



Australian Senate Inquiry on Co- operatives and Mutuals

Submission from the
International Co-operative
Alliance
26 June 2015

Co-operatives: empowering people for sustainable development

Introduction

The International Co-operative Alliance (ICA) is an independent, non-governmental organization established in 1895 to unite, represent and serve co-operatives worldwide. It provides a global voice and forum for knowledge, expertise and coordinated action for and about co-operatives.

Alliance's members are international and national co-operative organizations from all sectors of the economy, including agriculture, industry, services, banking, retail, fisheries, health, housing, and insurance. The Alliance has members from nearly one hundred countries¹, representing one billion individuals worldwide. Several hundred million people draw all or part of their income from a co-operative.

The Alliance is the guardian of the co-operative definition, values and principles enshrined in the Statement on the Cooperative Identity and included in the ILO Recommendation 193/2002 on the Promotion of Cooperatives.

Main facts and figures

- There are 2.6 million co-operative enterprises owned by 1 billion individuals worldwide²;
- The largest 300 co-operatives have annual revenues of USD 2.2 trillion, the equivalent of the GDP of Brazil, the 7th largest economy in the world³;
- Co-operatives employ, or are the main source of income, for 250 million people, including nearly 12% of employment in G20 countries⁴;

Contributions of co-operatives

Co-operative enterprises are people-centered and values-based enterprises. They are owned and democratically controlled by their members and their aim is to satisfy the needs of those members and their communities. Unlike investor-owned companies, co-operatives do not seek maximisation of profits but rather a sustainable economic growth and the fair redistribution of wealth. The co-

¹ Including Australia, represented in the Global Board of the Alliance by Mr. Greg Wall.

² "Measuring the size and scope of the cooperative economy: results of the 2014 global census on co-operatives", Dave Grace and Associates, Commissioned by the United Nations Department for Economic and Social Affairs: <http://www.un.org/esa/socdev/documents/2014/coopsegm/grace.pdf>

³ "World Co-operative Monitor", 2014: <http://monitor.coop>

⁴ "Cooperatives and Employment: a global report", CICOPA: <http://www.cicopa.coop/Cooperatives-and-Employment-a.html>



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operative model of enterprise brings diversity and resilience to national and global economies, with a triple bottom line approach.

- Economic growth

Co-operatives are an important part of the global economy and have considerable shares of the GDP of many countries⁵. Because of their ownership structure, the wealth generated by their economic activity is redistributed to the members and their communities. This helps keep the results of economic growth in the places where it is created, avoiding de-localisation.

Given their democratic and inclusive nature, co-operatives give access to basic goods and services to populations that might not otherwise have them and in places where most investor-owned companies would not offer⁶.

Studies show that co-operatives are more resilient to economic crisis because of their long-term mission and ownership structure⁷. Examples illustrate that during economic crisis co-operatives are able not only to continue to deliver economic growth⁸ but also to maintain and create new jobs⁹.

The co-operative model of business is also an effective model for support structures for SMEs and individual entrepreneurs. Often SMEs are confronted with challenges related to scale, e.g. to access financial products and insurance and to develop products and services with a global reach. By coming together, in a co-operative structure, they gain scale that enables them to overcome the size barrier. Also, co-operative banks and insurers are structured to provide financial products to SMEs.

- Social development

The role of co-operatives in the development of the communities where they operate, as well as in international development is profusely recognized at global level by the United Nations and its

⁵ For example: 7.5% in Italy, 4.12% in North America, 3% in New Zealand and 3.25% of the overall GDP of Asia

⁶ For example, in the United States, electric co-operatives serve an estimated 42 million people in 47 states and employ 70,000 people. They own and maintain 2.5 million miles, or 42 percent, of the nation's electric distribution lines, covering 3/4 of the nation's landmass, mostly in rural areas: <http://www.nreca.coop/about-electric-cooperatives/co-op-facts-figures/>

⁷ ILO, "Resilience of the cooperative business model in times of crisis": <http://s.coop/1woap> "Resilience in a downturn: the power of financial co-operatives": http://www.ilo.org/empent/Publications/WCMS_207768/lang--en/index.htm; CICOPA: "the resilience of the cooperative model: How worker cooperatives, social cooperatives and other worker-owned enterprises respond to the crisis and its consequences" <http://s.coop/q0yo>

⁸ Mutual and cooperative insurers have been significantly outperforming the rest of the insurance sector in the period since the global financial crisis of 2007-8: <https://www.icmif.org/global-mutual-market-share-2013>

⁹ Figures released by the Spanish Ministry for Employment in 2012 showed that at a time when more than six million people were unemployed across Spain, co-operatives managed to not only maintain, but also increase the number of jobs by 7.2%. By contrast, the unemployment rate in Spain reached 27.2 per cent, the highest since 1976. <http://www.thenews.coop/39549/news/co-operatives/co-operatives-create-8000-new-jobs-while-unemployment-hits-record-spain/>



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agencies, among other global institutions¹⁰. For this reason the UN declared 2012 as the International Year of Co-operatives, with the slogan “co-operative enterprises build a better world”.

