



International Organisation of Industrial,
Artisanal and Service Producers' Cooperatives

HOW HAVE **COOPERATIVES** ACTIVE IN **INDUSTRY AND SERVICES** PERFORMED AT THE GLOBAL LEVEL?

A qualitative analysis on the economic situation of **CICOPA**
members resulting from the 2012 annual survey



December 2012

INTRODUCTION

Since 2009, CICOPA has been consulting its members every year about the economic situation of their enterprises and gauging the measures put in place by them, in response to the economic and financial crisis which flared up in 2008.¹

This year, CECOP-CICOPA Europe elaborated the report "The Resilience of the Cooperative Model"² (June 2012) within the framework of the "Cooperate" EU project co-financed by the European Commission and as a contribution to the International Year of Cooperatives 2012 launched by the United Nations. This report, elaborated alongside the documentary film "Together – How cooperatives show the resilience to the crisis", focuses on the experiences reported by European members during the above-mentioned four successive annual surveys and analyses the factors that are at the root of the resilience displayed by their enterprises in response to the crisis.

Given the complexity of the current economic scenario at the global level and the huge diversity between the various regional and sub-regional contexts, we launched a new CICOPA consultation this year, specifically targeted at the extra European CICOPA members. This work is aimed at assessing the general economic situation faced by CICOPA members and their affiliated enterprises in 2011, also taking into account the results of the consultations from previous years.³

1. CECOP-CICOPA Europe consulted directly its regional organisations for European concerns. The Third annual report on the crisis published by CICOPA in June 2011 is available on http://www.cicopa.coop/IMG/pdf/REPORT_ON_CRISIS_EN.pdf

2. Available on http://www.cecop.coop/IMG/pdf/report_cecop_2012_en_web.pdf

3. Data provided by members is for 2011. 10 extra European CICOPA members from 9 countries have taken part in

Similarly to the previous annual surveys, the main items analysed in the survey are: the economic and employment situation, the financial conditions (credit solvency, liquidity and debt problems), and the measures adopted by cooperatives to develop themselves and future expectations in terms of governmental measures that could create a more favorable environment.

This work is partly based on the above-mentioned report "The Resilience of the Cooperative Model" depicting the situation in Europe, and on an extra European survey conducted a few months later. A more in-depth CICOPA Annual Report for 2012, aimed at providing more information on worker, social and artisans' cooperatives at the world level, will be published in first quarter of 2013.



Arizmendi Bakery, USA, par Myleen Hollero

this survey: OCB (Brazil), UCA (Uganda), ASCOOP and CONFECOOP (Colombia), USFWC (United States of America), ACFHIC (China), FECOOTRA (Argentina), KAASE (South Korea), JWCU (Japan), CWCF (Canada)

OVERALL ECONOMIC SITUATION OF ENTERPRISES

Generally speaking, extra European member organisations confirm the same trend as the one they depicted in the 2011 consultation, namely a stable or even an improved economic situation (regarding production, sales and employment levels), among their affiliated enterprises as compared to the previous years; this is particularly the case for members in the USA, China, Argentina, Brazil, South Korea, Japan and Canada. Our US member USFWC reports that, even though cooperative enterprises in the construction sector suffered greatly in 2009 and 2010, the 2011 figures have increased back to the pre-2008 levels. Canadian member CWCF reports that, even for the minority of cooperative enterprises that are still suffering from a recession in production, sales and employment, the situation is comparatively better than in other types of enterprises.

It is worth underlining that most extra European members point out some growth mostly in the service sector, notably with regard to the creation of new enterprises: home health care, housekeeping, gardening and technology (USA); software, communication, audiovisual and consulting services (Argentina); recycling (South Korea); services for disabled children and job assistance (Japan), renovations (Canada). This is another element of continuity with the past, considering that the service sector registered the highest increase of employment rate according to the 2011 CICOPA survey.

