

# copac

## COPAC Open Forum

**Decent Work:  
Can cooperatives  
make a difference?**



**28 June 2000  
International Labour Office ILO  
Geneva, Switzerland**

**COMMITTEE FOR THE PROMOTION AND ADVANCEMENT OF COOPERATIVES  
( C O P A C )**

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The Committee for the Promotion and Advancement of Cooperatives COPAC is a successful and on-going partnership between representatives of the cooperative movement together with farmers' organizations, and the United Nations and its agencies. Members work together on equal terms to promote and coordinate sustainable cooperative development through policy dialogues, technical cooperation and information, and concrete collaborative activities. Its members include the Food and Agriculture Organization of the United Nations (FAO), International Cooperative Alliance (ICA), International Federation of Agricultural Producers (IFAP), International Labour Office (ILO), United Nations (UN), and World Council of Credit Unions (WOCCU).

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*Committee for the Promotion and Advancement of Cooperatives COPAC  
15 Route des Morillons  
1218 Grand-Saconnex, Geneva, Switzerland.  
December 2000*



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## Agenda



### COPAC OPEN FORUM

#### Decent Work: Can Cooperatives make a difference ?

28 June 2000 (09:00-12:45), International Labour Office Room II  
4 Route des Morillons, Geneva (Switzerland)



**Introduction** Joe Fazzio  
COPAC Chairman and Chief, Coop Branch, International Labour Office ILO

**Keynote Address** Göran Hultin  
Executive Director, Employment Sector, International Labour Office ILO

**Opening Remarks** Roberto Rodrigues  
President, International Cooperative Alliance ICA

#### Cooperatives' Contribution to Creating, Retaining and Expanding Quality Job Opportunities

##### **Cooperative Employment Trends in the United States During Economic Prosperity**

Paul Hazen, President and Chief Executive Officer, National Cooperative Business Association NCBA (USA)

##### **Comment le Crédit Mutuel crée de nouveaux emplois et maintient les emplois existants? / How Crédit Mutuel creates new jobs and maintains existing jobs ?**

Paule Arcangeli, Director, Human Resources on behalf of Etienne Pflimlin, President, Confédération Nationale du Crédit Mutuel (France)

##### **Social Economy and Cooperatives Create Jobs**

Elisabet Mattsson, Vice-President of European Confederation of Workers' Cooperatives, Social Cooperatives and Participative Enterprises CECOP, General Secretary of SwedCoop and President of the CECOP Women's Commission

##### **La Experiencia de Mondragón Corporación Cooperativa /The Mondragon Experience**

Javier Salaberria, President, Confederación de Cooperativas de Euskadi (Spain)

##### **Struggle and Development**

Namrata Bali, Secretary, Self-Employed Women's Association SEWA (India)

##### **Decent Work: Yes! Cooperatives can make a difference**

Charles Kabuga, Acting Head, Developing Country Activities, International Federation of Agricultural Producers IFAP

**Discussion** Participants are encouraged to formulate questions for the panellists and provide additional information

**Closing Remarks** Joe Fazzio  
COPAC Chairman and Chief, Coop Branch, International Labour Office ILO







## Summary Report of the COPAC Open Forum Decent Work: Can Cooperatives make a difference?

The COPAC Open Forum demonstrated that cooperatives can and do make a difference in promoting decent work. 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.

Mr. Joe Fazzio, Chairperson of COPAC, opened the meeting and welcomed participants. He briefly presented COPAC as an organization and highlighted some of its priority areas of concern specifically the policy framework for cooperative development such as legislative issues. He noted that COPAC organizes open fora to highlight a particular area of mutual interest and share experiences. This Open Forum was being held in the context of the review of the World Summit for Social Development and focused on how cooperatives contribute to providing decent work.



Mr. Göran Hultin, Executive Director, Employment Sector of the International Labour Office (ILO), opened the session by reminding participants of the close links between the ILO and the cooperative movement and International Co-operative Alliance in particular. The first Director-General of ILO was a cooperator who established the Cooperative Branch at ILO in 1920. Mr. Hultin underlined that

cooperatives have a distinct employment creation potential because of their structure and principles. He also presented some of the most notable cooperative success stories in the area of job creation especially from the workers' sector. However, he noted that a number of areas still require attention if cooperatives are to be successful in all parts of the world. These included internal capacity-building as well as a favourable climate for cooperative development. These were areas in which ILO was providing assistance. Mr. Hultin underlined the most recent initiative to revise ILO's own Recommendation 127 on cooperatives to reflect the new economic and political environment which could lead to a new standard. Discussion on the revision would be held at the International Labour Conference in 2001 and 2002. He concluded saying cooperatives were a proven concept to address new challenges

The President of the International Co-operative Alliance (ICA), Mr. Roberto Rodrigues, in his opening remarks, spoke about the global context in which cooperatives were operating - a world in which principle and values were being lost, where democracy was being challenged and ultimately human security and peace were at risk. Cooperatives, he said, provide a path for the future, as they are able to mobilize social capital. They bridge the economic and the social by providing employment, an equitable distribution of profits and above all, social justice. They also address issues of concern such as the environment and food security. However, he emphasized that governments need to be committed in order to fully develop the potential and contribution of cooperatives in maintaining this role.

Presentations from cooperative organizations from the United States, France, the European Union, India, Spain and provided information on how each were tackling the challenge of creating and maintaining decent jobs.

### Decent Work

“Decent work means productive work in which rights are protected, which generates an adequate income, with adequate social protection. It also means sufficient work, in the sense that all should have full access to income-earning opportunities. It marks the high road to economic and social development, a road in which employment, income and social protection can be achieved without compromising workers' rights and social standards...”

*Decent Work, Report of Mr. Juan Somavia, ILO Director-General, 87th session of the International Labour Conference, 1999*




Mr. Paul Hazen, President and Chief Executive Officer of the National Cooperative Business Association of the United States reported on the contribution of the US cooperative movement to decent work. Its 47,000 cooperatives with over 120 million members that represent 40% of the US population are estimated to provide direct employment to over five million people. Mr. Hazen said that the movement considers itself as the fourth sector of the US economy and that if it was to be a strong sector needed to count with strong co-operative businesses that focus on providing new services to its members and develop new types of businesses.

Examples of strong cooperatives were presented. Mr. Hazen noted that there were 11 cooperatives on the *Fortune 1000* list including Farmland Industries, the largest cooperative in the US with USD 11 billion in sales. Others examples cited were the US credit union movement with its over 76 million members; electric cooperatives which provide services to 13% of the US population and Nationwide Insurance, the 5<sup>th</sup> largest insurance provider in the US. However, it was the growth of new cooperatives that was most interesting in terms of providing new opportunities.

Despite recent growth in the US economy, substantial segments of the population still have difficulty in earning a living, reported Mr. Hazen. Cooperatives believe that a living wage is about the opportunity for self-help. A living wage must meet the cost of living but also allow people to gain power and have a voice. It is for this reason that many new cooperatives were being developed - to create jobs for low-income people. A series of successful examples of worker cooperatives that provide quality services (elderly and child care, bakeries, construction, agriculture), and ensure members salaries above the living wage were presented. Mr. Hazen underlined that the job creation strategy of the new generation agricultural cooperatives had been so successful that the government had proposed to create a new private investment corporation to provide equity to these new cooperatives.

He added however, that not only were cooperatives creating new jobs, they were also making a major contribution to retaining hundreds of thousands of jobs and stabilizing economies of many communities throughout the United States through small business cooperatives. Successful small business purchasing cooperatives such as Amarok and Carpet One were cited as examples.

In conclusion, Mr. Hazen said that the explosion of cooperative development was a reaction to the continued concentration of wealth and the global economy. This growth was a clear statement that cooperatives were able to build communities which give people power and voice that help them in tackling the challenges of employment, poverty and social integration. He concluded saying that in cooperatives people have self-determination and control over their economic lives.

 Ms. Paule Arcangeli, Director of Human Resources of the Confédération Nationale du Crédit Mutuel reported that promoting employment was a clear mandate for Crédit Mutuel, a financial cooperative, and the fourth largest bank in France. Crédit Mutuel provides quality employment and engages in social dialogue at the national and federation levels to enable progress to be made. It counted with 27,500 employees at the end of 1999, 6,250 being hired in 1999 alone. Recruitment of the younger generation was key to its employment strategy with 35% of Crédit Mutuel's employees under 35 years of age. However, Ms. Arcangeli also noted that providing equal opportunities to women was also a high priority in its employment strategy. She reported that women accounted for 46% of the total number of employees with 18% at managerial level up from 14% in 1989.

Crédit Mutuel has also taken steps to maintain its workforce through human resource development. Investments in training reached 270 million French francs or 6% of the salary mass in 1998. Nearly 80% of employees benefit from commercial, computer, or insurance training each year. It also has been a leader in partnering with government initiatives that promote flexible work schedules and the reduced workweek to promote the creation of new jobs. For example, the Crédit Mutuel network had

created 2,000 new jobs with the adoption of the 35-hour workweek– and expected an increase of 7% of its staff by the end of 2000.

However, Ms. Arcangeli noted that Crédit Mutuel also promotes local development, which in turn creates quality jobs. It supports entrepreneurial and professional development through a variety of loan and credit mechanisms. In 1999, 110 billion French francs were made available for local development. She presented in particular two loan and investment instruments - “Credemploi” and Créd’opportunité”. She also noted that Crédit Mutuel has published a job creation user guide for small enterprises entitled, “Création d’emploi, Mode d’emploi”.

In addition, Crédit Mutuel created a foundation to combat illiteracy and participates in a series of associations such as ATD-Quart Monde, which promotes human development. It is also a principal partner of the “Association pour le Droit à l’initiative Economique (ADIE)” which combats unemployment and exclusion by financing micro-projects for enterprise creation and has collected over 33 million francs for the foundation, “France Emploi” (France Employment) which assists in creating jobs. This too was contributing to local development.

Ms. Arcangeli concluded saying that by virtue of being a cooperative bank, Crédit Mutuel has put the creation and maintaining of employment in the forefront of its actions. Through its direct financing of the local economy - commercial and artisan enterprises - and its participation in a variety of associations and initiatives, Crédit Mutuel has proven that it is a partner for the promotion of decent work.

**CECOP** Ms. Elisabet Mattsson, Vice-President of European Confederation of Workers' Cooperatives, Social Cooperatives and Participative Enterprises CECOP, General Secretary of SwedCoop and President of the CECOP Women’s Commission Cooperatives was not able to participate in the meeting however, a representative from CECOP presented her remarks. Ms. Mattsson underlined that cooperatives have a potential for developing new activities, creating jobs and responding to unmet market and societal needs. Cooperatives also have an important role in the maintenance of a welfare society and social cohesion.

She provided examples from her own community where cooperatives providing child-care, energy and port management services were active. Small cooperatives like these had emerged over the last 15 years and have become significant players in local economies. Today over 4,500 social cooperatives existed providing services such as childcare, schooling, care of elderly, mental care, prenatal care, physiotherapy, dental services, services for the handicapped, etc. She reported that cooperatives constituted a considerable proportion of the Swedish economy and were involved in areas of major economic importance including retail trade, housing, agriculture, forestry and insurance.

Ms. Mattsson’s presentation provided information on the role of government in promoting new cooperative development through the provision of financing for local development centers throughout the country. This initiative has led to the creation of 300-500 new cooperatives per year, which in turn had generated thousands of new jobs. However, the strength of the initiative is its ability to respond to the real needs within local societies, to develop sustainable local economies and to provide opportunities for people to improve their quality of life.

The Swedish examples were an illustration of the trends in the whole of Europe. Based on figures from Eurostat and the ICA, cooperatives have steadily increased their ability to provide employment - 2.2 million jobs in 1990 to 3.25 million jobs in 1996. In addition, cooperatives are better in maintaining jobs than traditional companies; they are rapidly creating new jobs in the service and social sectors; and they are dealing with ethical, fair and interdependent trade and financing. There are significant increases in the number of community and village cooperatives and in school cooperatives - everything from parental child-care co-ops to primary schools and lifelong learning vocational training. In addition, she noted that women are increasingly choosing the cooperative form of

enterprise to respond to their needs. Today in Europe, cooperatives represent 130,000 enterprises and provide more than 3.7 million jobs.

Ms. Mattsson's presentation ended underlining the opportunities that the cooperative form of enterprise held for women in particular. Women, who are hit hardest by unemployment, had the possibility to change their lives through participation in cooperatives. She concluded that cooperatives are emerging all over the world to help people improve their lives. What we need is to strengthen the networking and partnership creation at all levels to bring the greatest benefits.



Mr. Javier Salaberría, President, Confederación de Cooperativas de Euskadi of Spain presented the experience of the Mondragón cooperative movement. He noted that creating and retaining jobs was a fundamental aim of the cooperative. He provided a detailed explanation of the structure, mission, values and objectives of the movement showing in each case that employment was a central theme for this worker cooperative movement. He further noted that the policies of the MCC like those of the Crédit Mutual had both an internal and external expression. Employment policies and human resource development promoted decent work with training and innovation at the forefront as well as concern for community development. Equally important were structural developments within the Mondragón group that promote new enterprises. These included a series of financing structures to help promote new cooperative enterprises as well as assist existing enterprises in processes of restructuring and other difficult times.

Focusing attention on the gains made by MCC, Mr. Salaberría reported that Mondragón had consistently created a significant number of new jobs almost tripling its workforce during the period 1980 – 1999. During the period 1997-2000, 8,800 new jobs were created and the strategic plan for 2001-2004 estimated that the workforce would grow by 14,500. He stressed however the difficulties in implementing this comprehensive aim of creating decent jobs. It necessitated an increase in innovation to rise the challenges posed by an increasingly globalized world, one in which enterprise scale was often needed to enable business to be sufficiently successful as to enable the development of new projects.

In conclusion he underlined that the success of the Mondragón movement was found in its unwavering objective expressed through its values and principles to create employment. This enabled it to find solutions and put appropriate instruments in place to implement its policies and generate solidarity to achieve its aims.

**SEWA** Ms. Namrata Bali, Secretary of the Self-Employed Women's Association (SEWA) of India gave an overview of the organization. SEWA is a trade union registered in 1972.

It is an organisation of poor, self-employed women workers. SEWA's main goals are to organize women workers for full employment and self-reliance especially using the cooperative model. SEWA defines full employment in terms of decent work, i.e. employment whereby workers obtain work security, income security, food security and social security (at least health care, child care and shelter). SEWA also promotes the self-reliance of women both economically and in terms of their decision-making ability.

Ms. Bali noted that the trade union – cooperative partnership was key to achieving the aims of SEWA. The co-operative can help the trade union to consolidate by providing work opportunities to the victimized. It is also vital to creating alternative employment opportunities as well enabling workers to increase their bargaining power. Ms. Bali added that the cooperative goes deep into the trade of any industry and therefore has a thorough knowledge of how the economic system works. It provides invaluable knowledge to the trade union for formulating its strategy and can assist the trade union to better fulfill its role and function of bargaining for a better deal for its members.

The SEWA vision is that the combination of trade union and cooperative power makes it possible not only to defend members, but also to present an ideological alternative. Ms. Bali said, that the trade

union ensures the radical element while the cooperative balances it out with a more conservative position. Poor women's cooperatives are a new phenomenon. SEWA has a vision of the cooperative as a form which will bring about more equal relationships and lead to a new type of society. The trade union helps to articulate and reinforce the cooperatives' identity. She reported that cooperatives which are formed after trade union mobilization are much quicker to acquire this cohesion as the workers already have a feeling of unity based on common struggle. In addition, interaction between a trade union and cooperatives can be a continuing process of mutual support. She concluded saying, "The secret of success is simple - trade union and cooperatives bring about empowerment".



Mr. Charles Kabuga, Acting Head of the Developing Country Activities of the International Federation of Agricultural Producers IFAP expertly summed up the presentations noting that the values espoused in the concept of decent work were those that cooperatives cherished. It was clear therefore, that cooperatives could contribute to promoting decent work. However, the extent to which the contribution could be made depended heavily on the conditions in which cooperatives operated. He noted that the experience of successful cooperatives in the industrialized countries is not always useful to developing countries as the history of government intervention immediately raises questions. Even in countries where government embraced cooperatives, government intervention was often "the kiss of death". He noted that it would take time for both cooperatives and government to change mindsets, but that the processes of democratization, liberalization, globalization and the Internet may in the end bring about the changes needed to ensure that cooperatives can indeed make a difference to decent work.

Mr. Kabuga continued saying that the major concern of civil society today lies in the high level of unemployment and massive poverty. We know that we need to bring the economic and social aspects of growth together with democracy if progress is to be made. In this regard, the cooperative as an association of people who come together to meet economic and social needs and as schools for democracy are ideally placed to make a difference to decent work.

Liberalization also dictates cooperative action. Unemployment and the ensuing social exclusion is no longer a problem of the poor, but increasingly a problem that touches the middle class. In many developing countries, unemployment reaches figures of over 50% of the active population. Income generation is the first step out of poverty and social exclusion. Decent work through cooperatives may be the way out. Globalization and the Internet too can also be seen as threats and opportunities; however, cooperatives stand a chance of making a difference here too.