Besides their role in job creation, co-operatives are major contributors to the decent jobs agenda. Research indicates that co-operatives offer better quality jobs¹¹ and are a good model to help people transition from the informal to the formal economy, generating inclusion and social protection¹².

Co-operative development agencies implement international development projects across the world, empowering people in a democratic way to fight hunger and poverty, achieve food security, access to basic goods and services and recover from natural disasters, among others¹³.

In the communities where they operate, co-operatives are ideally placed to answer to the needs of the people that live there because they engage in a democratic way with their members and therefore can better embrace the diversity and scope of those needs.

Another characteristic of co-operatives is the fact that education, training and information of members and local communities is part of their operating principles.

- Environmental sustainability

Concern for the community is one of the values of the co-operative movement and therefore co-operatives take the long-term view. They have no requirement for delivering short-term profits; and although co-operatives do need to make a profit in order to be commercially successful, they do not put profits over societal concerns. This context gives them the opportunity to make long-term investments and means that they are more likely to consider intergenerational impacts, critical for meaningful action on climate change and other environmental issues.

Co-operatives are often rooted in a community or communities and will tend to stay in those communities through good times and bad. Co-operatives are thus a source of stability, and a pre-existing social network that can be mobilised for community response to anything from disasters to economic challenges¹⁴.

In many countries and sectors of activity, co-operatives are often in the forefront of environmental sustainability. For example, the Midcounties Co-operative in the UK has recently been awarded the Queen’s award for sustainability in enterprise; in the Nordic countries, co-operative owned brands are ranked among the most sustainable brands, including the top three brands in Denmark, the 2nd in Sweden, the 4th in Finland and the 5th in Norway¹⁵.

¹⁰ See, UN DESA (<http://undesadspd.org/Cooperatives.aspx>), FAO (<http://www.fao.org/partnerships/cooperatives/en/>), ILO (<http://www.ilo.org/coop>).

¹¹ “Cooperatives and Employment: a global report”, CICOPA: <http://www.cicopa.coop/Cooperatives-and-Employment-a.html>

¹² <http://www.cicopa.coop/Cooperatives-are-key-to-the.html>

¹³ See, for example: <http://ncba.coop/international>; <http://www.weeffect.org>;

¹⁴ See, among others, examples related to the Japanese tsunami of 2011: <http://s.coop/1wo6e> and Typhoon Haiyan in the Philippines: <http://www.nreca.coop/typhoon-haiyans-aftermath/>

¹⁵ Sustainable Brand Index: <http://www.sb-index.com>



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Challenges and opportunities

Despite their contribution to economic, social and environmental sustainability, co-operatives still face several challenges that limit or prevent them from achieving their full potential. The Blueprint for a Cooperative Decade¹⁶ highlights these challenges and opportunities to grow the co-operative model. We note that the Australian Business Council of Co-operatives and Mutuals Blueprint for an Enterprising Nation also refers to these challenges¹⁷. These include:

1. Inadequate legal, administrative and policy frameworks

To thrive, co-operatives need an adequate legal, administrative and policy framework that recognizes and is in accordance with their specific nature and characteristics, to allow a level-playing field compared to other models of enterprise¹⁸.

2. Lack of awareness, knowledge and information

The characteristics and benefits of the co-operative model are not as well known as other models of enterprise, limiting the options and the potential growth of co-operatives. In some countries, this happens at all levels of society, from schools and universities to general public and policy-makers.

3. Insufficient participation and representation

To ensure that policies and initiatives taken by governments and public institutions at national and regional levels take into account the specific nature of co-operatives, it is important that the co-operative movement is represented and consulted.

Recommendations

To address these challenges we welcome the consideration of the following initiatives, where appropriate, in coordination with the representative organizations of the co-operative movement at national level such as the peak body, the Business Council of Co-operatives and Mutuals:

- Revision and modernisation of the legal and administrative framework for co-operatives;
- Enable representation of co-operative structures in the decisions that might affect them;
- Promote education about co-operatives in schools and universities with the inclusion of co-operatives in the national curricula;
- Include information about co-operatives on government funded information websites and provide for equal access for co-operatives to government funded business development programmes;
- Work in partnership with the co-operative movement to raise general awareness about the nature and benefits of co-operatives to the general public and to policy-makers;

¹⁶ http://ica.coop/sites/default/files/media_items/ICA%20Blueprint%20-%20Final%20-%20Feb%2013%20EN.pdf

¹⁷ Available at: <http://bccm.coop/wp/wp-content/uploads/2014/12/BCCM-Blueprint.pdf>

¹⁸ For example, International Accounting Standards that do not take into account the nature of co-operative capital in their definition of equity may constitute an important obstacle for the develop of the co-operative sector.



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- Explore opportunities for mutualisation of infrastructure companies and assets in line with the conclusions of the B20 Australia Infrastructure and Investment Task Force¹⁹;
- Discourage demutualisation, through the provision of relevant legislation or regulatory guidance;
- Ensure there is an appropriate appointed governmental representative for the co-operative business sector to liaise.

¹⁹ Available at: <http://s.coop/1wo6m>