By contrast, Ugandan and Colombian members reported a regression in 2011 compared to 2010. According to UCA (Uganda), there has been a strong inflation process in the country (over 30 per cent), which affects all sectors negatively (but



Uniforja, industrial cooperative, Brazil

with a higher number of closures in the industrial and transport sectors). Colombian members ASCOOP and CONFECOOP report of recent legal measures that have had a starkly negative impact on worker cooperatives, especially those providing services to enterprises. These laws were created in response to a sudden increase of worker cooperatives in Colombia during the first years of the present decade, which has been attributed to partial abuse of this statute by the so-called “false cooperatives”. According to Colombian members, these laws, which were aimed at regulating the business and labour market, have markedly reduced the range of activities in which cooperatives have engaged, affecting all of them without any distinction and thus negatively impacting the reputation of this business model.⁴

As far as European members are concerned, the CECOP-CICOPA Europe report “The Resilience of the Cooperative Model” indicates a general

4. More precisely, Law n°1429 on the Formalisation and Generation of Employment approved in 2010 prohibits private and public entities from collaborating with worker cooperatives which exercise any type of labour intermediation, and Decree n° 2025 of the Ministry of Social Protection approved in 2011 prohibits public and private entities from making any contract with worker cooperatives

downturn in production and sales among affiliated cooperatives, affecting mainly construction, manufacturing, transport and logistics. Most European members complain about the persistence of the effects of the crisis and the consequent gradual weakening of cooperatives in this second wave (from late 2010), mostly affecting the construction sector, as reported by members in Italy (ANCPL), the Czech Republic, France and Slovakia. Late payments from public authorities, reported mainly by Italian and Spanish members, are also one of the biggest problems affecting cooperatives that have regular partnerships with public authorities. As reported by the Swedish and Finnish members, in Nordic countries the crisis seems not to be affecting cooperatives so strongly: in general, the rate of start-ups among cooperatives is higher than for other types of enterprises. Some recovery signs have been registered between the end of 2010 and the beginning of 2011 by French, Spanish and Czech members. As far as social cooperatives are concerned, employment has grown by

4.5% in 2010 in social cooperatives affiliated to Federsolidarietà (Italy) compared to the previous year, and this trend has also been observed in 2011. Overall, compared to conventional enterprises, European worker and social cooperatives are more resilient in countries with a strong level of cooperative implantation and experience such as Spain, France and Italy, although some specific sectors are being hit particularly hard, such as construction in Italy.

CREDIT SOLVENCY, LIQUIDITY AND DEBT PROBLEMS

As it resulted from the previous CICOPA consultations, most extra European members still share the same difficulties in negotiating bank loans, except for Brazilian, Canadian⁵ and Japanese⁶ members. With regard to the type of loans that are the most difficult to obtain, the situation differs from country to country: long-term credit (Uganda); short-term credit and cash-flow (USA), all types of bank loans (Argentina and Colombia). According to Colombian members, this problem seems to be related to the above-mentioned stigmatization affecting cooperative enterprises in this country, as a consequence of an unfavourable legal framework. As reported by FECOOTRA, Argentinian cooperatives generally suffer from difficulties in accessing bank loans but, in turn, a specific solidarity fund was established by the government of the Buenos Aires Province in order to grant loans to cooperatives.

Despite these difficulties in accessing finance, the majority of extra European members report that the level of indebtedness among enterprises has not increased in 2011, contrary to what they had pointed out the year before, thus indicating

5. 28.6% of Canadian members complained about some difficulties in lines of credit and asset financing while 71.4% reported no difficulties
6. CICOPA Japanese member JWCU clarified that the Japanese cooperative movement hasn't reported such difficulties because it is completely auto-financed



Cooperative Simone de Beauvoir, Consorzio SIS, Milan, Italy, by Lydie Nesvadba

a general improvement in this field. The situation is different for Uganda, which has experienced a surge in interest rates from 15% up to over 30%) and Argentina, where the above-mentioned solidarity fund is granting loans with subsidized interest rates and relaxed administrative requirements in comparison to banks.