Concluding, Mr. Kabuga noted that for the poor and underdeveloped peoples of the world, there is no alternative to self-help cooperative organizations with regard to employment creation. He underlined however that for cooperatives to make a difference with regard to decent work, four things must be in place: professional management; committed, enlightened and honest leadership; institutional capacity building for cooperative organizations; and general membership education and training. He stressed that it is in the interest of government to give constructive support to cooperatives that create employment for people, for this will ultimately be the pillar upon which peace and democracy can be built.

The COPAC chairperson, Mr. Joe Fazio thanked participants and briefly noted one important comment made in the last presentation which was shared by all. If cooperatives are to continue to increase their ability to make a difference, they will require enhanced internal capacities in addition to appropriate support from governments. In this regard, the revision of ILO Recommendation No. 127 was timely. Participants agreed that the revision could become an important instrument for the promotion of cooperatives worldwide.

Participants concluded that yes, indeed cooperatives can make a difference!



## Presentations

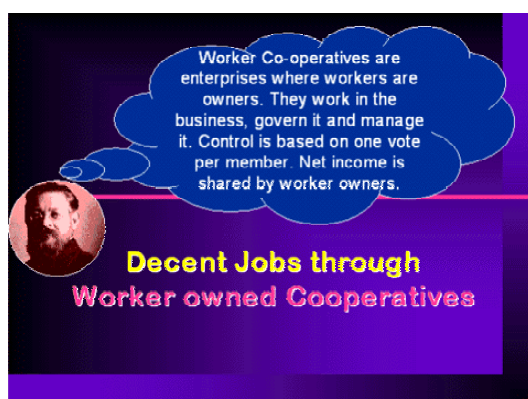


**Göran Hultin**  
**Executive Director, Employment Sector**  
**International Labour Office (ILO)**

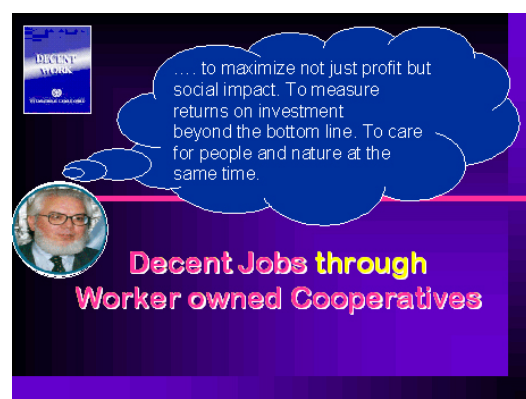
### Introduction

The International Labour Organization (ILO) has recently undergone a reorganization. Cooperatives have since its inception been an area of activity for the ILO. The ILO Cooperative Branch was created in 1920. Cooperatives continue to be an important area of work within the ILO's strategic objectives in the area of standards and fundamental principles and rights at work, employment, social protection, and social dialogue. The concept of decent work introduced by the new Director-General of the ILO is an attempt to move towards an integrated development strategy conceptually based on principles and values much like those that underpin the cooperative movement. He noted that cooperatives have operationalized their principles and values by combining social values with business objectives to create decent jobs.

All types of cooperatives create jobs, but this presentation focuses on worker-owned cooperatives.



Mr Albert Thomas, the first Director General of the ILO, came from the cooperative movement and established the Cooperative Branch in 1920.



Mr Juan Somavia, the present Director General, developed the concept of decent work (excerpt of Somavia's speech on 1 May 2000 in the Vatican).

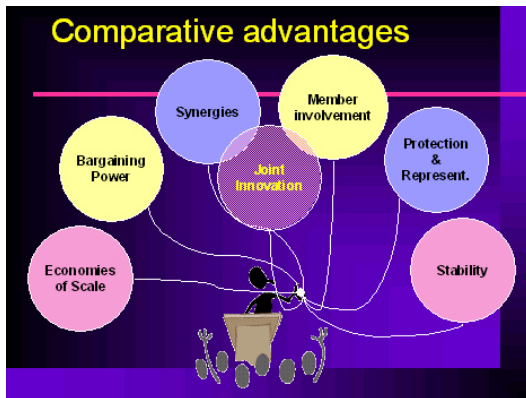
The total cooperative membership in the world amounts to 800 million people. The International Cooperative Alliance (ICA) is the world's largest NGO and has permanent observer status in the ILO.

There is ample evidence that cooperatives do create jobs and decent incomes for both women and men. Worker-owned co-operatives alone have created an estimated 100 million jobs worldwide.

- Brazil: 300,000 cooperatives
- Canada: 70,000 cooperatives
- Ethiopia: 90,000 cooperatives
- India: 13.8 million cooperatives
- Japan: 58,000 consumer cooperatives
- Russia: 727,000 consumer cooperatives
- Southern Africa: 230,000 cooperatives
- Western Europe: 5 million cooperatives

Cooperatives create jobs because they allow their members to pool resources, ideas and capital – thus common bonds and common goals. Cooperatives can succeed where individuals may fail and provide the opportunity for small players to establish an active economic life. Cooperatives are of course not the only way to create jobs but they are a valid option for individuals who have not enough resources to start their own business.

Because of their double nature as associations of people and businesses, cooperatives have a distinct employment creation potential that differs from that of other enterprises:



- > synergies between members (facilitates division of labour)
- > greater bargaining power (group instead of individual)
- > economies of scale because of joint economic operations (comparative advantage)
- > member participation makes management cheaper
- > protection and representation (especially in the informal sector which coops can help to “formalize”)

- > greater stability (proven by recent studies carried out in Canada, 64% survival rate of co-ops after 5 years as compared to 36% of other types of enterprises)
- > joint innovation (sharing of ideas among members).

### One Approach – Four Options

- > Traditional **workers’ cooperatives**. Mondragon as one of the most successful examples (but also the SCOP in France);
- > **Labour contracting cooperatives**; very successful in forestry and construction on the Indian sub-continent (about 13 million jobs in India);
- > **Workers’ take over**; “ESOP” type businesses (5 million jobs in the United States); United Airlines as a famous example with 54,000 employees); In 1999, United Airlines had a turnover of USD 18 billion and a net profit of USD 1.7 billion.



- > **Shared service cooperatives**: independent entrepreneurs share services through a co-op. DENIC, the name server operated by German’s Internet Service Providers, as a modern example. DENIC was established in 1997 and grew since then from 41 to 110 members (May 2000). Other examples are EDEKA, Best Western Hotels, and Nugget Distributors in the US.



## Decent work in cooperatives

Cooperatives can provide decent work because they allow members to **determine themselves** under which conditions they want to work (this includes the extreme case of self-exploitation).



**Member control** means that the members of a workers' cooperative supervise its management, and that all members participate in the decision-making process.

The profit (surplus as it is called in a co-op!) is **shared according to the participation** of members in the cooperative's business; it is not based on the share capital.

**Concern for community** is a co-op principle that many companies are beginning to discover, too.

To develop successful workers cooperatives, the founders need the following services:

- > Organizational assistance
- > Seed capital
- > Management training and advice
- > Technology training and advice
- > Marketing assistance
- > Basic social services
- > Support to vertical and horizontal integration

Only the last service is specific to cooperatives; it means support to the formation of cooperative unions and federations.



However, these services are useless if Government has not created a favourable legal, institutional and administrative environment for the emergence and functioning of genuine cooperatives. This brings us to where we are today with regard to the most recent priority for the ILO and cooperatives.

## The International Labour Organization (ILO) and Cooperatives



The ILO provides advice in cooperative development policy and cooperative legislation to about 60 countries under the COOPREFORM programme.

National service infrastructures supporting cooperatives are being supported under a COOPNET ((Human Resources Development for Cooperative Management and Networking) and through a number of national projects.

The exchange of know-how is being facilitated through regional and national meetings, many of which are co-organized with the ICA and other partners. Meetings on job creation through co-ops are planned for Africa, Asia, Latin America and the Caribbean.

Meetings of Experts on Cooperative Law organized by the ILO Cooperative Branch were held in 1993 and 1995 and were particularly useful. The 1993 meeting reviewed the relevance of the existing ILO Recommendation 127 on the "Role of Cooperatives in the Economic and Social Development of Developing Countries" which was adopted in 1966 and proposed amendments. This set in motion a lengthy process which culminated in March 1999 in the ILO Governing Body decision to put the revision of Recommendation 127 on the agenda of the International Labour Conferences of 2001 and 2002.

Our development partners believe that the new instrument should situate cooperatives firmly in the private sector and provide them with equal opportunities and treatment. The ILO Cooperative Branch has already published a preparatory report entitled "Promotion of Cooperatives" which is available in English, French, Spanish, Arabic, Russian, Chinese and German.

In addition to this report, the ILO Cooperative Branch has published a series of cooperative management material (MATCOM) and many other manuals, checklists and guides. A full list is available on its web site ([www.ilo.org/public/english/employment/ent/coop/](http://www.ilo.org/public/english/employment/ent/coop/)).

In conclusion, cooperatives are a proven concept for addressing new challenges.

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**Roberto Rodrigues**  
**President, International Cooperative Alliance (ICA)**

*Note: Mr. Rodrigues did not speak from a prepared text. Below is a summary of the major points raised during his opening remarks.*

The ICA President, Mr. Roberto Rodrigues, in his opening remarks spoke about the global context in which cooperatives were operating - a world in which there was an increase in the concentration of wealth that was leading to social and economic exclusion. Principles and values were being lost and democracy was increasingly being challenged. “We are living at a time where peace and human security are at risk”, he said.

Cooperatives can be a response, a future path, as they are able to mobilize social capital. Cooperatives promote social cohesion through participation; they store social capital. Cooperatives are based on principles and universal values and most importantly, cooperatives are based on solidarity. Cooperatives are the “second wave”. They bridge the economic and the social by providing employment, an equitable distribution of profits and above all, social justice. They also address issues of concern such as the environment and food security. Cooperatives too can be legitimate partners to democratic governments.

However, Mr. Rodrigues stressed that cooperatives were able to bring happiness to people which is what all peoples seek. Happiness in terms of job satisfaction, general well being and individual goals.

“The time is right for cooperatives”.

Mr. Rodrigues briefly noted the role of the ICA in promoting the cooperative movement. ICA was committed to promoting cooperatives as a means of promoting democracy and peace. He noted the major programme of the ICA stressing that ICA puts priority on information and advocacy especially through the United Nations system.

However, if cooperatives are to be able to play this role of bringing happiness to people, governments need to be committed to ensuring the appropriate policy environment for cooperatives to exist and operate.

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## Cooperative Employment Trends in the United States During Economic Prosperity – Cooperatives Give People Power and Voice

**Paul Hazen, President and Chief Executive Officer, National Cooperative Business Association NCBA (USA)**

I bring greetings and best wishes to the participants in the COPAC Open Forum from the cooperative sector of the U.S. economy. I want to begin by praising COPAC and its members, the International Co-operative Alliance and the International Labour Organization for focusing attention on the role of cooperatives as a tool for creating, retaining, and expanding job opportunities.

As we move cooperation into the 21<sup>st</sup> Century, the United States is experiencing an explosion of new cooperative development. Each year, millions of people across our nation are choosing to control more of their lives by joining cooperatives. The cooperative sector growth and our nation's new enthusiasm about cooperatives can be witnessed throughout the United States. Through *CooperationWorks*, a cooperative development initiative, NCBA is leading this cooperative renewal by expanding existing and organizing new, cooperatives. Cooperatives are providing their members with power and voice in a global economy.

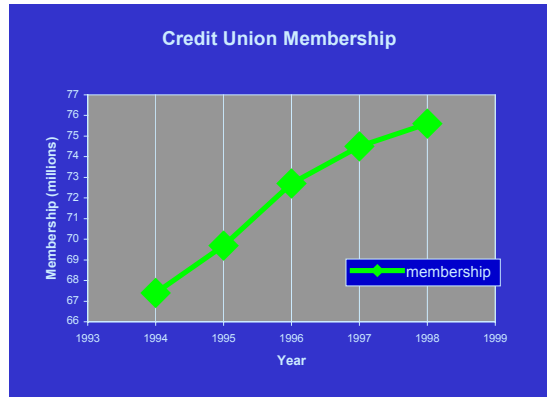
Cooperatives give people  
power and voice

Our goal at NCBA is to make cooperative enterprise a strong, distinct, and unified sector of our economy that is recognized by the U.S. public. Today, in the U.S., most people believe that we have only three sectors of the economy: the for-profit sector dominated by investor-owned businesses; the government sector including local, state, and federal governments; and the non-profit sector that encompasses organizations like the Red Cross, universities, and religious institutions. At NCBA, we see a fourth sector of the U. S. economy that is based on a foundation of cooperative principles and values. The cooperative sector is built on businesses that serve the economic and social well being of a wide variety of people. To accomplish our goal of a strong fourth sector of the economy, U.S. cooperatives must be strong businesses that focus on providing new services to our members and we must develop new cooperative businesses.

In the new millennium, I believe that the biggest challenge for people around the world will be the continued concentration of wealth. This concentration of wealth is a danger to both our economic and political freedom. The U.S. economy is now in its longest economic expansion in our nation's history. For example, unemployment is at 4.1%, a 30- year low; there is a shortage of workers; inflation is below 3%; personal income has been increasing steadily for the past eight years; the stock market is at record levels; corporate profits keep rising; the federal government's budget is in surplus; gross domestic product grew over 6% last year; and consumer confidence is at a 30-year high. The majority of the people in the U.S. are experiencing the greatest period of prosperity in our nation's history.

While the general economy has been expanding rapidly, the cooperative sector of the economy has also been making great progress. Today in the U.S., there are over 47,000 cooperatives with over 120 million members that represent 40% of the U.S. population. NCBA estimates that direct employment in U.S. cooperatives is over five million people. Even though these numbers include a large number of people, cooperatives are still only a small part of the U.S. economy. Existing cooperatives are growing rapidly throughout the U.S. by adding value to membership through new services. For example, during the past five years, U.S. credit union membership grew from 60 million to 76 million people. This tremendous growth is the result of additional membership value provided by new services such as home mortgages, business loans, retirement programs, and electronic commerce.

The growth of credit union membership is verified by public opinion surveys showing that 70% of consumers believe credit unions provide better service at a fairer price than do for-profit banks.



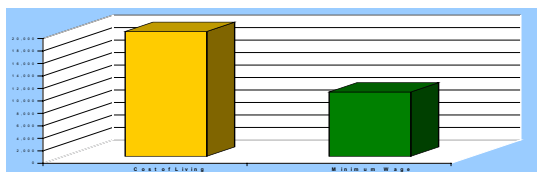
Today, electric cooperatives serve over 30 million people, which is about 13% of the U.S. population. Electric cooperatives are expanding their services into natural gas, Internet access and satellite TV.

Many cooperatives find themselves on our nation's list of the 1000 largest corporations. For example, Farmland Industries is the largest cooperative in the U.S. with USD 11 billion in sales. In total there are 11 cooperatives on the *Fortune* 1000 list giving their members tremendous power in the marketplace.



An example of how rapidly cooperatives are growing in the U.S. is Nationwide Insurance. It is our nation's largest cooperative organization and is the 5<sup>th</sup> largest insurance company in the U.S. In its first 70 years, Nationwide accumulated USD 50 billion dollars in assets on behalf of their members and policyholders. Between 1996 and 1998, Nationwide doubled its assets to USD 100 billion and in just the past year, Nationwide's assets grew to USD 115.8 billion.

While existing cooperative membership is growing by expanding services, the growth of new cooperatives in the U.S. is even more spectacular. For example, one of the most innovative new cooperatives in the U.S. is located in New York City. The 500,000 members of cooperative housing in New York City expanded the value of membership by organizing 1st Rochdale Cooperative. This new consumer-owned cooperative provides electricity, telecommunications, energy audits, and Internet access. In its first year of operation, 1<sup>st</sup> Rochdale already has added thousands of families and businesses as members, and soon will be the largest consumer-owned energy cooperative in the United States.



Even though the U.S. economy is booming and the country remains at full employment, substantial segments of our population have difficulty in earning a living wage. Cooperatives in the U.S. believe that a living wage is about the opportunity for self-help. It is about ways that families and communities can gain power and voice and make ends meet in an increasingly competitive global economy. A living wage must meet the cost of living. But, the gap between the federal minimum wage set by the government and the cost of living is large. In the United States, the basic cost of living for a family of

three is well over USD 20,000, yet the minimum wage generates only USD 10,300 annually. Even though millions of people are employed at the minimum wage, they are not earning a living wage.

