Co-operatives and their place in a global social economy

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For most of the world's developing countries, the 1990s were a decade of frustration and disappointment. The economies of sub-Saharan Africa and Latin America did not rebound economically in response to the structural adjustment prescriptions of the World Bank and IMF (Rodrik 2001; 2002). Frustration with the World Bank and IMF led to the development of many co-operatives in Latin America (Miller, 2006).

Involuntary unemployment is capitalism’s most costly market failure and the demand for social services like the social-professional reintegration of disadvantaged groups usually cannot be provided solely by national governments (Monzón Campos, 1997). An alternative economy often arises in response to unemployment. This alternative economy is composed of co-operatives and NGOs working on small projects for community economic development and ethical businesses providing services (camps, financing, daycare, media, housing, women’s centres) (Corcoran and Wilson, 2010).

Other groups working in the social economy include credit unions, fair trade organisations, women's groups, aboriginal and anti-poverty organisations, non-profits and some trade unions. This alternative economy is differentiated mainly by the types of businesses involved and whether cash is dominant or if barter arrangements are used. These alternative firms could replace many private firms. In fact Hansmann (1999) makes no distinction between a capitalistic firm and a producer or consumer co-operative, writing that the investor-owned business cooperation is nothing more than a lenders’ co-operative or a capital co-operative. This definition of a firm is a boon to those who have to debate the point with stubborn others that “there is no alternative to capitalism (Wolff, 2012).

Whether the alternative economy could become dominant depends on how successfully these organisations could integrate horizontally, how strong their relationships of mutual aid and exchange are, and if they could provide representatives to lead regional and national governments. Success in building these networks has been seen in Brazil, Spain, Argentina, Columbia and Venezuela and these networks of co-operatives have proved transformative for poor people and are not mere visions of future utopian societies (Miller, 2006).

Proof that alternative economies are not utopian fantasies can also be seen in Europe (Corcoran and Wilson, 2010). The Emilia Romagna region in Italy owes its prosperity, low inequality, high social cohesion and high social capital to the 6% of its workforce that are involved in worker co-operatives. In Italy, Article 45 of the Constitution recognizes the social function of co-operation.

Spain also recognizes co-operation in its Constitution –

Article 129[1] [Participation, Cooperatives]
(1) The law shall establish the forms of participation of those interested in Social Security and in the activities of the public agencies whose function directly affects the quality of life or general welfare.
(2) The public authorities shall effectively promote the various forms of participation in enterprise and facilitate cooperative enterprises by means of appropriate legislation. They shall also establish

the means that will facilitate access by the workers to ownership of the means of production (Corcoran and Wilson, 2010).

In France, the model of a multi-stakeholder co-op or *Société coopérative d’intérêt collectif* (SCIC) was adapted from Italy (Corcoran and Wilson, 2010). A SCIC acts at the regional level to promote local development projects that look after the public interest in collaboration with local authorities and other partners.

The social economy was originally associated with utopianism and social change. Under the social change framework co-ops could provide services relinquished by the state while acting as agents of economic transformation and community resilience. The social economy paradigm was adopted by the Catholic Church, and by certain European governments (French and Belgian) and then by the EU in the 1980s (Moulaert and Ailenie, 2005; Côté and Fournier, 2005; Fontan and Shragge, 2000). The concept was revived by French academics Henri Desroches, Michel Rocard, Charles Gide and Léon Walras (Laville et al. 2008). One of the reasons for its adoption was for its potential to address the crisis in the welfare state and the negative effects of globalization. Co-operatives were thus seen by some only as another way of organising businesses within the dominant capitalist economy.

