries. This is particularly evident in rural areas among agricultural farmers' cooperatives and credit cooperatives, including various consumer cooperatives that provide social services.

62. Governments also increasingly recognize the importance of providing an enabling environment for cooperatives. This includes providing the appropriate legal and institutional framework for the creation, functioning and sustainability of cooperatives by updating or amending regulatory practices and lifting barriers to their participation in certain economic activities. Governments typically support the growth of cooperatives through tax relief and by co-financing start-up cooperatives. In addition, certain countries still provide subsidies and interest-free loans, especially to new cooperatives. Nevertheless, cooperatives are increasingly under pressure to have their tax-exempt status removed. At issue, therefore, is how to identify appropriate and fair taxation that considers the specificities of different cooperatives.

63. Governmental programmes in support of cooperatives often include raising public awareness, promoting the growth of cooperatives and strengthening their capacity through technical training and workshops and the acquisition of modern technology. Of the 48 Member States that responded to the survey, 35 indicated that their Governments adhered to the United Nations guidelines aimed at creating a supportive environment for the development of cooperatives⁴² and to ILO Recommendation No. 193 concerning the promotion of cooperatives.

64. In implementing the above-mentioned United Nations guidelines, Governments have been giving particular attention to the reform and development of institutional frameworks. This encompasses reorganizing and modernizing the legal framework for cooperatives, including updating or amending regulatory practices, removing barriers to the participation of cooperatives in economic activities and facilitating the provision of training and acquisition of modern technologies. Another priority lies in supporting cooperatives for disadvantaged groups and encouraging the participation of women, youth and groups who are often marginalized. Efforts have also been made to raise awareness and disseminate information and public recognition of cooperatives through the use of information and communication technologies and the media.

65. Thirty-five countries, from all regions, reported that various aspects of ILO Recommendation No. 193 had been implemented as part of their national legal framework, including: ensuring measures on the provision of decent work; improving corporate governance and promoting autonomy and self-management; and the provision of equal status to cooperatives vis-à-vis other enterprises and incentive schemes to promote gender equality. To varying degrees, Governments have adopted measures to allow cooperatives to expand into banking and insurance, where needed; amended laws on cooperatives; facilitated access of members to training and education; included cooperative courses in education curricula, disseminated information on cooperatives and promoted good practices among cooperatives. Overall, responding countries are working to develop policies and programmes aligned with the cooperative values and principles.

66. Governments have also taken measures that strengthen the role of cooperatives in promoting full and productive employment specific to their countries. Some countries, for example, have schemes to promote the growth of cooperatives in new areas, including insurance, health and savings and credit cooperatives, while other countries have encouraged cooperatives to become effective services providers in areas where market failures have resulted in poor provision of services such as rural water supply and rural electrification. Some countries focus on the creation and development of cooperatives in poor areas and incorporate cooperatives in their poverty reduction strategies. A number of Governments have also taken measures to educate youth about the cooperative model of business enterprise and employment, including by establishing links between colleges and the cooperative movement.

67. Overall, the main thrust of national stakeholders in promoting the role of cooperatives in employment generation is to ensure that cooperatives and their enterprises are sustainable while reaching out to areas and groups that have limited access to open-market resources.

⁴² See General Assembly resolution 56/114 and A/56/73-E/2001/68, annex.

International stakeholders

68. International organizations help promote cooperatives, in recognition of their role in socio-economic development in general and in generating employment in particular. In General Assembly resolution 56/114, the attention of Member States was drawn to the United Nations guidelines aimed at creating a supportive environment for the development of cooperatives as a framework for developing or revising their national policies on cooperatives. In 2002, the ILO put forth Recommendation No. 193 on the promotion of cooperatives. FAO, for its part, has worked with agricultural cooperatives for many years.

69. The United Nations, through its intergovernmental processes, continues to encourage Governments to develop national policies conducive to the promotion of cooperatives, consistent with the United Nations guidelines. In particular, it has organized the International Day of Cooperatives and has arranged expert group meetings on cooperatives as a means of raising awareness and sharing good practices among Member States. It also promotes the continuing dialogue between cooperatives, the cooperative movement and Member States. Furthermore, the United Nations assesses the implementation of the guidelines among Member States, conducting surveys and reporting on developments and progress made.

70. The Committee for the Promotion and Advancement of Cooperatives is an ongoing partnership between representatives of the cooperative movement, farmers' organizations, cooperative development agencies and the United Nations and its agencies. Its members work together on equal terms to promote and coordinate sustainable cooperative development through policy dialogues, technical cooperation, information exchange and concrete collaborative activities.

71. For its part, based on its Recommendation No. 193, ILO has been involved in a number of policy and law reviews and has started to engage its constituents in a dialogue on adapting the wider policy and legal framework within which cooperatives have to operate. ILO provides technical assistance in drafting by-laws and in reviewing laws that indirectly have an impact on the performance of cooperatives, including tax legislation and accounting standards. In the five years since its adoption in 2002, ILO Recommendation No. 193 has served as the framework for the revision of policy and laws on cooperatives in an estimated 70 countries.

72. Aiming at promoting the implementation of its Recommendation No. 193 as a whole, ILO seeks to: enable cooperatives to operate in all sectors; allow legal entities to be members of primary cooperatives (so-called shared service cooperatives); promote equal access to financing; provide for cooperative-specific auditing of cooperatives; adopt competition legislation and labour laws supportive of cooperative activities; and promote the formation of cooperative unions and federations. ILO has also started to systematically advocate the inclusion of cooperatives in the general education curricula, as recommended by its Recommendation No. 193.