Cooperatives in the U.S. are focused on creating jobs that provide people with a living wage. There are many examples of how cooperatives have helped families increase their purchasing power and income. Our nation is reforming our welfare system and millions of people have been cut off from their access to welfare. In many cases, the government has not provided the training needed to obtain a job with a living wage. Cooperative leaders have seen the need and are developing cooperatives to

create jobs for low-income people. One successful example is Cooperative Home Care Associates. This worker cooperative was organized in 1985 to provide consistent, quality care for homebound persons, a goal its founders believed could be accomplished by generating paraprofessional jobs paying the highest combined salaries and benefits in New York City's home care industry. Most of the cooperative members are semi-skilled Latino or African American women who were on welfare. They perform health-related and personal hygiene tasks, light housekeeping, and shopping for the homebound under contracts to hospitals or health service agencies. Today the cooperative has over 1,000 members and wages and patronage refunds provide members with incomes substantially above the living wage. Start-up funding for this new cooperative was provided by the National Cooperative Bank. The cooperative has been so successful that similar cooperatives have recently been organized in Boston, Philadelphia, and Los Angeles.

Most everyone understands that affordable childcare is important to working parents, especially those transitioning from welfare to work. The childcare industry has traditionally paid low wages along with low benefits, making for high turnover rates in employees and ultimately a poorer quality of care. In addition, government sources show that only 22% of childcare companies provide employees with benefits. One solution to these problems is worker cooperatives that provide better care and involve parents in the operation of the childcare centres. Childspace is a great example of a recently organized worker cooperative in Philadelphia that provides their 35 members a living wage and benefits. Similar cooperatives have been organized in Denver and San Francisco. Funding for start up has been provided by a number of foundations and religious groups and long term financing is coming from the National Cooperative Bank.



Another successful model is under development in California. The Association of Arizmendi Cooperatives is an effort to apply some of the lessons learned from European worker cooperative networks to the United States. Individuals inspired by the European models created a technical assistance cooperative to replicate successful cooperatives in the San Francisco Bay Area. The Association's first project is creating a chain of mutually supportive bakeries based on Berkeley's Cheese Board, a 40-member, more than USD 2 million a year collective founded 28 years ago. The Association's first replication, located in Oakland, has been wildly successful, and is now the training ground for the soon-to-open San Francisco bakery, the new bakery is named "Arizmendi" in honour of the Basque cooperative pioneer.



Some investor owned businesses understand the need to give the workers a larger role in the operation of the business. Merle Adams, President of Big Timberworks wanted to offer his employees a significant stake in his company. Big Timberworks specializes in timber frame construction and is one of the largest users of recycled wood in the U.S. To transfer ownership, Adams formed a worker cooperative where his employees are now the owners, share equally in profits, and the decision making for the company. The cooperative has 50 members, these new owners all have increased their incomes substantially and are expanding the business. This cooperative is a great example of turning employees into owners, increasing incomes, and giving people power and voice.

The concentration of wealth in the farm economy has also spawned many new cooperatives. Rural communities are looking to new generation agricultural cooperatives to revitalize rural communities. One success story is Renville, Minnesota known as the Cooperative Capital. This community of 1,300 people has created over 500 jobs in the past few years by organizing new generation, agriculture cooperatives. Renville is home to 11 cooperatives that have been organized in the past five years. The community is building on the local agriculture by organizing cooperatives that create new jobs in the

community. When investor-owned businesses began pulling out of the sugar beet business, the community rallied and organized the Southern Minnesota Beet Sugar Company to process beets. The cooperative now employs several hundred people. This success has been repeated with hogs, chickens, and fish. The community has diversified its economy using cooperatives to create jobs and economic activity. Many of the new cooperative employees were formerly in low paying, unskilled jobs. The new generation cooperatives pay the highest wages in the community and provide job training and educational opportunities.



Other communities across the U.S. are also using value-added cooperatives to address unemployment and create jobs in their communities. Cooperatives such as the Dakota Pasta Growers which processes wheat into pasta, Cloverdale Growers Cooperative which processes hogs into value-added products, and the Santa Fe Trail Growers Cooperative which processes and markets a variety of fruits and vegetables across the U.S. These new cooperatives have built large processing plants and created thousands of new jobs.

New generation cooperatives succeed because they require more investment of capital than traditional cooperatives. Often these cooperatives require their members to invest 40% of the total capital required. And, new generation cooperatives require a written commitment of member participation. Within the past five years, over 250 new generation agriculture cooperatives have been organized in the U.S.



*President Clinton at the Hermitage  
Tomato Cooperative*

This job creation strategy has been so successful that President Clinton has proposed creating a private investment corporation to provide equity for new generation agriculture cooperatives. The federal government will provide USD 150 million that will be matched by cooperative banks in the U.S. In addition, the Federal Government would provide USD 500 million in investment guarantees to the corporation.

U. S. consumers and agricultural producers are finding new value from their cooperatives. The same is true for small business owners in the U.S. as they are faced with the same global economic pressures and concentration of wealth as consumers and producers.

Owners of small businesses involved in fast food franchises, industrial supplies, construction materials, educational services, and home furnishings are saving and retaining jobs through the formation of purchasing cooperatives.

Let me give you an example. NCBA helped organize AMAROK two years ago as a purchasing cooperative for building supply retailers. Today, the cooperative has empowered 74 small business members operating in 35 states, with over USD 500 million in annual sales. The cooperative has pioneered national purchasing contracts, and electronic based commerce.

Another success story is the Carpet Cooperative of America. Known as Carpet One, this 10-year-old cooperative with 800 small business members is now the largest retailer of carpeting materials in the U.S. with annual sales of over USD 2 billion. The cooperative has created innovative, award winning



member education programs to increase member sales. Across the U. S. today, there are over 300 purchasing cooperatives for small businesses with over 100,000 small businesses as members, and combined, they have over USD 100 billion in annual sales.

These small business cooperatives have saved thousands of businesses and retained hundreds of thousands of jobs and stabilized the economies of many communities across the country. These cooperatives are successfully challenging global competition and concentration of economic power in a few corporations. NCBA is now working with the federal government's Small Business Administration to track statistics measuring the impact of small business purchasing cooperatives.

This explosion of cooperative development has occurred as a reaction to the continued concentration of wealth and our global economy. We believe that to be reactive to these economic forces is not in the best interest of our cooperative membership.



To achieve our goal of becoming a strong fourth sector of the economy and to organize even more cooperatives, ten cooperative development organizations in the U.S., have restructured their programs into **Cooperation Works**.

**Cooperation Works** is a unified system of cooperative development centres and development partners, cultivating cooperation as a cornerstone of prosperous, sustainable communities. **Cooperation Works** has established national economic development priorities that will focus our resources into building partnerships with the public and private sector to establish joint ventures for creating cooperatives. Our goal is to create a seamless national cooperative development system that will encourage a new wave of cooperation that will, in turn, create jobs that pay a living wage and give people power and voice.

We believe that the cooperative sector of the economy will grow and expand because of our values. Cooperative values of self-help, self-determination, equity, equality, solidarity, and democracy make our businesses different, ensure economic freedom and give our members an advantage in the marketplace. As I have demonstrated, to improve their lives, millions of new people are drawn to cooperatives because of our values every year in the United States.

I am proud to be a cooperator and I know that the citizens of the United States of America are some of the most fortunate people in the history of the world. As a nation, we were born into privilege, but we know that we cannot achieve our economic and social goals when millions of people in the U.S., and billions of people throughout the world have no voice or self-determination and live without enough food, water, adequate shelter, education, or healthcare. We cannot turn our back on these people. In the cooperative movement, by giving people voice we can stand up and fight against a global economy that rewards attitudes such as survival of the fittest; intolerance; concentration of wealth and power; and separation of people by race, economic status, and religion.

As we approach the new millennium, cooperative values are desperately needed throughout the world. In the tradition of our founders, we must build community by giving people power and voice. We must look for ways to provide service to our members. By working together, we can provide employment, reduce poverty, and provide for social integration through cooperative development.

Let us not forget the trust that cooperatives have built over a long history of helping people achieve their economic goals and improve their lives. Cooperatives have empowered millions of people throughout the world to take more control of their lives. And, we have given voice to people over the past 155 years, from those first Pioneers of Rochdale, to the newest member of 1<sup>st</sup> Rochdale Cooperative in New York City.

I would like to end with this thought. As the global economy grows, people all over the world are seeking more control over their lives. Even in the robust U.S. economy, people are left behind and are unemployed, under employed, and living in poverty. The cooperative sector of the economy provides over 120 million people in the U.S. safe haven. In cooperatives, people have self-determination and control over their economic lives. Cooperatives in the U.S. are not an old idea; they are a vibrant part of our economy providing solutions to economic problems the for-profit sector of the economy ignores. Even President Clinton understands the power of cooperatives.

I love to go to work every day! I love my work, because no matter what the problem, challenge, or opportunity we are facing, we have a solution. This is what makes cooperatives great.

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## How does Crédit Mutuel create new jobs and maintain existing jobs?

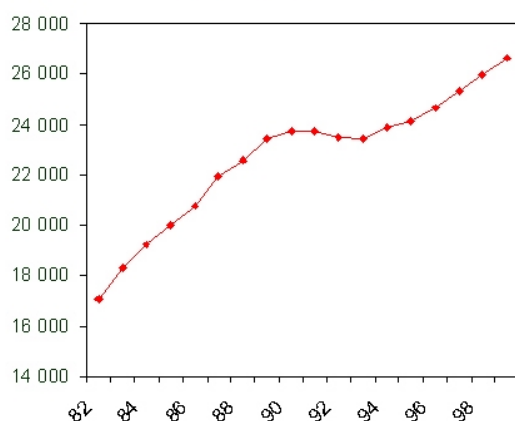
**Paule Arcangeli, Director, Human Resources on behalf of Etienne Pflimlin, President, Confédération Nationale du Crédit Mutuel (France)**

Crédit Mutuel is able to tackle the challenge of creating and maintaining employment through two specific strategies: internally, by recruiting from within and promoting social dialogue, and externally, by promoting local development and programmes centred on solidarity.

### Crédit Mutuel: A proactive employer

Crédit Mutuel's competitiveness goes hand-in-glove with dynamic management of its human resources. Priority objectives are employment, development of competencies, and employee mobility. Crédit Mutuel plans well ahead of its requirements and is striving for better balance of its internal age pyramid.

Evolution de l'effectif du Crédit Mutuel depuis 1982



This preventive and proactive employment policy has proved fruitful. During the last five years, Crédit Mutuel recruited 6,250 individuals and increased its staffing levels by 11.7%, bringing its total staff to 27,500 by the end of 1999.

### 1. A higher staffing level accompanied by sustained economic development

Because of its commercial dynamism and network-based organization, Crédit Mutuel was able to increase its staff by nearly 35% during the 1980s, while French commercial banks maintained their staffing levels nearly unchanged during the same period.

This strong development of the Crédit Mutuel Federations was also reflected in the creation of local banks and sizeable increases in market share.

Employment is not only the objective but also the result of an aggressive development strategy.

Crédit Mutuel's workforce kept on increasing throughout the 1990s. At Crédit Mutuel, in the last 10 years, the number of employees increased by 14%, with an average growth of 1.5% per year<sup>1</sup>. This trend continued with a stabilization of the number of departures (with a turnover rate that was cut by half from the start to the end of the 1990s) and a continued recruitment, even when the economic and social environment was difficult.

Indeed, throughout the 1990s, Crédit Mutuel maintained a significant level of recruitment. Regardless of the type of employment contract (fixed-term or unlimited-term contract) over the last ten years, Crédit Mutuel recruited, on average, 4,200 persons each year.

We also note the effort to use work-learning schemes implemented by several federations over the last few years, in order to enable more than 1,600 young people to obtain a degree, most often after two years of study beyond the secondary school level, and to acquire professional experience<sup>2</sup> at the same time.

Below are some items of comparison between Crédit Mutuel's staff demographics, and those of French commercial banks. (Please note that the assessments below are averages. Situations may vary between the various Federations of Crédit Mutuel and between commercial banks.)

<sup>1</sup> The workforce of French commercial banks decreased by 17% between 1987 and 1997 (most recent figures known to the Confederation's Human Resources Division), and this represents a decrease of nearly 32,000 jobs.

<sup>2</sup> Statistics concerning the number of young people participating in such schemes (principally apprenticeship and skills development) have been maintained by Crédit Mutuel since 1993.

- ✓ The staff of Crédit Mutuel is relatively young compared to that of French commercial banks. For instance, employees under 35 represent 35% of Crédit Mutuel workforce compared with 20% in French commercial banks. In terms of seniority, 40% of Crédit Mutuel employees have a seniority of less than 10 years, compared with 25% on average in French commercial banks.
- ✓ The level of initial and vocational training is increasingly high: in 1998, 45% of employees had an initial training level including two years of education past the secondary level (Bac+2)<sup>3</sup>. The level of initial training of recruits is also on the rise: over the last few years, the benchmark degree has been at least at the Bac+2 level.

## **2. Qualitative changes in employment**

As has been the case for all banking networks, Crédit Mutuel has undergone far-reaching changes that are altering the content of the banking professions, leading to the emergence of new specialties.

Banks first saw a massive change in their environment with the emergence of new competitors and the need to respond to far-ranging uses of banking services. More recently, a host of phenomena has weighed on banking operations, and in particular disintermediation, deregulation, heightened competition and technological changes. Banks have been urged to respond to individualized needs of demanding clients, who use several credit institutions, and to diversify their operations.

Changes in the banking sector have accompanied a transformation of employment structures, job content, working conditions and required competencies. Today, the swift and unrelenting development of new technologies and in particular the Internet revolution and the diversification of client bases and of commercial relationships are radically changing jobs and skills.

Crédit Mutuel has capitalized on its strongly decentralized organizational structure which has enabled Federations to implement custom-made human resource management policies by taking decisions close to the grassroots level. Technologically, Crédit Mutuel has also gained from the strengths provided by an internal and external IT infrastructure that is newer than that of its competitors.

In brief, changes in employment at Crédit Mutuel, and in the banking industry as a whole, have been marked by a quantitative and qualitative rebalancing that started approximately ten years ago and has redefined the ratio between administrative, sales and expert positions.

Administrative and back-office positions, often involving a low level of skills, have undergone considerable change. The number of back-office functions has decreased, following the computerization of certain processes, the grouping of selected processing activities and finally the outsourcing of certain functions. Today, these jobs have changed considerably: they require greater and more diversified skills. Contrary to French commercial banks, Crédit Mutuel has not had to manage a massive professional restructuring of back-office workers towards front-office positions, due to the fact that most of Crédit Mutuel's staff is younger and better trained.<sup>4</sup>

In addition, the importance of expert and sales positions is increasing. Commercial positions also have changed considerably, notably in the face of major developments such as the increase in the number of distribution channels, the growing complexity of banking insurance products and the development of more personalized ties with customers.

## **3. Women's careers at Crédit Mutuel**

For the last few years, there has also been a definite increase in the number of women working at Crédit Mutuel. Indeed, in 1999, women represented nearly one half of Crédit Mutuel's workforce, as against only 36% in 1982.

The breakdown per category shows that women are still underrepresented in the executive category, although they represented 18% of executives in 1999, compared with 14% approximately 10 years

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<sup>3</sup> Due to the absence of a full statistical base, it is not possible to compare over time the initial training level of Crédit Mutuel employees.

<sup>4</sup> However, over the last ten years, several federations managed ad-hoc internal restructuring programmes that have sometimes led to a decrease in the headcount and a redeployment towards front-office functions.

ago. Women's promotion to key positions (management committee, branch manager, director of a department at the head office, etc.) remains infrequent, despite the marked increase in the proportion of female workers. Overall, at Crédit Mutuel, women are more strongly represented in the "non-executive" categories, making up nearly 60% of the workforce of those categories.

As a comparison, in French commercial banks, women represent 52% of total staff, 27% of executives and 65% of non-executives.

Looking ahead, the increasing proportion of female workers within Crédit Mutuel should make more acute the issue of equal representation and in particular women's access to decision-making positions. Indeed, banking seems to attract young women more than young men. Over the last few years, recruitment of female workers was mainly focused on sales positions, because the Federations' Human Resources (HR) Managers often noted that female applicants were better suited to these jobs. In the future, the fact that there are a large proportion of young women in the workforce is likely to lead HR Managers to focus on their development and prepare them for jobs entailing greater responsibility, in particular in the banking network.

### **An enterprise nurturing dialogue: dialogue contributing to maintaining and furthering employment**

#### **1. National and federal social dialogue has contributed to the creation of proactive job and skills management**

Social negotiations within Crédit Mutuel, both at the national and federal levels, have contributed to maintaining employment and to supporting skill development efforts made by employees.

In terms of employment, since the end of the 1980s, branch negotiations (which are the vehicle for conducting social dialogue at the national level within Crédit Mutuel) have helped build a solid base of master agreements governing Crédit Mutuel's employment policies. Negotiations at the national level have led to the preparation and implementation of proactive job and skills management policies within the Federations.

For example, the agreement "for an active and preventive employment policy within Crédit Mutuel" was signed in 1988 and constituted the first major agreement on employment matters signed at the national level. This agreement sets general principles and directions concerning employment policy which has been adapted by each federation based on its environment and specific situation. The agreement sets maintaining the employment of all workers by enhancing and refining their skills to respond to changes in the banking profession as a major objective.