European members also reported a generally unfavourable attitude from banking institutions, which is not very different compared to other types of enterprises: European SMEs generally suffer from a very limited access to credit. In turn, no consensus among European members was observed concerning the level of indebtedness, although the prevalently reported trend seems to be that cooperatives are less indebted than the average enterprise.

MEASURES PUT IN PLACE

With regard to measures put in place in order to develop cooperatives, the situation is rather heterogeneous and this makes it difficult to paint a general picture.

As far as extra European members are concerned, establishing cooperative groups and consortia still appears to be a marginal phenomenon, partly depending on the absence in many countries of a regulatory framework in this field. Despite this obstacle, there are some interesting experiences highlighting that members show a strong interest in organising themselves horizontally among cooperative enterprises at the local level as, for example: the Evergreen Cooperatives, an integrated network of employee-owned businesses in Cleveland (USA), created in 2008 in order to promote the creation of jobs through community-based enterprises; the establishment of a trading and production network in Argentina (e.g. Red Metalúrgica, Red Textil and Red Grafica). Furthermore, the South Korean member reports the creation of several sectoral networks (e.g. construction and recycling) and the creation of

mutual funds called "good saving" inside the small construction sector. The Canadian member reports that worker cooperatives in Toronto and Winnipeg have been increasing their exchanges and meeting together in order to share experiences.

Other worker cooperatives are putting in place some mutual funds and financial tools: as reported by USFWC, in the USA a number of enterprises provide informal loans to one another to support cash-flow and to pool a percentage of their surplus to support local cooperative development.

According to CONFECOOP (Colombia), specific measures are being put in place in that country where, in response to the strong limitations imposed by the above-mentioned legal framework, worker cooperatives are exploring various alternatives to further develop their business, such as engaging in non-core activities and strengthening customer relationships.

At the national federation level, extra European member organisations have been providing support to their affiliated cooperatives in various



Coopérative forestière de la Nord-Côtière, Quebec

ways, and in particular:

- lobbying for a more favourable legal context: Colombian members ASCOOP and CONFECOOP jointly coordinate a National Committee of Cooperatives; the Ugandan member UCA is lobbying for an easier access to finance for cooperatives; the American member USFWC is lobbying for the approval of the National Cooperative Development Act;
- ensuring legal and accounting support; providing training and capacity building services (e.g., the Japanese member JWCU held a “National Forum on Good Work” in September 2011, aimed at exchanging experiences on job creation.

promoting cooperative financial tools, as in the case of the Worker Ownership Fund (WOF), a national fund managed by the Northcountry Cooperative Development Fund (NCDF) on behalf of the US Federation of Worker Cooperatives (USFWC), to increase access to financing for start-ups and existing worker-owned cooperatives in the USA.

Fagor, cooperative from the MONDRAGON Corporation, Basque Country, Spain, by Lydie Nesvadba



European members reported different strategies to cope with the economic crisis. Following the three different levels of analysis (micro, meso and macro) adopted in the CECOP-CICOPA Europe report “The Resilience of the Cooperative Model”, we could summarize these strategies as follows:

- at the micro level, worker-members define business strategies aimed at defending their jobs and the economic activities of their enterprises. Along with emergency temporary measures (such as wage reductions etc.), cooperatives often strive to adopt measures oriented towards the long-term, such as investment in technologies or other structural changes in the production process (often utilizing their financial reserves which are the outcome of a systematic capital accumulation discipline enshrined in their operational principle). The mobilisation of the participation of the wider community, especially in the case of social cooperatives, makes cooperatives particularly prone to social innovation, combining the response to new emerging needs and competitiveness in the market;
- at the meso level, inter-cooperation is implemented by different entities such as the financial instruments of the cooperative movement, business support institutions, consortia and federations, and plays an



essential role in the sustainable development of cooperatives even amidst the crisis. Large horizontal groups such as Mondragon in the Spanish Basque Region and CGM, which covers a substantial part of Italian social cooperatives, have been particularly resilient to the economic downturn, thanks to strong policies of mutualisation of resources, economies of scale, research and innovation and, in the case of Mondragon, internationalisation;