73. In addition, ILO has engaged in cooperative projects in areas as diverse as poverty reduction in Burkina Faso, Mali and Senegal, village development projects in Orissa, India, post-disaster reconstruction of cooperatives in Aceh, Indonesia, and youth employment projects in South Africa. It has also continued work on the joint

ICA/ILO “Cooperating Out of Poverty” campaign, including efforts to mobilize cooperatives in the fight against HIV/AIDS.

74. The United Nations guidelines, ILO Recommendation No. 193 and the ICA Statement on the Cooperative Identity are outcomes and triggers of the renewed interest in cooperatives worldwide and in the development of innovative forms of cooperatives such as multi-stakeholder cooperatives, car-sharing and basic health care.

75. Within the framework of its recent work with cooperatives, FAO has placed particular emphasis on the computerization of agricultural cooperatives. Computerization is seen as a way to improve cooperative business management, administration and governance. Together with international and local partners, FAO has developed an open-source licensed prototype system called CoopWorks (<http://www.coopworks.org>), which is capable of handling the management and member information needs of a range of agricultural cooperative businesses. The pilot programmes in Kenya showed that computerization of dairy cooperatives can lead to significant membership and business growth and significant full-time and part-time employment creation.

The cooperative movement

76. The cooperative movement, through ICA, its umbrella organization, unites, represents and serves 220 member organizations from 85 countries, representing 800 million individuals worldwide. Members of ICA are national and international cooperative organizations. The organization seeks to raise awareness about cooperatives; lobbies Governments and promotes policy environments conducive to cooperative activities and information-sharing among cooperatives. It also provides technical assistance and financial support to cooperatives, promotes capacity-building, facilitates job creation and supports poverty reduction and microfinance programmes around the world.

77. Through its directives, ICA promotes gender equality within the cooperative movement. It engages the youth in cooperatives through its youth conference and its Youth Network. It has also adopted strategies for cooperatives involved in the fight against HIV/AIDS. In addition, ICA is currently addressing concerns on the implications of International Accounting Standards, which will treat member shares in cooperatives as debt, rather than equity, for accounting purposes, thereby changing the basis of ownership in cooperative enterprises. The pressures for demutualization are also being addressed by ICA, which continues to promote the involvement of cooperatives in fair trade.

78. At the national level, cooperatives that share similar pursuits are organized in cooperative federations. Cooperative federations offer an organizational framework for mutual support and common services, provide a venue for dialogue and address common issues and concerns.

C. Recommendations

79. Cooperatives, as self-help and member-owned enterprises, have proven to be effective in generating employment opportunities and decent work in economic sectors and areas, and their activities complement government and other private sector initiatives for job creation. They also create employment opportunities for

marginalized people, who might otherwise remain unproductive and underserved by other businesses. By providing financial services such as microfinance, for example, financial cooperatives enable microentrepreneurs, mainly women, to be self-employed. More recently, through their participation in fair trade arrangements, cooperatives have enhanced employment and economic activities in local communities by tapping into niche global markets. Finally, cooperatives, consistent with their values and principles, have contributed to the long-term productive capacities of individuals through the training, education, health and other social services they provide.

80. In light of the positive impact of cooperatives on employment and on the productive capacities of individuals, policymakers at the local, national and international levels should incorporate programmes enabling existing cooperatives to scale up their impact in generating employment into their development agendas, and should promote the formation of cooperatives in new areas.

81. The General Assembly may wish to consider the following recommendations and invite Governments and international organizations, in partnership with cooperatives and cooperative organizations, to:

(a) **Promote the growth of cooperatives as business enterprises that can contribute to sustainable employment and livelihoods in various economic sectors in urban and rural areas; provide support for the creation of cooperatives in new and emerging areas; adopt policies that will broaden the reach of microfinance activities of financial cooperatives and credit unions;**

(b) **Promote and facilitate the formation of cooperatives among excluded groups for generating employment opportunities and harnessing the potential and productivity of marginalized groups and increase their efforts to facilitate the full participation of women, youth, persons with disabilities, older persons and indigenous peoples in cooperatives;**

(c) **Engage in policy dialogue with all stakeholders in reviewing and amending cooperative legislation to provide a level playing field for cooperatives vis-à-vis other business enterprises, including appropriate tax incentives, access to financial services and markets;**

(d) **Strengthen collaborative efforts to build capacity for cooperative development through training, especially in management, auditing and marketing skills and technical assistance; Governments could help provide resources to start up cooperatives while encouraging cooperative autonomy and independence;**

(e) **Encourage the formation of cooperative federations and apex organizations, which can pursue unified and coordinated strategies, such as marketing and purchasing, which benefit individual cooperatives, and encourage partnerships among cooperatives in order to enhance the success of cooperative enterprises;**

(f) **Raise public awareness of the contribution of cooperatives to employment generation and to socio-economic development and promote comprehensive research and statistical data-gathering on the activities, employment and overall socio-economic impact of cooperatives at the national and international levels in order to inform both policymaking and the public at large.**

Annex

List of Member States that responded to the survey

Albania
Armenia
Azerbaijan
Bahrain
Bangladesh
Benin
Cameroon
Canada
Chile
Costa Rica
Croatia
Cyprus
Czech Republic
Denmark
Ecuador
El Salvador
Finland
Georgia
Germany
Greece
Guyana
Honduras
Hungary
Iran (Islamic Republic of)
Jordan
Kazakhstan
Lebanon
Maldives
Mauritius
Moldova
Mongolia
Morocco
Mozambique
Palau
Panama
Poland
Portugal
Russian Federation
Saudi Arabia
Senegal
Slovenia
Spain
Sri Lanka
Saint Vincent and the Grenadines
Tunisia
United States of America
United Arab Emirates
Venezuela (Bolivarian Republic of)