For instance, in the Federations, resources for training, internal mobility and assessment are made available to employees to enable them to play an active role in their own professional development.

Crédit Mutuel invests heavily in training. A few figures show the size of its efforts: in 1998, training represented a total of FRF 270 million, i.e. 6% of payroll expenses. Nearly 80% of employees participate each year in a training programme. The main training areas are banking techniques, sales, information technology and insurance. These represent nearly 80% of total time devoted to training.

Vocational training, which may also lead to in-house degree, is increasingly focused on the learning of a profession. The target profession that involves the largest number of Crédit Mutuel employees is that of individual account manager, the basic entry level, enabling incumbent employees to adapt to technical and commercial changes in this profession.

#### **2. Negotiations on the adaptation and reduction of the working time (ARTT) have given impetus to social dialogue**

Since 1997, the ARTT<sup>5</sup> has fostered a meaningful social dialogue within the Federations of Crédit Mutuel. This process has enabled management and labour to negotiate balanced terms for making the labour organization more flexible in order to protect employment and the enterprise's lasting prosperity.

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<sup>5</sup> Aménagement et la réduction du temps de travail ARTT

Below are a few key milestones in legislation and in the negotiation of agreements within Crédit Mutuel on working time adaptation and reduction (ARTT):

- ✓ A national master agreement on working time was adopted in 1997 to prompt Federations to open negotiations on the ARTT (and in particular part-time work, overtime).
- ✓ The master agreement also refers to the Robien Act as an opportunity for Federations to reduce the collective working time and create employment. In summary, the Robien Act, passed in 1996, enabled enterprises to reduce working time significantly on a voluntary basis (at least 10%), to create employment in the same proportion, and to obtain, in turn, material decreases in payroll contributions. Five Federations of Crédit Mutuel (i.e. approximately one third of the Group's workforce) have signed Robien agreements with a creation of 10% in additional employment.
- ✓ In 1998, the Aubry Act, concerning a negotiated reduction in the weekly working time, has set as an objective the move to the 35-hour workweek by 1 February 2000 for enterprises with more than 20 employees. To date, all Crédit Mutuel Federations are covered by Aubry agreements, through which they plan to increase employment by more than 6%.

More specifically, 12 Federations have been covered by Aubry agreements since 1997 (with subsidies), and the Federation as well as the Confederation signed an Aubry agreement without asking for financial subsidies<sup>6</sup>.

ARTT schemes have served as a lever for employment, because they have been an integral part of a comprehensive corporate vision, taking into account the organization's economic, structural and social dimensions. Finally, Crédit Mutuel Federations participate at the same time in:

- ✓ development dynamics, strengthening of market positions, gain of new market shares, a search for new markets;
- ✓ the search for increased organizational flexibility in order to raise productivity, and a better response to clients' requirements (in terms of branches' opening hours) and to competitive practices. ARTT was introduced by involving all concerned, and task forces found those solutions that were most pragmatic and best adapted to their context;
- ✓ the search for employment dynamics in quantitative and qualitative terms: increase in the workforce in order to respond to development projects, younger age structure in order to foster the training of new executives, increase in the initial training levels upon recruitment in order to accelerate the development of expert skills.

### **3. Job creation that was particularly significant over the last three years**

Throughout Crédit Mutuel, ARTT schemes have been implemented leading to, as at 1 January 2000, an average weekly working time of 35 hours and to a commitment to create additional jobs corresponding on average to 7% of the workforce<sup>7</sup>, resulting in nearly 2,000 net additions to the workforce by the end of 2000.<sup>8</sup>

Recruitments mainly concern young people at the Bac+2 to Bac+5 levels who are employed in jobs in the banking network. After an apprenticeship as bank tellers, these young people quickly become individual account managers at the entry level of the commercial career.

The Federations are therefore recruiting young graduates with a solid liberal arts background, whom they train in banking techniques. In order to help acquire the corporate culture and the vocational skills

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<sup>6</sup> The CMIDF agreement is an "Aubry" agreement without any application for financial subsidies. Accordingly, no job creation commitment is required. However, the agreement's recitals provide that labour and management intend "to ensure the enterprise's lasting prosperity and maintain employment while contributing to its development with the prospect of creating 60 jobs."

<sup>7</sup> A recruitment ratio of 7% corresponds to the total number of job creations set forth in the Robien and Aubry Acts, compared to the number of undetermined-term employment contracts at the end of 1999.

<sup>8</sup> The implementation of ARTT has undoubtedly accelerated recruitment at Crédit Mutuel and in certain cases has led to the early carrying out of some recruitment that should have been staggered over several years as part of development projects or as part of the management of retirement departures.

of an individual account manager, Federations create work/study schemes, with theoretical banking and commercial training followed by practical work in a local bank, under the guidance of a supervisor.

This investment shows how much Federations care about integrating these young people under optimal conditions. This concern is especially strong, since there has been a large number of recruitments made over a very short period, i.e. less than one year.

## **A local development bank**

### **1. A bank serving the local economy**

The loan dynamics initiated by Crédit Mutuel (+ 14.8% in 1999 with total loans outstanding of French Francs (FRF) 396 billion, i.e. a 9.5% gain in market share, including 2 points gained over the last 4 years) have a beneficial impact on employment: each loan supports economic activity and therefore employment.

More specifically, Crédit Mutuel has always been aware of enterprises' and professionals' key roles in job creation and economic development.

In 1999, nearly FRF 110 billion were used to fund enterprises and professionals, with an annual loan production of FRF 25 billion, i.e. more than one fourth of the total amount of loans outstanding. A large share of these loans has been used to create or acquire businesses (crafts, retail, professions and services) and therefore to create employment.

For instance, in the artisanal sector only, Crédit Mutuel has, since 1985, used more than FRF 1 billion per year to fund the creation of activities.

As the third largest specialist in financing of small business – artisanal sector, when the scope of allocation of subsidized loans was restricted by Government authorities, Crédit Mutuel chose to maintain its efforts in favour of employment. This is why Crédit Mutuel created two substitution products making it possible to keep on financing the creation and acquisition of small businesses as well as employment.

As early as 1996, Crédit Mutuel launched Crédemploi, a loan at a competitive rate for craftspeople with job creation projects. Any investment linked to job creation, the acquisition of skills, the recruitment of apprentices or the related working capital may be financed by Crédemploi.

In 1999, Crédit Mutuel launched Créd'opportunité, a loan at a favourable rate making it possible to fund up to 70% of the pre-tax amount of the capital expenditure required to set up business, with a maximum of FRF 200,000. Any natural or legal person registered with the craft registry may apply for an investment loan during the first three years from first setting up business.

These efforts are supported by the publication and circulation of various educational guides and software supporting business creation and management. A specific "how to guide: job creation" has been produced to explain to craftspeople the formalities necessary to create jobs.

Under partnerships with chambers of commerce, guarantee institutions, and national institutions representing attorneys, chartered accountants and notaries, Crédit Mutuel has actively supported "Entreprendre en France" by helping business managers, through funding during the first three years of operation. This support is accompanied by services such as: funding advice and specific advice.

### **2. A mutual and solidarity commitment**

Crédit Mutuel's mutual commitment and its co-operative organization enable it to bring together the energy of many individuals and communities. This is reflected by its involvement in programmes to support economic and cultural activities at the local level, facilitating professional integration of men and women.

Crédit Mutuel has created a Literacy Foundation whose aim is to offer to all the opportunity of learning to read and support for local programmes working to overcome illiteracy. Many programmes have been implemented along with associations such as ATD-Quart Monde.

Numerous steps are taken at the local level, and Regional Federations have always devised imaginative and effective methods for improving daily life (subsidized loans for the renovation of store fronts in disenfranchised areas, training).

Most Federations have created tools focusing on economic, social or vocational integration. These associations or foundations – often identified under the “Créavenir” label – identify projects and carry them out, whether alone or with partners. These entities contribute financial, logistical or advisory support in order to implement regional or local projects. They, along with chambers of commerce, provide assistance, to support the creation of micro-businesses or to help jumpstart projects that could never have come to fruition without such extra help.

Because they are community banks, the Crédit Mutuel entities also provide assistance without any special-purpose structure: alone or through co-operation arrangements, through unsecured loans, loans of equipment, logistical assistance, tax and legal analysis and advisory support.

### **3. A partner serving entrepreneurship**

Since 1994, Crédit Mutuel has been one of the main banking partners of the *Association pour le Droit à l'Initiative Economique* (ADIE) whose purpose is to fight unemployment and social exclusion by funding micro-business creation. Together, they decided to combine their efforts and their expertise. ADIE and its local partners select micro-business creation projects and provide each project's technical and social support. Crédit Mutuel agrees to fund and manage administratively the solidarity loans that have been reviewed and approved by a loan committee involving the two partners.

This partnership is becoming more active every year according to the number of loans granted, with nearly 2,000 loans extended since 1994 representing a total amount of FRF 43 billion, more than 2,500 jobs created, and ever-more active involvement of Federations and their directors.

At the end of 1999, Crédit Mutuel had collected FRF 33 million through its “France Emploi” solidarity mutual fund set up through a co-operation scheme with Fondation France Active (FFA) which is entitled to one half of the Fund's return and which guarantees and acquires interests in economic integration schemes and therefore in the creation of jobs in the regions where these savings are collected.

**Conclusion: By creating jobs and supporting business creation, Crédit Mutuel is an active corporate citizen**

Strong and dynamic, Crédit Mutuel has been serving employment for many years. Moreover, after a period during which staffing levels were kept tight, Crédit Mutuel has, over the last three years, accelerated its recruitment efforts through policies that are sure to radically alter, along with the economic recovery, the human resources management methods that have prevailed thus far.

Although it is impossible to forecast future developments, it seems that over the next few years, Crédit Mutuel's personnel managers will have to face new employment problems that will oblige them to question existing practices and revisit the various aspects of human resources management policies: employee training, compensation, assessment, and development.

As a co-operative community bank, Crédit Mutuel is a partner striving to improve employment through the direct funding of the local economy and the funding of crafts and commercial ventures. Through its local programmes, but also with FFA, ADIE and its participation in the Commitment Committee of the Fund for the Guarantee of Social Integration Businesses (FGIE) and of the Guarantee Fund for Women's Initiatives (FGIF), Crédit Mutuel is a partner and a player recognized by all professionals serving social integration through economic efforts.

As a job creator, job developer, mentor, facilitator and banker, Crédit Mutuel is true to the initial intent of the co-operative movement that is the inspiration for these concrete endeavours.

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## **CECOP Social Economy and Cooperatives Create Jobs**

**Elisabet Mattsson, Vice-President of European Confederation of Workers' Cooperatives, Social Cooperatives and Participative Enterprises CECOP, General Secretary of SwedCoop and President of the CECOP Women's Commission**



Dear friends, chairman, women and men in the audience, I am proud to get the opportunity to share my experiences and values with you. I'm very pleased to be invited to make a contribution here at the COPAC Open Forum.

With a gender perspective I will concentrate on new needs, new areas of cooperation and employment.

Maybe some of you participated on the conference in Bologna, 30 November to 1 December 1998, "Cooperation and Entrepreneurship 2000", which was a good start for the work with a white book on cooperation within the European Union. The Bologna conference provided an opportunity for wide-ranging discussions between representatives of the cooperatives in Europe. It realized also that the cooperative sector in Europe is highly diverse and complex, and that it has always been in state flux - particularly in the recent past. Legislation and structures are both constantly evolving, with new regional laws and laws on new types of cooperatives.

Cooperatives have a potential of undertaking, for developing new activities, creating jobs and responding to various needs of the market and society that are new or have not yet been met. Cooperatives have also an important role in the maintenance of a welfare society and social cohesion.

Tomorrow's business policy has to cover the various aspects of cooperatives and provide tools and support services to enable our enterprises to make optimum use of our capacities.

I've been working as cooperative advisor during more than 15 years to be more precise on the Swedish West Coast, in Sweden's second largest town - Göteborg. Since 1998 I work for Koopi, the Cooperative Research and Development Institute in Sweden as responsible for cooperative development issues and European affairs. I will start on a personal level. I am lucky to live on a small island in our beautiful West Coast archipelago.

I am 45 years old, married with Björn and I'm the mother of four daughters, and I'm also grandmother to a wonderful one year old girl. I tell you this because; to me the cooperative development work represents a life style. I strongly believe that to all cooperators our active engagement and active presence must permeate our work as well as our spare time. To me it's extremely important to participate in the creation of a better society for all of us. It is also important to show my daughters that everything is possible - if we just work together!

On my island, we started some fifteen years ago and created a parental childcare centre, a user coop. Now it has change to become a community coop with different activities such as, library, leisure centre, tele-cottage etc. We start activities that are fulfilling our needs on the island. And you have to know it's a very small community, we are just a hundred persons living there. The two latest projects that we have fulfilled are a new port and a windmill. The port has been created in a local partnership and it has facilities that are given all people, also those of us with disabilities, access to the sea. The partnership was created by the Island Coop, the Sailing-association for disabled persons, the Port cooperative, and the municipality and partly financed by European Structural Funds. Last year we also started our first

cooperative windmill, the windmill provides us energy to a lower cost and makes us more independent.

Cooperation - to cooperate - to unite what's beneficial to you with what is good for the common is a goal, but above all it is a mean to make us gain power over our own everyday situation. This also shows in the cooperative development work in Sweden.

Sweden has a long tradition of cooperative associations. Studies show that there are some 200 000 local societies in Sweden with between 25-30 million members. This means that the great majority of the population is members of one or more societies. I think you know that we are around 9 million inhabitants.

Furthermore, cooperative associations and the cooperative movement have played an important role in the social and democratic development of my country. During the depression in the 1930s when there were high rates of unemployment, the cooperative movement played decisive part in bringing about an improvement in conditions and increased interest in new forms of cooperatives, for examples housing coops.

Today cooperative enterprises constitute a considerable proportion of the Swedish economy. The lines of business in which cooperatives are of major economic importance in Sweden include retail trade, housing, agriculture, forestry and insurance. In some regions and in some districts, small cooperative enterprises have emerged over the last fifteen years and become a significant part of the local economy.

In the welfare sector particularly, new forms of cooperatives have strongly increased. At present there are approximately 4500 cooperatives in the welfare sector in Sweden. These cover cooperative childcare run by parents, schools, care of elderly, mental care, ante natal care, physiotherapy, dental services, services for the handicapped and other forms of social cooperatives.



The Government takes a very positive view of the new cooperative developments. In the past thirteen years the Swedish Parliament has allocated funds for the development of cooperatives. The money is chiefly used to contribute to financing information and counseling concerning the establishment of new cooperatives provided by 24 local development centres all over the country. In relation to the government resources invested, these activities have been created in hundreds of enterprises at very small expense.

Very often the local work is about social cooperatives, in the cities it is a way to solve a shortage situation, to gain power and influence, in the countryside it is more a question of survival. It's also so that around 80 percentage of those who starts new coops are women.

To the cooperative sector it's naturally to support partnership creations. Partnership in a new and broad meaning has to be built on all level. In the cooperative development work in Sweden we're talking about the importance of parallel strategies. Partnership on the ground, in the local community, the suburbs, the villages, municipality, regions, national, Europe and global. The local work depends firstly of the needs among the people living there.

It all started of in the mid-seventies, with the establishment of parents' cooperative childcare, and several workers' cooperatives. The workers coops were, at that point, seen as an alternative to the complete closure of a company.

The beginning of the eighties saw the start of youth cooperatives, which were seen as a way to fight unemployment amongst youth. Here in these local youth cooperative projects the idea to start local development centres first saw daylight.

In the beginning of the 1980s, a special group was formed within the Ministry of Industry to support the growing development of worker cooperatives in Sweden. Earlier, consumer and agricultural cooperatives were totally dominant in Sweden. But now the Swedish Government had discovered that new forms of cooperation had a lot to offer society as a whole, and it responded with increased public support for cooperative development.

In 1986, after some massive local as well as national lobby work from the entire Swedish established cooperative movement, the Cooperative Council decided to take measures to build a national cooperative development system. In the cooperative development systems program, 1986, they state; "Through this system of information education and development on central and local levels, it is our expectation to create as favourable conditions to new cooperative enterprises as we have for all other types of companies." The system's funding was a mutual effort from the established cooperative movement and from the government.

One task was to support the creation of local development centres (CDC's). The CDC's was supposed to launch local initiatives, where the local cooperative movement should provide its part of the expected funding. The primary aim for a CDC is to support local cooperatives establishing in all sectors. This means that the prime target is to create cooperatives and not to provide jobs, but of course new jobs are a natural consequence of cooperative development.

In 1990 an evaluation was carried out, and this showed that the local development centres had been successful in their work, and that their users appreciated their efforts. The evaluation showed that the new cooperatives and the cooperative development centres had had a positive influence, both on local economic development and on the development of society as a whole.