- at the macro level, it can be observed that the European countries where worker and social cooperatives and other types of employee-owned enterprises have developed most in terms of numbers and resilience of enterprises and jobs are also those where there is an effective national legal system with specific provisions that are particularly conducive to the development of such enterprises; (e.g. making indivisible reserves compulsory, establishing non-banking financial instruments and horizontal groups, regulating worker and/or social cooperatives and other employee-owned enterprises).⁷

7. More concrete examples are contained in the third chapter of the CECOP-CICOPA Europe report “The Resilience of the Cooperative model”, available on http://www.cecop.coop/IMG/pdf/report_cecop_2012_en_web.pdf

FUTURE EXPECTATIONS AND POTENTIAL MEASURES

Most extra European members expect the economic situation to be better in 2012 in comparison with 2011. In some cases, this optimism is the result of legal achievements, as in the case for Brazil, where a new law regulating worker cooperatives has been approved this year⁸. Generally speaking, extra European members are requesting:

- a better legal recognition and respect of the worker cooperative model (especially in those countries where this model seems to be particularly in difficulty such as in Colombia); in Argentina, where worker buyouts have increased, a national expropriation law (apart from the already existing municipal laws) is necessary;
- a clear regulation facilitating access to loans;⁹
- a strengthening of control on “false cooperatives” and unfair enterprises, which do not respect environmental and ethical concern; a preferential access market for social and environmental activities;
- tax incentives (e.g. in favour of indivisible reserves);
- industry-specific economic support;

8. This law establishes a clear regulation on the operation and administrative procedures for worker cooperatives. It is also intended to overcome previous legal problems, such as the creation of pseudo cooperatives, as well as ensuring the rights of the cooperative workers. More information is available on www.cicopa.coop/New-law-for-worker-cooperatives-in.html

9. More specifically, a law allowing cooperatives access to bank loans under the same conditions as other types of enterprises (Argentina); a regulation determining that worker cooperatives are eligible for SBA loan guarantees (USA)

- more investments in research and development;

As far as European members are concerned, the situation is expected to be worse in the future, stressed by recent austerity programmes. CECOP-CICOPA Europe thus sees an urgent need for coordinated economic, financial and monetary policies aimed at re-launching Europe's economic growth. For this to take place, policies are needed to help SMEs reach larger sizes, create clusters and horizontal groups among themselves (like cooperatives have done), and develop skills and dedicated workforces (where cooperatives have, again, an important experience to share).

DIFFERENCES BETWEEN EUROPEAN AND EXTRA EUROPEAN MEMBERS

If we compare these results with the responses obtained in the successive annual surveys conducted among European members and summarized in the CECOP-CICOPA Europe report "The resilience of the cooperative model", some tendencies seem to emerge:

- extra European members report a better overall situation as compared to European members: in fact, the four successive annual surveys, covering the 2008-2011 period, indicate a general downturn in production and sales among European cooperatives active in industry and services, even though these organisations have generally reported a higher level of resilience and adaptation to change compared to other types of enterprises of similar size and from similar sectors. An equally important data is that European worker and social cooperatives appear to be better at maintaining jobs than the average enterprise;
- whereas for extra European members downturn in production, sales and employment seem to be negligible and in any case strictly linked to specific national contextual factors (as in the case of Colombia and Uganda), the European economic crisis is the combined result of global and regional factors and, in particular, "the recent economic worsening in Europe has been caused, to a substantial extent, by public deficit reduction measures with the imposition of austerity policies";¹⁰



Fonderie de l'Aisne, France, by Lydie Nesvadba

10. CECOP-CICOPA Europe (2012), *The resilience of the cooperative model*, p. 7 available on http://www.cecop.coop/IMG/pdf/report_cecop_2012_en_web.pdf

- social services seem to be a sector in expansion, both in European and non-European countries;
- all CICOPA members (both in and outside Europe) report a general unfavourable attitude from banking institutions;
- extra European members tend to express more optimistic expectations for the future, while European members generally expect the situation to worsen in the near future, amidst the ongoing austerity programmes.

CONCLUSIONS

Along the successive surveys with CICOPA members, organisations outside Europe (including from important economies such as the USA, China and Brazil) are reporting a higher level of confidence towards the future, in spite of continuing economic difficulties among members in Europe.

At the same time, whereas cooperatives are proving to be more viable and resilient enterprises than the average, these results suggest that cooperatives across the world are faced with a common challenge to make their specific model and values more widely recognized. A more favourable legal framework, especially with regard to access to finance and fair competition with other types of business, seems to be a priority for all of them. Stronger support for SMEs in general is widely sought-after as well, with specific programmes for financing cooperative start-ups, better access to credit, reduction of interest rates, solutions to overcome late payment problems, facilitating measures for business transfer to employees, measures facilitating the internationalisation of cooperatives and improved access to public procurement.



Muszynianka, Pologne, by Lydie Nesvadba

Diversas de la República Mexicana , MEXICO

Website: www.confcooperativa.org.mx

CONPACOOP - Confederación Paraguaya de Cooperativas, PARAGUAY

Website: www.conpacoop.com

Coompanion, SWEDEN

Website: <http://www.coompanion.se>

COOP FINLAND, FINLAND

Website: <http://www.coopfin.coop>

Co-operatives UK, UK

Website: <http://www.uk.coop>

CNCT - Confederación Nacional de Cooperativas de Trabajo, ARGENTINA

Website: www.cnct.org.ar

CPS - Coop Product Slovakia, SLOVAKIA

Website: <http://www.cpscoop.sk>

ESTCOOP - Estonian Union of Worker Co-operatives, Participative Enterprises and Social Economy Organisations, ESTONIA

FCPU - Federación de Cooperativas de Producción del Uruguay, URUGUAY

Website: www.fcpu.coop

FECOOTRA - Federación de Cooperativas de Trabajo, ARGENTINA

Website: www.fecootra.org.ar

FENACERCI - Federação Nacional de Cooperativas de Solidariedade Social, PORTUGAL

Website: <http://www.fenacerci.pt>

ICCIC - International Committee for the Promotion of Chinese Industrial Cooperatives, CHINA