A later audit of the new cooperative enterprises, carried out by the Swedish National Audit Office, showed that the local CDC's had a total turnover of SEK 20 million during 1992. The same year 1300 jobs were created within new cooperatives at an annual cost of SEK 11000. This can be compared with calculations made by the Swedish board of Labour and Employment, which suggest that the generation of a new "traditional" job cost about SEK 74450.

The local cooperative development centre does, with its work, increase the possibilities for rural development; another effect is that the parents' cooperative childcare-centres enable women to find work outside their homes. Cooperative development also adds a healthy dose of pluralism to the Swedish industrial life. This increased pluralism, in its turn, gives increased opportunities for non-traditional entrepreneurs to find a suitable form for their activities. Last but not least it could be said that social cooperatives are an alternative to common privatization of the Swedish public sector.

The CDC's, through developing enterprises with a non-profit and public interest aim for disadvantaged groups, not only creates new job opportunities, but also stimulates empowerment of the people and community through participation and control by members and workers. Through such an active participation process, the CDC's also creates a new entrepreneurial culture of the social entrepreneur.

A great number of new enterprises are created in the context of welfare municipal public sector. This development is due to the real needs within the local society. To develop a sustainable local economy partnership is extremely important.

The local cooperative development centres have a focus on non-traditional entrepreneurs, by aiming at people with different kind of handicaps, they decrease the societal costs in this area, and at the same time give these people an increase in the quality of life.

All CDC's in Sweden are independent, secondary cooperatives working mainly with information, training and counseling in the cooperative and the social economy field. In 1985 we had 3 local cooperative development centres in Sweden, today there are 24, at least one CDC in every Swedish county.

The first Swedish CDC's were started in the early and mid-eighties, in 1986 they started to cooperate in informal networks. The Network was founded for mutual training, competence development, and exchanges of experiences and information between the different CDC's. Amongst the members we find the established worker cooperative, agricultural and consumer cooperative movements alongside the growing new cooperative movement. In some CDC's you will find county councils and communities as active members, and in other places you will find other parts of the national movement. All together the CDC's have more than 1000 members and around 150 employees.

Every CDC has a strong local and regional attachment: a condition to obtain governmental subsidies. This rather modest financial support is used to provide a first free advice for groups forming coops, as well as for the general public in the region.

In 1994 the CDC's decided to form an organization to become even better in local development. The Association of Swedish Cooperative Development Centres is a non-profit organization. The organizations main aim is to support the local CDC's.

To be successful there must be a supporting political atmosphere in the sense that the political parties both verbally and financially express their support both to the idea of worker coops as well as to the idea of consumer coops and the whole social economy. The financial support must be substantial, as the groups that form cooperatives are normally financially weak and cannot, on their own, afford to pay for the support they need. Also, the newly formed cooperatives needs support in initial funding of their company, this support need not to be direct, it could be indirect financial support in form of vouching for loans. For example in Göteborg there is a foundation, created by the municipality and the cooperative movement, that gives this kind of financial support.

The CDC's in Sweden has every year been involved in the creation of around 300 - 500 new cooperatives each year. It's now a strong movement. Different evaluations show that the CDC's create new jobs or remains jobs to a very low cost. The financial support from the government is very efficient. The CDC's are themselves a partnership on the regional/county level. You will find the whole cooperative family, side by side with other parts of the social economy, folksmovement, trade unions and municipals, counties and so on.

The latest evaluation shows the lack of knowledge about cooperatives within many authorities and organizations working with support and information to new entrepreneurs. A main part of the information-activities in the CDC's are dedicated to overcome this situation. Extremely many resources are used to inform municipalities, employment offices and others about the fact that there are legal and fiscal similarities between a ltd company and the cooperative. It's not well known that the financial support to newstarters is similar no matter what kind of enterprise you start.

Finally about Sweden, we are very proud of the work that has been done during the last years. Last year we organized a huge information campaign together with the Government. This is called Starting enterprise together. The Swedish public television has shown eight programmes about how to start cooperatives; we have a new WEB page and a lot more.

This story about Sweden is one example of what's going on in Europe today. In the research that was made for the Bologna conference that I mentioned in the beginning, shows similar development all over Europe. I will give you some examples what we did find important.

We need a dynamic and interesting discussion and to agree that it's important to stress the opportunities to create new bridges, to work cross-boarders or intersectoral. We all have to learn from each other.

There is a strong trend of new creations within the movement both internally with new solutions and new actions in the existing and classical cooperative movements. To start with a general reflection on new phenomena - what sectors are emerging, which are the new sectors and what kind of support is needed and political recommendations?

We need to strengthen our work and the actions we can take to make Europe truly inclusive. We have to fight for social and economic integration, equal opportunities and combating marginalization and social exclusion.

Integration demands solidarity, fellowship, team spirit, companionship, consideration, thoughtfulness, regard, respect and empowerment. It demands that we decisively tackle all the factors, which lead to exclusion, lack of democracy and possibilities for active participation, poverty, unemployment, poor education, poor health and housing, urban decay and marginalization.

There is a great need of visibility. One good idea is to set up an OBSERVATORY, to follow, learn and share what's going on in the cooperative field.

First of all cooperatives are enterprises with economic and social objectives. The co-op is one way to create new jobs, but beyond job-creation cooperatives are a lot more. It's also a question of solving a shortage situation, to gain power and influence, it's about quality of life but it's also simply a question of survival. Plenty of social and economic needs are solved in cooperatives. We are now facing both opportunities and risks or obstacles entering the post-industrial society. We do have difficulties to describe the cooperative movement as it is today because the statistics are not well organized. Just one figure; on the basis of figures from Eurostat 1990 and more recent study from ICA 1996 there would be a growth in employment from 2.2 million to 3.25 million jobs during this period.

We can see the following;

- In sectors that are declining, the cooperatives are better in maintaining jobs than traditional companies
- In new sectors, services and social, the creation of new jobs is heavily expanding.
- The emergence of new cooperatives
- Social cooperatives in different escapes are one of the most dynamic phenomena
- CUMA cooperatives using agricultural machinery is a way for farmers to combine fewer costs of investments into machinery through the purchase and collective use of materials. It's both a way to involve younger farmers and to use the common machines offering services to others, public sector and private companies in the region.
- In the area of commerce we'll find coops dealing with ethical, faire and interdependent trading.
- Ethical financing and other new forms of financing cooperatives, for example a new growth of credit unions
- Community and village cooperatives, in general these are multi-purpose or multistake coops, combinations of social services for different groups of users, local crafts, community-based micro enterprises.
- School coops, everything from parental child-care coops to primary schools but also cooperatives dealing with lifelong learning vocational training.

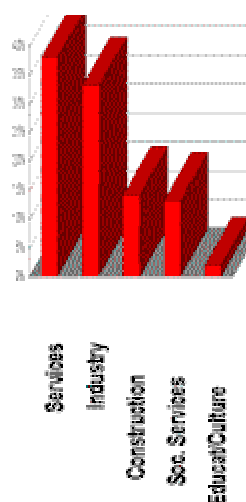
- › New types of worker coops which we may call integration coops, training for reintegration, rehabilitation.
- › Female entrepreneurship while our society is undergoing profound changes for example with a growing demand for female employment, there is a great need to become economic independent, we'll foreseen a great number of women coops in all different sectors even if the main part is in traditional female sectors such as social caring.

Concluding this part it can be said that cooperatives constitute more than 130,000 enterprises and more than 3.7 million jobs. We can also see that the fast expansion new forms are appearing as much in areas of the classical cooperatives as credit, consumption, commerce, agriculture etc. but talking about job creation it's mainly in sectors such as social services, local services, education, leisure, tourism and local development.

A new phenomenon is however that the majority of the new work opportunities that are created in the new work cooperatives are opportunities for women's employment. It is especially women that invest in cooperatives and that are the cooperative entrepreneurs.

It was to meet this development that CECOP 1996 created our Women's Commission and it is in the framework of the Women's Commission that CECOP has developed the project "Participation & Flexibility: An Opportunity for Women's Employment". To meet the growing female participation in social economy CECOP has also integrated equal opportunities in our statutes and election procedures. Furthermore, CECOP hopes to be able to promote equal participation of women and men within its member organizations. CECOP (The European Confederation for Workers Cooperatives, Social Cooperatives and Participative Enterprises) is a European organization representative at European Union level and a representative for the region of Europe, CICOPA Europe.

**CECOP Membership**



It is inevitable that an organization like CECOP creates the opportunity of promoting female social economy entrepreneurship, as the new enterprises created by women are a veritable laboratory of social innovation concerning work organization, elaboration of new methods for work sharing and methods for positive flexibility. This experimentation in the field of restructuring of working time has not only contributed to the individual aspirations of women, but also to better reconciliation of individual, family and working time. Furthermore, the female innovations show good examples of how the new "spare times" within the enterprise have been turned into new job opportunities for women.

In all, this experimentation constitutes an answer to the important deficits with Europe is confronted in the context of a high level of structural unemployment. It is an answer to the demands for modernization of work organization and for a growth of female employment. The special features of these enterprises that have put into practice models of advanced participation meet the demands of society, but through models of positive flexibility and work sharing they also meet the demands of individuals and enterprises. The creation of an entrepreneurial culture that include female participation as elected to higher posts of decision-making within the enterprise will also lead to a growing recognition of equal opportunities between women and men.

In Sweden new cooperatives are especially expanding in female-dominated areas, that is, in branches which are dominated by the work, professional skills and interests of women. One reason might be that the "flat", non-hierarchical organization suits women particularly well. It provides an "easy"

framework for starting a business and to run a cooperative might imply a useful experience in entrepreneurship.

The Swedish cooperative day-care centre "Sjöelefanten" provides an example of how women's participation and flexibility actually increase with the cooperative as it enables women to have certain jobs that they could not have had without this service. "Sjöelefanten" provides child care 24 hours a day to be compatible with the special working hours of employees on "Stena Line"- a passenger ferry between Sweden and England. "Kalabaliken", which is another cooperative day-care centre in Sweden is an example of how flexibility increases for single parents, as the running of the cooperative is organized by themselves with respect to their particular situation. Parents also collaborate when the day-care centre is closed.

One hypothesis is that cooperatives are generally more open organizations than private businesses, and in some cases they do also provide means for enhancing male participation. Experiences from Sweden indicate that fathers are more involved in cooperative day-care centres than in public ones. Firstly, they participate more in the development of their own children at the day-care centre. Secondly, as all parents usually carry out various duties at their cooperative day-care centre children get to know each other's fathers. In Sweden men's participation in the family life increases women's possibility to have interesting jobs.

Coming to an end, in cooperatives we have no use of nice and beautiful explanations and words. It's not enough to have the song on everybody's lips. There has to be a change and stronger concrete actions on global, European and national level.

We need a common cooperative strategy, develop a common language learning from each other. We have to start a process in the field of social balance or audit; maybe it will be possible to develop criteria that is used by all cooperatives in the different countries. We need to develop models for special research-action, a special model for a "social-gender-ecological-audit". This demands dynamic processes and that both WOMEN and MEN within the cooperatives are having a "listening" capacity and who also get things done, because action is needed. With the help of new technology we may strengthen the horizontal links, and develop a list of common good experience in the starting process with a bottom up approach. As you see and you all know there is no lack of work that has to be done.

We can see that new creation of cooperatives and other social economy entities are emerging all over the world and that what I mean with global presence. We need to strengthen the networking and partnership creation an all levels.



One tool that may be used in this work is the European Social Economy Conferences. The last one was held in Birmingham in 1998 and the 7<sup>th</sup> European Conference for Social Economy will be held in the city of Gävle, Sweden, from 7<sup>th</sup> to 9<sup>th</sup> June 2001. I have the pleasure to be in charge of the preparations and hereby I warmly welcome all of you to this Conference.

The Conference will focus on the **Social Capital of the Future** with four main themes, Empowerment, Employment, Entrepreneurship and Enlargement. Everyone are hereby invited to take part in the preparatory work, all your suggestions on sub-themes, speakers and so on are warmly welcome. On the way to June next year we also organize 10 preparatory seminars or mini-conferences on different subjects. You may find all information on our web page, [www.socialeconomy2001.se](http://www.socialeconomy2001.se). The Social Capital has to be counted also in a global context.



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## **Mondragón: Employment Policy and Management**

**Javier Salaberria, President, Confederación de Cooperativas de Euskadi (Spain)**

### **Introduction**

Despite improvements in recent years, unemployment is still the prime social problem in Spain. The problem is exacerbated by the fact that in Spain we start from a lower active population rate than that in more developed countries. This means that from the employment standpoint (active population out of total population) the distortion is even greater than that reflected in unemployment rates. (At the end of 1999, 54.4% of the population was active while the employment rate was 46.2% and the unemployment rate was 14.9%).

In this situation, it is impossible for a good number of citizens to find work even though they have the recognized skills and manifest desire to join the active population. Hence, a lot of potential wealth creation capacity is lying idle. It must not be forgotten that social progress made is inextricably linked to the existing level of employment - hence this is the prime indicator of social well-being.

Furthermore, the situation has been dragging on for too many years and has not been sufficiently corrected, despite the recent smooth running of the economy. The problem seems to have settled into our society in a pall of inevitability and does not provoke reactions as sharp as the very adverse impact it has.

Enterprise management does not usually make job creation a priority. Company profits and value added for shareholders take pride of place. Nonetheless, in their desire to meet market requirements, given the right conditions, employers do end up creating jobs almost as an afterthought.

Here, then, employment is the outcome not the objective, which may not be sufficient. To achieve something, you have to set yourself the goal and express the intention of achieving it, in other words, quantify and schedule for it and then introduce the requisite machinery to attain it.

Ultimately, for an enterprise to develop, there is nothing more effective than a resolute commitment to job creation.

Against this background, I shall try to explain the experience of Mondragón Corporación Cooperativa (Mondragón Cooperative Corporation - hereinafter MCC or the Corporation) where employment plays a primary role.

From observation, the factors which determine employment policy coincide with the characteristics of the settings that are conducive to development and to attracting investment. These run parallel to the factors which determine the success of the enterprise. However, there may be many aspects which relate back to EU employment policy and some of its main features, strategies and guidelines. Curiously enough, the MCC has been using some of these strategies for years.

### **Institutional Structure**

MCC is the latest organizational unit in the set of cooperatives which form the Grupo Mondragón (Mondragón Group) or Experiencia Cooperativa Mondragón (the Mondragon Cooperative Experience). MCC is a cooperative entrepreneurial group made up of some one hundred cooperatives - clustered according to sector - with some joint bodies in order to provide a certain unity of management.

The Corporation's upper representative bodies are as follows: the *Cooperative Congress*, and the *Standing Committee* which is responsible for the MCC's strategic management, in other words for adopting corporate strategies and objectives, major decisions and enterprise initiatives not provided for in the Sectoral Subgroups. These bodies are counterparts to the Cooperative grassroots administration and governance bodies, namely the *General Assembly* and the *Governing Council*.

The Central Departments come under the Governing Council which is the Corporation's executive management and coordination body (counterpart to the Cooperative General Directorate and Governing Council).

The *Divisions* structure the MCC, steering its activities towards preferred markets - those where homogeneous product-market relationships are developed.

The *Sectoral Subgroups* bring cooperatives into activities linked to the (technology) product-market relationship. They are the Corporation's basic operational units and, within the MCC's general guidelines, generate strategic planning. (The organizational structure is that of a second-level cooperative: General Assembly, Governing Council, General Directorate, Management Council, Central Offices).

There are nine divisions clustered in three groups: Financial Group, Industrial Group, Distribution Group. The Divisions are organized into Sectoral Subgroups. The Group also has other cooperative activities - Training and Research Centres respectively.

### MCC and Employment

As already stated, employment plays a primary part in the MCC experience. In other words, it is no mere by-product of enterprise activity but an inherent part of the enterprise purpose.

Our cooperatives have more than once been held up as examples of how to maintain employment in times of crisis. This is what may be called a defence policy or more accurately an employment defence policy. The recent crisis in the early 1990s in our country yet again served to show that, when it comes to employment defence levels, cooperatives have more stamina and endurance.

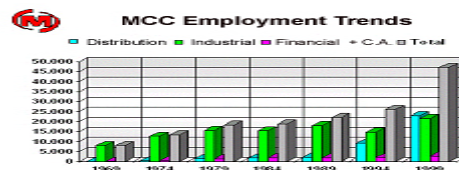
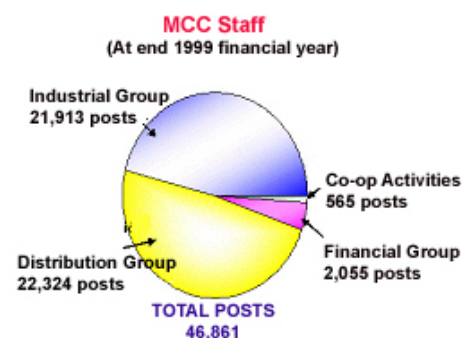
However, our commitment to employment goes beyond a mere defence strategy since employment generation is part and parcel of our underlying cooperative principles and values. It can be described as an active employment policy that makes employment a primary objective and sets up the necessary machinery for attaining it. This policy has borne

fruit in the past (proof of this can be found at a glance in the historical development of our cooperatives) is proving productive at present and will, we are sure, continue to produce results in the future.