Website: <http://www.gungho.org.cn/>

CICOPA MEMBERS

ACFHC All China Federation of Handicraft Industry Cooperatives, CHINA

AGCI Produzione e Servizi di Lavoro, ITALIA

Website: <http://www.agci.it>

AGCI Solidarietà, ITALY

Website: <http://www.agci.it/content/agci-solidarieta>

ANCPL ASSOCIAZIONE NAZIONALE DELLE COOPERATIVE DI PRODUZIONE E LAVORO, ITALY

Website: <http://www.ancpl.legacoop.it>

ASCOOP Asociación de Cooperativas de Colombia, COLOMBIE

Website: www.ascoop.coop

Canadian Worker Cooperatives Federation, CANADA

Website: canadianworker.coop

CGSCOP CONFÉDÉRATION GÉNÉRALE DES SOCIÉTÉS COOPÉRATIVES ET PARTICIPATIVES, FRANCE

Website: <http://www.les-scop.coop>

COCETA - CONFEDERACIÓN ESPAÑOLA DE COOPERATIVAS DE TRABAJO ASOCIADO, SPAIN

Website: <http://www.coceta.coop>

CONFCOOPERATIVE - CONFEDERAZIONE COOPERATIVE ITALIANE, ITALY

Website: <http://www.confcooperative.it>

CONFECOOP - Confederación de Cooperativas de Colombia , COLOMBIE

Website: www.confcoop.coop

Confederación Nacional Cooperativa de Actividades

JWCU - Japan Workers' Co-operative Union, JAPAN

Website: <http://english.roukyou.gr.jp>

KAASE - Korean Association of Social Economy Enterprises, SOUTH KOREA

KOOPERATIONEN DET KOOPERATIVE FÆLLESFORBUND, DENMARK

Website: <http://www.kooperationen.dk>

Kooperattivi Malta, MALTA

Website: <http://www.cooperatives-malta.coop>

Legacoop Servizi, ITALY

Website: <http://www.legacoopservizi.coop>

LEGACOOPSOCIALI, ITALY

Website: <http://www.legacoopsociali.it>

NAUWC - NATIONAL AUDITING UNION OF WORKERS' CO-OPERATIVES, POLAND

Website: www.zlsp.org.pl

NUWPC - NATIONAL UNION OF WORKERS' PRODUCTIVE CO-OPERATIVES, BULGARIA

Website: www.uniontpk.com

OCB - Organização das Cooperativas Brasileiras, BRAZIL

Website: www.brasilcooperativo.coop.br

PCU - Central Productive Co-operative Union, EGYPT

SCMVD - UNION OF CZECH AND MORAVIAN PRODUCERS' COOPERATIVES, CZECH REPUBLIC

Website: <http://www.scmvd.cz>

Tanzania Federation of Cooperatives, TANZANIA

Website: <http://www.ushirika.coop>

UCA - Uganda Co-operative Alliance, UGANDA

Website: www.uca.co.ug

UCECOM - NATIONAL UNION OF HANDICRAFT AND PRODUCTION CO-OPERATIVES OF ROMANIA

Website: <http://www.ucecom.ro>

UNCAAPSS - Union Nationale des Coopératives Artisanales d'Art, de Production et de Service du SENEGAL

United States Federation of Worker Cooperatives, USA

Website: www.usworker.coop

UNISOL - Central de Cooperativas e Empreendimentos Solidários, BRAZIL

Website: www.unisolbrasil.org.br

VDP - MITUNTERNEHMEN- UND GENOSSENSCHAFTSVERBAND E.V., GERMANY

Website: <http://www.menschen-machen-wirtschaft.de>

ASSOCIATED MEMBERS

CFI - COOPERAZIONE, FINANZA IMPRESA, ITALY
www.cfi.it

CSS - Co-operative Support Services Limited, IRELAND

<http://coop-entrepreneurship.com/co-op>

ESFIN-IDES - INSTITUT DE DEVELOPPEMENT DE L'ECONOMIE SOCIALE, FRANCE

<http://www.esfin-ides.com>

Fédération Scop BTP - Fédération des Sociétés Coopératives et Participatives du Bâtiment et des Travaux Publics, FRANCE

www.scopbtp.org

FEDERLAVORO E SERVIZI, ITALY

Website: www.federlavoro.confcooperative.it

FEDERSOLIDARIETÀ, ITALY

Website: www.federsolidarieta.confcooperative.it

SOFICATRA, BELGIUM

<http://www.soficatra.org>

ABOUT CICOPA

CICOPA, the International Organisation of Industrial, Artisanal and Service Producers' Cooperatives, is a sectoral organisation of the International Cooperative Alliance. Its full members are representative organisations of producers' cooperatives from different sectors: construction, industrial production, general services, transport, intellectual skills, artisanal activities, health, social care, etc. Its associated members are support organisations promoting cooperatives in those sectors. Many of those cooperatives are worker cooperatives, namely cooperatives where the members are the staff of the enterprise, i.e., worker-members. CICOPA has two regional organisations: CECOP- CICOPA Europe and CICOPA Americas.



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