It would be too simplistic to draw a strict line between the two forms of policy - the pro-active and defence employment policies - since, although there may be different tools for implementing each of them, they are completely interrelated as they stem from the same underlying philosophy. Nevertheless, after a general introduction, in order to organise the information with the focus on the active employment policy (which in practice covers both forms of policy) more specific mention will be made of the different aspects of our employment defence policy.

### MCC's Strategic Structure

The Corporation manifesto is to be found mainly in the UNDERLYING PHILOSOPHY - embodied in the Basic Principles, Mission and Values, and enshrined in the ENTERPRISE POLICY in the form of some Basic Objectives and General Policies in accordance with the outline below.



As will become clear as we go along, the intention to generate employment is explicit in each of the levels mentioned from the Basic Principles that have stood the test of time to the General Policies which lay down the broad lines of action for the Corporation in various spheres which are regarded as especially relevant to strategy within a given planning time-frame.

### **Basic Principles**

Bearing in mind the universal cooperative principles (first laid down by the Rochdale pioneers and updated by the International Co-operative Alliance (ICA), together with 40 years of expertise gained in running a cooperative enterprise, the Mondragón Cooperative Experience drew up its own Basic Principles.

These Basic Principles were redefined at the 3<sup>rd</sup> MCC Congress (1991) as follows:

Open Membership, Democracy, Sovereignty of Labour, Instrumental and Subordinate Nature, Participatory Management, Remuneration Solidarity, Inter-cooperation, Social Change, Universality, Education

It is worth noting the two most closely connected to employment - sovereignty of labour and social change.

**Sovereignty of labour:** The Mondragón Cooperative Experience considers that labour is the main driving-force for change in nature, society, and human beings themselves. Therefore it deems labour to be the essential asset in distributing the wealth produced; states its intention of extending employment options to all members of society.

**Social change:** The Mondragón Cooperative Experience states its intention of bringing about change through solidarity "... through reinvesting a large proportion of the net surplus produced and allocating a significant proportion of community funds to generate new posts in the cooperative scheme ..."

### **Mission**

Employment generation in MCC is stated explicitly in its mission. MCC is a socio-economic undertaking with deep cultural roots in the Basque country. Established by and for a group of people according to the Basic Principles of our Cooperative Experience, it is committed to the setting, competitiveness and customer satisfaction so as to generate wealth in society through enterprise development and job creation. It

- is based on solidarity and pursues its organizational and management goals through democratic means;
- gives impetus to and integrates people into the management, profits and ownership of its enterprises that are involved in a common purpose;
- harmonizes social, enterprise and personal development;
- promotes training and innovation through the development of individual skills and technological capabilities;
- uses its own management model to attain leadership positions and promote cooperation.

### **Values**

Values are the core of the entire culture of the enterprise since they provide a common direction for all staff members and guidelines for their daily work. MCC has four corporate values. The last - social responsibility - should be stressed as regards its relationship to employment.

Cooperation: owners and protagonists - Participation: commitment to management -  
Innovation: constant renewal - Social responsibility: distribution of wealth in solidarity.

The concept of distribution of wealth in solidarity with others has two aspects: internally, insofar as all members share in distributing earnings in solidarity; and externally, insofar as the collective interests of the cooperative (survive and develop) are the interests of society at large, these take precedence over members' individual interests.

### **Basic Objectives**

The Basic Objectives and General Policies laid down for the strategy period 1997-2000 have proven their worth and are still going to be used - with a few modifications - for the next strategy period 2001-2004.

**Basic objectives:** customer satisfaction, profitability, international expansion, development, social involvement. These take the following forms, among others.

**Development** - in confirmation of our cooperative commitment to growth so as to provide employment; a cultural updating which takes precedence over promotion-related undertakings and risks.

**Social involvement** - a response of solidarity in the distribution of wealth generated within the system and further a field; an expression of our commitment to further social progress through enterprise growth and the development of knowledge.

### **General policies**

General policies such as those mentioned give practical effect to the Corporation's strategic management guidelines and are defined as follows:

Competitiveness: International expansion; Communication; Innovation: Enterprise Promotion; Employment; People; Finance.

**Enterprise promotion:** This policy is focussed on developing fresh activities and joint projects, in other words the basic building-blocks of any job-creation policy. It includes the following aspects: challenges of critical mass and globalisation according to our cooperative principles which call for: promoting enterprise development and new activities as a means of growth, employment generation, responding to customer requirements and fulfilling our cooperative commitment; using the corporate structure as a means of attracting and winning new projects in our setting and as a means of achieving the appropriate sectoral critical mass, using corporate resources to share in funding; having closer inter-agency relations and enterprise alliances in order to foster promotion and make a reality of the commitments entered into in cooperation agreements.

### **Employment policy**

Above, job creation was resulted from enterprise activity which, however dynamic it may be, may prove inadequate. Therefore, in MCC, employment is given general policy status. The real value lies not in the postulates of that policy that are already largely reflected in the underlying philosophy and other parameters mentioned under enterprise policy, but rather in the fact that it is set apart by being made one of the Corporation's eight general policies. The general employment policy is consistent with our social responsibility which binds us to:

Generate new jobs, preferably in our social setting, and in the international arena, foster the development of Corporation businesses and make them more competitive.

Use our own development, the ability to attract new projects into the area and the activity instigated through development abroad as means of generating employment, preferably in the cooperative mould, in order to help raise the standard of social development and honour the commitment entered into as part of the cooperative movement.

Increase the number of members by drawing up employment plans in each Division and Subgroup where, as regards employment generated internationally, largely in the developing countries, it will be based on the dignity of the worker and thus address this issue.

## **Conditions, measures and tools for implementing employment policy**

- Inter-cooperation
- Social cohesion and shared values
- Self-funding: specific economic conduct
- Employment protection policy

This is one of the most genuinely inherent characteristics of the Mondragón Group: from the outset to its current structure, it has adopted highly individual and distinctive modes of organisation.

**Financial body:** To ensure the necessary financial support for their development, the early cooperatives first set up a credit cooperative, the CAJA LABORAL POPULAR (CLP) (the People's Labour Fund). Even in those early days, the social purpose was established "to serve the Cooperatives financially, technically and socially" (Article 2 of the Social Bye-laws). Hence, the Enterprise Division was set up in the CLP to provide cooperatives with the following services:

- Promotion: seek new products and activities, provide advice on development, instigate and establish new cooperatives.
- Economic studies;
- Consultancy and action to keep the quality and organisation of cooperative resources abreast of development requirements and international competition, assist in planning for and guiding cooperatives and take action to ensure their recovery in times of crisis.
- Auditing and information;
- Land use planning and construction: provide the infrastructure and utilities, buildings and facilities that cooperatives require.

In practice, CLP and its Enterprise Division not only grew into the financial lungs of the system for quite some time but was the leading light of cooperative establishment and development. The slogan was "O libreta or maleta" - "Get a Coop savings' book or catch the boat-train!" Savings and capitalisation were needed if new enterprises were to be set up in the zone or region in order to absorb a larger population and avoid emigration. That was the only way to obtain new investment so as to modernise industrial equipment and promote new industries and thereby offer sufficient work options to the people in the area. (At that time, unemployment in the Basque country was very low, but 24 years later it stood at around 24% of the active population. It rose from 20,000 to 228,000 in 1986).. The CLP became the vanguard enterprise management and guidance body while safeguarding at all times the utmost executive independence that was custom - made for each and every work unit.

**District Subgroups:** Another very important feature of inter-cooperation is that established among the cooperative enterprises themselves. From the outset, there grew up a movement of unity and mutual support which went from strength to strength. Hence, the first District Subgroup was set up. ULARCO (later FAGOR) which served as a model for those that were to follow. The move to form subgroups came from the Mondragón area and in 15 years extended throughout the Basque country. Cooperatives united because they were physically close to each other and because they shared the same social purpose regardless of the sector in which they were operating. The object of these District Subgroups is to establish common services, take advantage of economies of scale, empower the entire system, jointly use and manage personnel by enabling staff to transfer from one cooperative to another, have the enterprise profits redistributed in remuneration solidarity (see below) and achieve a highly homogeneous result and social cohesion.

**Sectoral groups:** In the last stage of organizational development that led to MCC's current form of organization, the District Subgroup based primarily on shared ideology, geographical proximity and sociological similarity, gave way to Sectoral Subgroups. These cluster cooperatives according to activities, products, and technologies, in other words, according to their (technology) product-market convergence. Thus there is not only a close social association but also more enterprise integration of every kind: for example, financial, technological, activity-channelling, sales and marketing policy, personnel management, introduction of new activities and restructuring. Ultimately, there is full frontal business planning. This means that where cooperatives have very similar activities and markets, they can benefit from joint investment and development and even speedy integration and

mergers. This matters greatly in some spheres, such as innovation and international expansion that are so basic to being competitive and therefore to survival and development.

**Grupo Cooperativo Mondragón (GCM):** While subgroups have been and continue to be established as the base unit of the Mondragón model, Mondragón cooperatives have always sought a higher level of collaboration and coordination. Initially, the approach adopted was that of the CLP Associate Group, where the Association Agreement entered into with the People's Labour Fund (CLP) and the functions of the CLP Enterprise Division mentioned above together forged some sort of unity throughout the entire system.

Ultimately, MCC is GCM's natural heir. The introductory section on MCC's current circumstances make it unnecessary here to go into any lengthier or more detailed explanation. Suffice it to say that it is the Corporation flagship which leads, guides, decides and monitors basic strategy and general policies and manages a major core of pooled resources.

### **Superstructure and support organizations**

In a direct enterprise-driven move, Mondragón Cooperatives united and grouped at a higher level. However, this was not enough for them. They have always grasped the need to develop other support institutions or organisations in order to provide the requisite backstopping and also resolve other related matters which, directly or indirectly, could promote the settling and development of a given locality and help create conditions more conducive to setting up, developing and managing cooperative enterprises.

As may be seen, the various spheres and matters may differ considerably but they are directly related to being competitive and ultimately to maintaining and creating quality employment.

**CLP:** The first matter to be addressed was funding, traditionally cooperatives' weak spot. In 1959, the CLP was set up. Its importance in the Group's development has already been touched on and no further explanation is required here. Perhaps it should be said, however, that now it is the primary cooperative credit agency in Spain and has proven extremely successful because of the way it has been run.

**Lagun-Aro:** Another matter that received special attention from the Mondragón cooperatives was social protection. When the early cooperatives came into being, the movement members remained outside the General Social Security System of Spain. It was logical insofar as they sought to provide their own cover which in the end led to the establishment of LAGUN-ARO.

It started life as a modest operation in the form of a Social Insurance Service within the CLP. Gradually, it grew and prospered and ultimately became the LAGUN-ARO Voluntary Social Insurance Service we have today (in fact, a mutual society). Movement members have the possibility of opting for the General Social Security System of Spain on the same footing as dependent workers or according to the Special Regime for the Self-Employed. The Mondragón cooperatives decided on the latter approach, so LAGUN-ARO has a two-track scheme: it provides its own insurance benefits such as health or temporary incapacity that are funded under the share system. In addition, it supplements widows and orphans allowances as well as invalidity and retirement benefits from the Self-Employed Mutual Fund financed under the capitalization system.

LAGUN-ARO also provides cooperatives with an Occupational Health Service. LAGUN-ARO today is the largest body of its kind not just in the Basque country, but in the whole of Spain. It has developed a very efficient form of management and has quite a sizeable Savings' Fund - made up of reserves - and so enjoys great prestige in the sector. This has enabled it to set up branches in the field of insurance and, together with CLP, in the leasing market.

**Training Centres:** Education and training are very dear to the heart of the Mondragón cooperative movement. In fact, the founders of the Experience were the product of technical vocational training at the Mondragón Occupational School and of long years of social and cooperative training.

In 1965, the Occupational Polytechnic was inaugurated with the motto "More accessible knowledge for society means more democratic power". (What is involved is gradually making equal opportunity

happen in practice). This is the seed from which the other Occupational Training Centres sprang into being in the cooperative system. After that initiative had grown by leaps and bounds, the Educational Group came into being. Today, it forms the Mondragón University (first and only cooperative university in Spain). There are now three faculties: SAIOLAN: a training centre for promoting and developing new enterprise activities; IRAUNKOR: a centre of career-long training; GOIER: arranges for its own graduates to study abroad; CIM: centre for language training; OTALORA: centre for cooperative training and school of cooperative managers; various district occupational training centres (Lea-Artibay, Goierry, Txorierry).

Everyone is aware of the importance that all these centres have had in occupational social and cooperative training for many movement members. They have been a veritable fount of good technicians and honest, efficient managers and leaders for cooperative enterprises. There are no cooperatives without movement members. The latter are not born but made. Hence proper education and training are essential.

**Research and innovation centres:** In the first fifteen years of their existence, the Mondragón cooperatives received technological support from the technical assistance agreements entered into with foreign enterprises. It was, however, essential to shift away from these since this constituted a risk to the cooperatives - that of being technically subordinate and dependent, particularly when it came to securing new markets abroad. It was absolutely necessary to be able to rely on their own research capability. So, the first research work was done on a modest scale at the Polytechnic. It soon became clear that what was needed was a dedicated research centre. Hence IKERLAN came into being - the Technological Research Centre; IDEKO - Machine Tools Division Technology Centre; and Maier Technology Centre (MTC of the Automobile Division). It is important to note the interrelationship and cooperation between these centres and client cooperative enterprises, and particularly with R and D personnel. There is a clear multiplier effect and as a result, technology is disseminated throughout the cooperatives.

**Central services:** The Mondragón Group has always set up services for a central department. These services made it possible to address many management aspects of the subgroups and cooperatives in the various spheres of activity. Sophisticated management models and administrative tools have been given wide distribution and cooperatives have pioneered their use in small and medium-sized enterprises (SMEs) in the Basque country.

**Leadership management:** Top-level management is hard to come by and therefore MCC tackles the problem through proper planning and comprehensive overviews. This policy ensures a constant supply of cooperative leadership and managers. Consequently, it is only in exceptional circumstances that top-level management has to be recruited from outside the system. Promotion from within is therefore a real possibility.

### **Social cohesion and shared values**

**Worker-member cooperative model:** MCC is a cooperative model which brings together worker cooperatives, in other words the workers are members of the cooperatives regardless of the type of cooperative involved. Worker-members are not only those who belong to industrial cooperatives or associate service cooperatives; but also to consumer, credit, and teaching cooperatives or even second level cooperatives. This is why employment policy in these cooperatives is so important: jobs are the response to the primary need which the cooperative's social purpose is there to serve.

**Homogeneous forms of enterprise and organization:** Mondragón cooperatives have social byelaws and rules of procedure which are substantially the same. It is from these that stem models of organization and participation in the enterprise which are very similar, with a few minor variations.

**Economic and labour regimes:** Common conduct has also been developed with regard to system-wide economic behaviour and standards of remuneration, together with all the labour-related aspects of organization.

**Commitment to the community (social responsibility):** From the outset, Mondragón cooperatives have shared this concern which permeates everything they do. Mention should be made of the joint



work done through the Cooperative Education and Promotion Funds, which have financed training, medical treatment and research institutes (Mondragón University - Treatment Centre - now District Hospital, OTALORA, Occupational Training Centres, and so on).

**Enterprise mentality:** Mondragón worker-members within their enterprise have always been clear about the fact that there is no self-management without personal economic involvement. There is a constant stream of detailed information and communications regarding the cooperatives' position. The worker-members are familiar with the plans, problems and successes of their cooperatives and take part in decision-making.

Ultimately, they know that if their cooperative fails as an undertaking, their social objectives are without foundation - just castles in the air; that enterprise efficiency is a real requirement. This "common core" has furthered cooperative competition and development in the Group.

**Financial tools: system-wide economic conduct:** For the organization to be effective in carrying out its objectives, there have to be sufficient financial resources. In this respect, Corporation policy is unequivocal: the standards have been laid down (adopted by the MCC Congress and therefore binding on all cooperatives) the aim being to fulfil the essential purpose of maintaining and developing cooperatives through adequate self-financing.

In an attempt to highlight the most important ideas in this regard, mention will be made of two aspects: distribution of profits (within each cooperative); pooling of profits (inter-cooperative); the Central Inter-cooperation Fund (FCI); distribution of profits.

The basic standard governing equity and distribution of profits adopted by the MCC Congress lays down the basic principle that a balance must be struck between community and individual rights by seeking to promote the well-being of the individual members through consolidating the common well-being. What is involved is to "meet the needs of the cooperative, whose consolidation and development it must serve".

In any cooperative, the specific pay or remuneration component of share capital lies in interest, and this will always be small regardless of the amount of profits produced unless there is a negative result in which case there will be no interest on capital. In the Corporation's cooperatives, part of the interest is capitalized in other words is included in the member's capital contribution, thereby strengthening the cooperative's own resources.

However, the major difference lies not in the way share capital is dealt with but in the distribution of profits which affects two things: the criteria of distribution of net surplus between Reserve Funds and Cooperative Dividends; the criteria for the monetarization or capitalization of cooperative dividends.

The MCC standard, in seeking to strike the proper balance between the members' individual interests (receipt of profits) and collective interests (survival and development) lays down higher requirements than those established by law both with regard to distribution to reserves and capitalization of dividends.

Consequently, as regards the distribution of surplus, while the Law on Cooperatives allows cooperative dividends (payable to members) to be up to 70% of net available surplus, with 30% distributed between the Special Promotion and Education Fund and the Obligatory Reserve Fund (not available to members), the MCC standard lays down a graduated scale of maximum distribution to Cooperative Dividends between 30% and 70% of available net surplus depending on the balance in the cooperative between financial position and savings, measured according to the following three ratios:

- Savings' stability (EP) = Reserve Funds/Share Capital
- Immobilized cover (CI) = Reserve Funds/Net immobilized cover
- Independence rating (I) = Own resources/outside resources.

Ultimately, there is a clear policy of setting higher requirements to restrict the allocation of cooperative dividends (paid to each member) in favour of a higher reserve fund - collective funds that cannot be distributed to members.

As for monetarization-capitalization of cooperative dividends, i.e., the portion of such dividends which leaves the cooperative or is incorporated into the individual capital of each member, thereby increasing the cooperatives' own resources, the in-system standard is even more stringent in that it establishes very high capitalization levels, whereas the law lays down no requirement in this regard.

Hence, it is stipulated that a 30% maximum of cooperative dividends be capitalized, provided that such capitalization meets the Financial Balance and Savings' Stability ratios whereby a dividend of 50% or more will be payable, according to the terms mentioned above, and provided that such capitalization not exceed two monthly installments of gross consumer advance payment.

The combination of these two aspects, the percentage of profits allocated to the Reserve Fund and the percentage of capitalization for cooperative dividends, means that in practical terms all the profits obtained remain in the cooperative balance, thereby building up its own resources.

As is explained in the Statement of Motives for the Standard, this in-system requirement "is the cornerstone of cooperative self-financing and may be regarded as one of the lynchpins of the Mondragón Cooperative Movement's development, in changing enterprise savings into new investments which generate business opportunities and provide a competitive edge, thereby constantly creating new jobs".

**Pooling of profits:** This consists in transferring part of the profits produced by some cooperatives to others. It is a mechanism of inter-cooperation and solidarity in the Mondragón Cooperative Experience.

Among the aims pursued are the following:

- reduce worker-members' employment and economic risks that may arise because of different development trends among the cooperatives
- offset the different annual surplus produced from enterprise activities and provide solidarity among cooperatives and their worker-members.
- arrange the establishment of larger enterprise units- Subgroups, Divisions and Corporation - on the basis that all worker-members share in any profits produced by the joint project.

Pooling has a two-fold purpose, one enterprise-related the other social, to promote the harmonious development of cooperatives through their empowerment in order to remedy the impact of economic booms and slumps on the surplus produced and also to set up larger inter-cooperation units capable of driving joint development and enhancing efficiency by taking advantage of the synergy thus created.

The pooling process is based on the idea that all cooperatives allocate part of the gross surplus to a Pooling Fund that will be subsequently shared among them

MCC's "Basic Standard on Pooling of Profits" adopted by the 3<sup>rd</sup> MCC Congress (1991) sets the pooling of profits as a general rule at 15% minimum and 40% maximum of gross annual profits. Such pooling is carried out in the Sectoral Subgroups (minimum 10%) and Divisions (minimum 5%) which is where decisions are made about the inter-cooperative commitments which are designed to strengthen strategic decision-making and attendant responsibilities.

**The Central Inter-Cooperation Fund:** The Central Inter-Cooperation Fund (FCI) was established pursuant to the MCC Basic Standard on Pooling of Profits. It provides the Corporation with a major financial instrument for Strategic Management since it makes it possible to allocate resources to joint projects or provide leverage for activities of special interest to the Corporation.

The FCI receives 10% of gross profits or surplus from all cooperatives before pooling. The CLP allocation is 20 per cent.

At the proposal of the General Council, these resources are earmarked by the MCC Congress Standing Committee for purposes which fall within the following areas (all related in some way to maintaining and generating employment):

- promoting new activities, funding part of their needs from injections of capital

- financing cooperatives which have reached their credit limit, through allocating the necessary resources to help get them back on track through loans or more capital input
- subsidizing similar projects or those stemming from Corporation policies and strategies
- partly offsetting the losses suffered by participating cooperatives (to a maximum 20% of such losses).

As a precautionary measure, the constituent provision stipulates that subsidy support (offsetting losses, supporting restructuring, and underwriting projects) may in no way exceed 50% of annual resources of this fund. To date, the percentages allocated for the purpose are a long way from the maximum. This is a good sign meaning that more resources are being allocated to promoting new activities.

To sum up, it may be said that MCC cooperatives have set up an organizational structure with financial tools and support bodies and also a socio-enterprise environment which have been key to the development process and therefore to employment generation.

### **Employment Protection Policy**

As noted above that no clear distinction can be drawn between employment promotion and protection policies. Most of the aspects already covered (organizational tools, inter-cooperation, distribution of profits, FCI and so forth) insofar as they help consolidate and develop businesses, affect both kinds of employment policy.

However, there are other matters which may be regarded as proper to an employment protection policy that are more relevant in times of crisis. In a cooperative, where the worker-members are the sovereign decision-makers, it is a matter of priority to maintain employment levels so that there is more willingness to defend them when the need arises.

The fundamentals of this policy are laid down in the MCC Basic Premises and Criteria for Employment Management adopted by the MCC Congress in 1994, a time when cooperatives had not yet recovered from the last economic crisis which hit the textile industry particularly hard.

Against that background, it is worth noting that the Corporation cooperatives have an independent system for managing employment-related allowances (or rather the lack of them) channelled through Lagun-Aro EPSV. This is a model which is utterly different from the public unemployment system, is non-contributory and not funded.

Both these aspects will be addressed below, beginning with the MCC Basic premises and criteria for employment management where the general parameters of action are determined and then “employment assistance” will be covered in more detail.

### **MCC Basic Premises and Criteria for Employment Management**

This document holds the rank of a standard since it was adopted by the MCC Congress. It was drawn up in a crisis and lays down the framework for action which, in line with the Principles underpinning our cooperative identity, makes it possible to provide appropriate solutions to the economic and social problems attendant upon unemployment.

It is really a compendium of the way the Corporation works in this sphere even though in and of itself it does not offer any radically new departure from the former scheme. Mainly it marshals the prevailing management criteria and makes them binding on all the Corporation cooperatives.

**Basic criterion:** GENERATE PROFITABLE AND COMPETITIVE EMPLOYMENT. This has to be our main endeavour since it is the only way of maintaining and developing employment on a solid foundation with prospects for the future.

The explanatory note to the text reads as follows: “Beyond maintaining current employment levels, it must be our main endeavour to generate profitable and competitive employment - as far as possible in cooperative schemes - and our resources must be allocated for the purpose as a matter of priority. However, from the standpoint of the employment protection policy, the explanatory note on this basic criterion flags a few concepts of vital interest, namely:

- subordination of remuneration policy to employment policy; and
- joint responsibility in the effort required, together with the main criteria laid down in the Standard
- priority given to transfers
- to keep our members' capacity for work active and up to par".

**Subordination of payment policy to employment policy:** Protection employment levels is a priority objective of any labour cooperative. Members are therefore willing to make major economic efforts such as the temporary reduction of their advances (salaries) so as to attain this objective.

Making pay policy rank lower than defending jobs has been a constant in the development of our cooperatives to the point that quite a few of them - teetering even today - would have vanished completely if - together with other forms of support - this sort of flexibility had not been forthcoming.

During the last crisis, quite a few cooperatives set their salaries at 85% or 90% of the reference table, and made up the difference once the crisis was over.

To our way of thinking, using flexi-payment of salaries is not restricted to jobs in extreme situations but part of ordinary preventive strategy. This is achieved by linking the salary level at all times to the inherent economic situation of the cooperative concerned, on the basis of its ratios of profitability and savings balance (independence rating) and bearing in mind the respective enterprise's prospects. This procedure is laid down in the Basic Standard on Labour Remuneration Policy and the practical application is embodied in the provisions drawn up by the Groups and/or Divisions and that are binding on cooperatives.

Consequently, a cooperative that has not yet managed to resolve its financial and economic situation has the assurance that it can meet a given salary level without calling into question its consolidation and development.

**Joint responsibility in the effort required:** One constant maxim that pervades our inter-cooperation culture is joint responsibility for effort. This means that anyone seeking to make demands on the system - wide solidarity must be able to demonstrate a proportionate input of effort. When this joint responsibility affects the financial sphere or economic benefits, we usually are talking about joint financing. The quote below from the Basic Criterion speaks for itself:

In difficult situations, before any application for solidarity is made to the other cooperatives and members of the Corporation - as regards financial, personal or social service needs - every cooperative must make the necessary effort in its own sphere.

These efforts, which must address improved profitability and employment expectations - thereby alleviating the need to transfer members from one cooperative to another - must take account of the principle that pay policy is secondary to employment generation and business has to be made profitable.

As is clear, among the efforts required in order to receive solidarity assistance from the rest of the Corporation cooperatives and members, the main (but by no means the only) factor is pay adjustment. As will be seen below, the steeper the adjustment, the greater the assistance provided.

**Operational criterion 1 - Redeployment a priority:** The first priority is to redeploy excess personnel.

The term redeployment is very much in use in our cooperatives and means transferring a member of a cooperative that is experiencing employment difficulties to another that can take him or her on. Such a transfer is generally a temporary measure for the member, so when the cooperative regains its usual operating level the worker-member returns to it. However, when the cooperative of origin cannot regain its former employment level and the adverse situation has become structural and long-term, then the transfer may be permanent and the worker become a member of the host cooperative.

Redeployment, then, is the primary management building-block for dealing with lack of employment, since having recourse to welfare - the usual response to unemployment - adds to expenses, directly affects running costs and in any event would create a social culture foreign to the underlying principles which govern our social and enterprise affairs. Redeployment means efforts have to be made on both sides:

- › Members affected must put up with the inconvenience of the transfer.
- › host cooperatives have to accept the members of other cooperatives in a gesture of solidarity, and thus have the freedom to select their own personnel curtailed.

So, although it is compulsory up to a distance of 50 km, forms of management, monitoring and incentives have to be established so that this option is used in the proper manner.

**Operational criterion 2 - Keeping members' capacity for work active and up to par:** Keeping our members' capacity for work active and up to par is the most genuine way of valuing their personal dignity and the most effective contribution to the productivity of our organizations.

The commentary on this criterion makes it clear that pursuing this objective means taking highly preventive action since the ideal goal is for our members to maintain their capacity for work active and up to par until normal retirement age. Consequently, cooperatives must allocate major resources and make a constant effort to maintain and develop their members' working and occupational capacity, through systematically managing the following:

- › skills training and training in all its facets
- › occupational health with a preventive slant so as to minimize risks and as far as possible avoid physical and mental deterioration that would affect members' capacity for work.

This criterion may be taken to mean "employability", to use the latest buzz-word, although in our case generic employability construed as the worker's ability to find a job has the attendant commitment that this can be done in his/her own Corporation (in his/her own cooperative or, if that proves impossible, in another through redeployment).

### **Employment Assistance: Cover**

As noted above, Corporation cooperatives have their own system for regulating "unemployment" that is managed through Lagun-Aro and known as "Employment Assistance".

Focusing on employment assistance rather than unemployment involves more than a given choice of words. There is a whole underlying philosophy that makes labour take primacy over any other solution. Employment assistance is made up of the following components:

- › Temporary redeployment, which consists in making up the difference in salary and offsetting expenses (travel and daily subsistence) involved in the transfer. The relocated members are assured the same earnings as in their cooperative of origin regardless of whether they are going to a post requiring lower occupational qualifications.
- › Flexi-time, which consists in stopping or reducing work for a given period and increasing it at another time. What is deemed to be real unemployment and therefore qualifying for benefit is the remaining balance of hours which could not be made up within the established time-limit for recovery (usually a six-month period).
- › Unemployment, which is granted to any person who cannot relocate and needs income substitution. This benefit, which generally cannot run for more than 12 months for each worker-member in any two-year period, is set at 80% of the monthly consumer advance. Lagun-Aro assumes the cost of making all the payments.
- › Permanent redeployment, in the form of economic assistance to the cooperative that takes on a worker-member from another cooperative.
- › Early retirement, intended for worker-members of 58 years of age who are working in cooperatives declared to be suffering from structural unemployment and who have no

possibility of relocating. This benefit amounts to 60% of consumer advance in 12 annual instalments.

- Compensation, in the form of an amount to which is added an increment according to the number of years of contributions paid to Lagun-Aro, in the case of staff losses through redundancies.
- Occupational retraining, i.e., financial cover which is supplementary to the assistance or subsidies provided by the administration for occupational retraining projects submitted by the cooperatives that are tending to eliminate endemic unemployment.

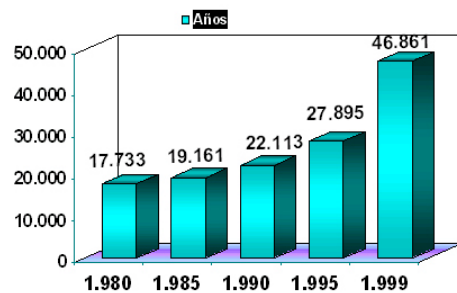
These benefits, some of which may be supplemented by the cooperatives themselves (as usually happens with early retirement, up to 80%) are funded from allocations made by all associate cooperatives according to a given percentage of salaries.

### Employment Trends in MCC

There is a strong incentive to keeping up the good work, as the MCC employment policy described above has borne fruit.

The Cooperative Group has not only traditionally maintained its employment level (even in the early 1980s which was the most critical period) but has also overall managed to create jobs continuously as the graph shows:

 Evolución de Personal en MCC 1980-1999



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The distribution sector is where major expansion took place and that has therefore been the driving-force for much of the Corporation's total employment throughout the decade. This made it possible to offset the significant loss of industrial employment in the period 1990-1995.

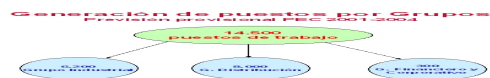
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The Financial sector, where there is least employment, and the Corporate Activities sector as it is known (inter-cooperative support services), also saw staff continuously increasing throughout the period.

MCC's commitment to generating employment is being maintained today in consonance with the basic principles of the Mondragón Cooperative Experience.

**Job creation by Groups :** The intent was clearly stated, in rather ambitious terms, in the Corporate Strategic Plan (PEC) 1997-2000, that set for the period a net increase goal of 8,800 jobs. Despite the intention of the PEC, what actually happened surpassed expectations. Not only was the Distribution Group - recently involved in a number of alliances and acquisitions - able to exceed the scheduled objectives, but the Industrial Group year after year saw staff increases exceed initial estimates. By the end of 1999, the number of staff exceeded the targets set for 2000.



Ultimately, employment generation is not impossible but it may be difficult. What is needed is to set the goal and establish the necessary tools for achieving it. If, moreover, the commitment is made publicly then, to know the world is looking on provides a good incentive for meeting the target.

### **Job creation by Groups 2001-2004**

Turning to the provisional corporate objectives laid down in the PEC 2001-2004, it is estimated that 14,500 new jobs will be created - 6,200 in the Industrial Group; 8,000 in the Distribution Group and 300 in the Financial and Corporate Activity Group.

### **Looking to the Future**

Despite this success, employment generation is still no easy task. Business growth, although major, does not create jobs since competition among enterprises makes for enhanced productivity which reduces or eliminates the need to hire personnel.

The first point to be highlighted is that fresh activities, projects or businesses have to be instigated. Enterprise promotion, therefore, is a prime tool for employment generation in MCC right now.

On the other hand, given increasing international expansion among our enterprises and the trend towards globalization in some sectors, circumstances are changing and cooperatives will have to adapt. At the moment, the MCC Industrial Group is encountering major challenges as it expands internationally. Many cooperatives - particularly in the automobile and housing sectors - are being obliged to establish production plants in other countries.

At the end of 1999, the Industrial Group already had 23 plants abroad with 1,900 jobs. The PEC provides for a major increase in such industrial facilities in other countries and it is calculated that for the year 2004 this may represent an increase of some 4,500 jobs

Another noteworthy MCC initiative is the Garaia Project that emerged from the conclusions of the Group's brain-storming sessions (MCC Science and Technology Plan - Knowledge Group Analysis: made up of the three research centres, Otorala and the Consultancy and Engineering Strategic Thinking Cooperatives in Mondragón University).

This is an Innovation Focal Point that is going to house several university institutes and enterprise research centres. The objective is for all these agencies not only to share physical space but to create close-knit cooperation in a given sphere between the university, the technological centres and enterprises. It is hoped that as this project gradually unfolds, 800-1,000 highly qualified professionals will be needed within an eight-year period.

The Project is headed by MCC, will enjoy the assistance of the Basque government and will be open not only to cooperative enterprises but to initiatives from any sort of undertaking.

Conclusion: the MCC model is definitely demonstrating that to generate employment there is a need for the following:

- resolute intention expressed through principles and embedded in the enterprise culture
- shift intention to targets, and give them a higher profile by stating them publicly. Monitor.
- set up the necessary tools.
- unite the enterprises within the strategic system in order to reach the critical mass necessary, so that business and new project development can go forward hand in hand.

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## SEWA Struggle and Development

**Namrata Bali, Secretary, Self-Employed Women's Association SEWA (India)**

SEWA has chosen to adopt the joint strategies of struggle and development efforts to organize self-employed women workers, and move towards our vision of a new society. The union carries out the struggles on behalf of its members. These struggles are at the level of exploitation faced directly by the members at the level of implementation of laws and dealings with officials, and at the level of policy and, legislation formulation. Development takes firstly the form of helping members to form their own cooperatives and groups. The cooperatives move towards early self-reliance, thereby offering an alternative, non-exploitative method of employment to the producer.

SEWA is registered as a trade union and has sponsored autonomous cooperatives of the respective trade groups. The joint action of struggle and development is translated into reality through the joint action of trade union and cooperative. A constant balance is maintained between the two by focussing on the on-going organization and building a movement of the self-employed workers simultaneously. Both the forms-union and cooperative – are ideologically participatory and focus on the worker-identity of the members. They are people's organizations. SEWA is a people's organization.

The Self-Employed Women's Association was established in 1972 in the city of Ahmedabad in Gujarat, India. SEWA was born in the labour movement with the idea that the self-employed, like salaried employees, have a right to their wages, decent working conditions and protective labour laws. Thereafter, SEWA started functioning as a confluence of three movements, namely, the labour movement, the cooperative movement and the women's movement.

In 1974, SEWA established the SEWA Bank in 1974 as a separate bank of the poor, self-employed women workers at the initiative of 4,000 self-employed women workers. These self-employed women workers included hawkers, vendors and home-based workers -- like weavers, potters, beedi-, agarbatti-, pappad-rollers - manual labourers and service providers. One of the main demands of these workers was for credit at reasonable rates which they were unable to obtain from normal banks. The SEWA Bank was started with the specific objective of providing credit to the self-employed women with a view to empower them and also to minimize the uncertainty of availability of credit through money sharks at exorbitant interest rates.

The SEWA Bank has been a catalyst for many changes in laws and practices in addition to the changes in institutional arrangements and processes. It is the first bank of its kind in India and was able to demonstrate that poor women do save, use loans productively and repay loans in a timely manner (in fact better than others). Based on this example, many other groups have taken training at the SEWA Bank and have subsequently started saving and loaning cooperatives, for instance, the Cooperative Development Foundation, Working Women's Forum and Indore Mahila Cooperative, among many others.

Another silent revolution is the method by which the Bank acts as an instrument to transfer assets to the names of women. The ILO statistics show that only 1 percent of the world's assets are in the name of women. SEWA Bank insists that since its loans for housing are in the name of a woman member, the house itself should also be in her name. SEWA also recovers mortgaged agricultural land of the family and puts it in the women's name as part of its asset-building program. In this way, houses have been transferred in women's names.





Today, SEWA has over 220,000 individual members located in six states of India as well as International SEWA in South Africa. Over 80 cooperatives have been established for home-based workers, midwives, doctors, community health workers, child-care and even a women's video (media) cooperative. All are members of SEWA.

### **Why the trade union - cooperative partnership?**

The co-operative can help the trade union to consolidate by giving work to victimized until they can be restored to their rightful place. It is vital means of creating alternative employment opportunities as well enabling workers to increase their bargaining power.

The cooperative goes deep into the trade of any industry and therefore has a thorough knowledge of how the economic system works. It provides invaluable knowledge to the trade union for formulating its strategy.



Cooperatives can also provide an alternative structure, which can solve deadlocks in negotiations. One of the main functions of the trade union is to bargain for a better deal for its members. Often resulting in deadlocks. The cooperatives can then provide a via media or an alternative solution which is acceptable to both sides. Finally, when the cooperative become a part of the trade union it changes the image of the union and helps it to make alliances and sometimes even to win over 'enemies' The SEWA vision is that the combination of trade union and cooperative power makes it possible not only to defend members but to present an ideological alternative. Poor women's cooperatives are a new phenomenon. SEWA has a vision of the cooperative as a form which will bring about more equal relationships and lead to a new type of society. The trade union helps to articulate and reinforce the cooperatives' identity Cooperatives which are formed after trade union mobilization are much quicker to acquire this cohesion as the workers already have a feeling of unity based on common struggle. In addition, interaction between a trade union and cooperatives can be a continuing process of mutual support. During the course of trade union organization, issues emerge which are taken up by the cooperatives, and during the establishment of cooperatives, issues emerge that are taken up by union. The secret of success is simple - trade union and cooperatives bring about empowerment.

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## Decent Work: Yes! Cooperatives can make a difference

Charles Kabuga, Acting Head, Developing Country Activities,  
International Federation of Agricultural Producers IFAP

### 'Decent Work' and 'Cooperatives' have common values

According to ILO, 'decent work is productive work for men and women in conditions of freedom, equality, security and human dignity'. These are the very values cherished by cooperatives. According to the statement by the International Co-operative Alliance on the cooperative identity, 'cooperatives are based on values of self-help, self-responsibility, democracy, equality, equity and solidarity'. Accordingly, because decent work and cooperatives share the same values, which makes it obvious that cooperatives can indeed make a difference with regard to decent work.

### Cynics and pessimists

The fact that the question as to whether cooperatives can make a difference is being asked at all indicates a mind-set of those who think that cooperatives, particularly in developing countries, cannot make the difference considering their past performance. Their pessimism is heightened by the fact that the economies of these countries have been liberalized and that globalization will make the situation even worse for cooperatives.

**Coops in Developing Countries**

Past performance of coops in developing countries

Government intervention  
"a kiss of death"

Coops were used, misused, abused, blamed and discredited by many governments of developing countries.

Cooperative success depends on good governance

Examples of good work done by worker cooperatives in Spain, consumer cooperatives in Japan, agricultural cooperatives in Asia, credit unions in USA, dairy cooperatives in Denmark, cooperative banking in Germany etc do not convince them because of the absence of examples from developing countries.

From the examples cited above, it is very clear that good governance is a critical success factor for cooperatives to do well. It must be pointed out that cooperatives in most of the

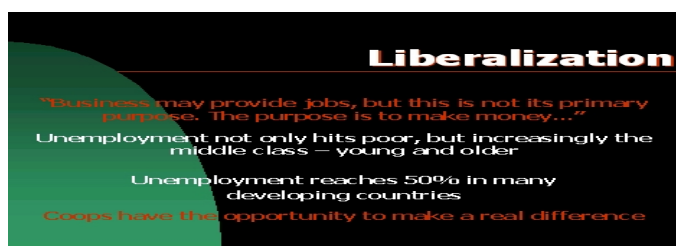
developing countries were a creation of the state rather than the autonomous, member-driven and self-help organizations they were meant to be. Even those that were autonomous were embraced by governments and literally given a kiss of death. It is a known fact that cooperatives were used, misused, abused, blamed and discredited by many governments of developing countries. For example, they were used to tax farmers. It is little wonder therefore that many genuine cooperatives became discouraged. Others chose to operate as informal groups rather than register as cooperatives. It would of course be presumptuous that cooperatives in democratically governed countries cannot fail. Indeed, like any other business organizations, cooperatives, which cannot perform, must die. However, that notwithstanding, the question that should be asked is whether these cooperatives will wake up to make the expected difference. My conclusion is that they will. This optimism is apparently built on developments some of which seem to be real threats to the existence of cooperatives. These are the democratization processes, the liberalization of the economies, globalization and the Internet.

## The democratization process

The World Bank and IMF Structural Adjustment Programmes, which our countries had to embrace, dictate that not only countries must liberalize their economies but that they must also democratize their societies. This process has made it possible for civil society organizations, including genuine cooperatives, which had been stifled by governments, to come up. This partly explains why the NGO sector is the fastest growing in these countries. The NGOs have learnt to network so effectively that they can hold up requests for funds by governments from either international financiers or donors unless their views have been taken into consideration. This newly found freedom to organize and operate autonomously augurs well for cooperatives.

Today, the major concerns of civil society are the high levels of unemployment and massive poverty in the developing countries. The economic models that have been tried do not seem to be providing the expected solutions. Only recently has it been understood that no progress can be made unless the economic and social aspects of growth are seen as two sides of the same coin. This reality was recognized by cooperatives long time ago because a cooperative is essentially ‘an association of persons who voluntarily join together to meet their economic and social needs through a jointly owned and democratically controlled enterprise.’ The capacity to work is the capital of the poor. Freedom to organize this capital through cooperatives will be a key part of the solution to the problem of poverty. Without government interference, as was the case in the past, cooperatives have the opportunity to make a real difference.

Decent work is about job creation. Cooperatives being self-help organizations create jobs for those who form them and those who are employed. In developing countries, this is largely in the rural agricultural sector. This has the additional advantage of keeping alive the social tissue of rural communities and providing an alternative to rural-urban migration. Decent work is about equitable distribution of wealth. This too is enshrined in one of the cooperative principles. Decent work is about democratic governance. Cooperatives have always been true schools for democracy, since they work on the principle of ‘one man one vote’ or the same voice for every member – man or woman – regardless of their size of farm or standing in the community. In this era where democratic governance is a must, cooperatives have all the opportunities to make a difference.



## Liberalization of economies

For the Rochdale Pioneers in the United Kingdom, it was poverty and the conditions of the industrial revolution that triggered the natural instinct of ‘mutual help for self- help’. The cooperative society they formed in the 1840s did not only make a difference but it also became an inspiration and a model to the rest of mankind seeking to improve their situation through decent work. As I see it, the prevailing economic conditions in our countries will dictate a cooperative action to the current problems being encountered.

We are told that liberalization of our

economies will attract investors who in turn will create jobs. Indeed, they will and some people will get jobs if they are lucky. However, they can only keep in employment if profits are good. As Chancellor Williams<sup>9</sup> rightly points out and I quote him.

*“Business may provide jobs, but this is not its primary purpose. The purpose is to make money, not to make jobs. Indeed the system seeks to eliminate jobs through new and newer labour saving inventions, culminating in automation where a few maintenance technicians can man a factory that formerly employed thousands”. He goes on to say that “ Even where millions of workers may be required for the purposes of production and distribution, this may obscure the fact that the system is not primarily for them that their welfare is not merely incidental as its consideration has to be forced by organized labour unions.”*

Just imagine the untold harm that has been inflicted on such workers in countries where the rights to bargain collectively are thwarted by governments anxious to attract and retain investors.

Unemployment is not only a problem to the poor people, to the retrenched, the unemployed youth or to those who lost jobs through the divestiture of government boards following the liberalization policies. It is also a problem for the middle class who ordinarily would seem to be well off. They too look with dismay at the frustrations of their sons and daughters looking for jobs in a devastated job market. Unemployment in many developing countries is fifty per cent or more of the active population. This is a huge waste of social capital.

As I see it, the first step out of poverty and social exclusion is an income generating activity. It is precisely because cooperatives promote self-employment that the difference they can make to decent work is guaranteed. We are in fact beginning to witness various cooperatives coming up in the services sector. For example, some university graduates have formed drama and other types of service cooperatives as a way of employing themselves, and it worked.

### **Globalization and the Internet**

The arrival of the Internet has speeded up globalization. In this dot com economy, everything can be produced anywhere and sold anywhere. The range of goods and services to choose from has increased remarkably. Prices have become competitive. It is this scenario that makes cynics wonder as to whether cooperatives will survive under such conditions

Globalization and the Internet notwithstanding, it will certainly be in the interests of farmers, for example, to stay with their cooperatives. It must be remembered that the benefits brought about by globalization through investments by transnational corporations in a country can also be temporary. They can relocate elsewhere any time and no government can stop them. A country that will have destroyed its local social and economic systems like cooperatives will be thrown into the cold.

It also needs to be understood that the dot com business is far from removing cooperatives from the scene. Cooperatives will still be needed to provide the logistics of delivering inputs, for example, to individual farmers even when such inputs have been purchased through the Internet. Furthermore, it will take a long time before individual producers can own computers and get connected to the Internet. Much more importantly, it will be in the interests of the individual farmers to keep with their cooperatives because cooperatives will also use the Internet as a tool to help them work together nationally, regionally and globally and to overcome social exclusion. For example, in the area of credit, instead of an individual negotiating a loan for USD 100,000, a cooperative can consult its members via the Internet and instantly put together loan requirements for many individuals and then go for a loan of say USD 1 million with better financial conditions.

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<sup>9</sup> Williams Chancellor, *The Rebirth of African Civilization*, Public Affairs Press, Washington DC 1961, p. 154

## **Conclusion**

In conclusion it must be said that for the poor and underdeveloped peoples in the developing countries, there is no alternative to self-help cooperative organizations with regard to employment creation.



However, for cooperatives to make the difference as far as decent work is concerned, four things must be in place.

- › Professional management
- › Committed, enlightened, and honest leadership
- › Institutional capacity building for cooperative organizations
- › General membership education and training

It must be pointed out that if the armies of unemployed people in developing countries found charismatic leaders to organize them against those governments, there would be no governments and there would be no democracy. It should be in the interests of governments to give constructive support to cooperatives that create employment for people because they are the pillars for peace and democracy.

Decent work: can cooperatives make a difference? **Yes they can!**

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## **Paper submitted to the Forum**

### **Experiences of the Handicraft Cooperatives of Romania in the Field of Employment, Romanian National Association of Handicraft and Production Cooperatives UCECOM**

The handicraft cooperatives represent a cooperative organizational form which implicitly assures a job to each cooperative member. Within an economy still in the transition process as is the case for Romania, employment continues to be challenge, one that handicraft cooperatives too must face.

Romanian handicraft cooperatives have established a well-defined strategy to ensure efficient production of quality goods and services in a competitive market. They are facing the challenge of maintaining existing economic relationships with a number of foreign markets and identifying new markets in the aim of obtaining new benefits for its members through investment.

Within the Romanian social and economic context, handicraft cooperatives define themselves in terms of employment and have distinctive features with regard to other private and public enterprises. For example, handicraft cooperatives distinguish themselves from other enterprises in that they guarantee jobs and promote the social integration of disabled persons.

### **Cooperatives of the Disabled**

In Romania there are 48 cooperatives of the disabled with a membership of over 3,700 individuals. There is also a National League of Disabled Persons' Organizations which exists within the handicraft cooperative movement of Romania. Its aim is to ensure the efficiency of economic and fiscal services for employers of the disabled.

Members of the cooperatives of the disabled are not only eligible for decision-making positions in their own cooperatives, but also in the decision-making bodies of the handicraft cooperative movement.

Disabled persons in handicraft cooperatives receive special benefits from their membership in cooperatives. Firstly, the cooperative offers a stable income to the disabled who in many cases do not have many options open to them for earning a decent living. They benefit in particular from training and professional reconversion courses to enable them to better face the complex demands imposed on workers by new technology. However, membership in the cooperative also offers the disabled a means escape isolation and thus promote social integration. The disabled are able to work and have everyday contacts thus preventing loneliness; and they can derive satisfaction from their work and the fact that they are contributing in a meaningful way to the society in which they live.

The cooperative movement also organizes cultural and recreational events which promote social integration of the disabled. It organizes an annual national sport competition of the physically disabled which enjoys great popularity in Romania.

Achieving this economic and social integration of the disabled, the Romanian handicraft cooperative movement proves once more its deep concern for people and the regard for cooperative principles.

### **Seasonal Employment offered by cooperatives**

The handicraft cooperative movement also provides jobs to seasonal workers. In Romania part of the labour force especially in the rural areas and small urban centres is seasonal touching mainly in the agricultural and forestry sectors.

Depending on the season, those not employed develop income-generating activities at home or in small productive workshops. These activities are generally related to folk art or artisan (textiles, hand made carpets, decorative arts, etc).

The handicraft cooperative movement ensures that seasonal workers are provided with training, technical support and professional consultancy services. They are also provided assistance in obtaining raw materials. Finally, seasonal workers can market their unique handicrafts through the cooperative. It also exports their production to a variety of markets. Given the wide scope of the activity at the national level and the fact that the handicrafts are unique or are made in small series, the cooperative works hard and often does not receive a significant return. However, the aim of these activities is to promote and preserve national traditions, heritage, and spiritual values which can not and should not be quantified in monetary terms.

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