**Definitions of the social economy**

Western Economic Diversification Canada categorizes a social enterprise as a specific business that produces goods and services for the market economy, but manages its operations and directs its surpluses in pursuit of social and economic goals. The social economy is comprised of social enterprises, co-operative development and the third sector (Salkie, 2005). Six ther definitions are given below:

1. The social economy refers to all initiatives that are not a part of the public economy, nor the traditional private sector, but where capital and the means of production are collective (Neamtan, 2002). The social economy consists of an ensemble of activities and organisations, emerging from collective enterprises that pursue common principles and shared structural elements (Neamtan, 2002):
   - The objective of the social economy enterprise is to serve its members or the community, instead of simply striving for financial profit;
   - The social economy enterprise is autonomous of the State;
   - In its statute and code of conduct, it establishes a democratic decision-making process that implies the necessary participation of users and workers;
   - It prioritises people and work over capital in the distribution of revenue and surplus;
   - Its activities are based on principles of participation, empowerment, and individual and collective responsibility.

2. Westlund and Westerdahl (1996) articulated three hypotheses on the social economy in Europe. The vacuum hypothesis posits that the social economy can provide support when the public sector shrinks and the private sector does not hire and also shrinks. For example in Russia poor government support is supplemented by informal networks between neighbours, friends and relatives² (Sätre Åhlander, 2000). In Québec, co-operatives perform community services (environmental protection, etc.) that are being downloaded by the state (Lewis, 2004). The influence hypothesis assumes that the social economy takes on the roles that the public service

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² Unfortunately Sätre Åhlander, 2000 does not completely understand what social capital is and links it only to the formal economy.
sheds through contracts (similar to the social investment state). The local-identity hypothesis states that the social economy grows in the form of local initiatives as a reaction to the negative consequences of globalization. This is what happened in the Emilia Romagna region in Italy where social co-operatives provide health care (Corcoran and Wilson, 2010).

3. Mullan and Cox (2000) define the social economy as “that spectrum of activity located between the public and private sector (and so driven neither by the logic of capital nor by that of the state) which is a form of economic organisation aimed at addressing social need. Social viability and sustainability is placed on a par with economic viability and sustainability with the two being interdependent.” “In Ireland, the social economy is represented in nascent form by community-driven efforts to provide essential services which improve the quality of life and to address the gaps in facilities and services which communities have been deprived of but which are essential in terms of day-to-day living. A large number of social economy enterprises constitute the adding of an economic dimension to work performed which has been historically undervalued, unvalued and unpaid: caring services, maintenance services, cultural activity and community banking. Services can be provided by and for communities on a basis which is more sustainable than simple subsidised service provision.”

4. The International Center of Research and Information on the Public, Social and Cooperative Economy (CIRIEC) in Spain has the following definition: “a group of private companies created to meet their members’ needs through the market by producing goods and providing services, insurance and finance, where profit distribution and decision-making are not directly linked to the capital contributed by each member, each of whom has one vote. The social economy also includes non-profit organisations that are private non-market producers, not controlled by general government, produce not-for-sale services for specific groups of households and whose main resources come from voluntary contributions by the households as consumers, payments from the government and income from property” (Monzón Campos, 1997; Chaves and Monzón, 2000).

5. An operational definition of the social economy would set boundaries according to the following criteria set out by Arthur et al. (2003):

- Ownership – locally-based and owned largely by its employees (embedded in the community),
- Control – degree of power in decision-making and management control within the enterprise,
- Values – mutualism or reciprocal interdependence, not profit maximisation,
- Product – preferably socially beneficial,
- Source of finance - majority of value owned by employees or local community; not totally dependent on grants.

6. Sätre Åhlander (2001) looked at the role of the social economy with respect to employment, welfare, rural development and as a model of societal change. She defined the social economy from a macro-economic perspective as the user-oriented third economic system beside the centrally managed planned economy and the market economy. The social economy then comprises activities for which users take economic decisions. Mutuality or close connections between producers and users are critical for the social economy. This strengthens its territorial characteristic – meaning
local jobs and individual services. Also important is the growth of co-ops that have created opportunities for the socially excluded. The focus is therefore on the dynamic process of societal change and the role that the social economy plays in that change.

The Social Investment State as a co-option of the social economy

Federal governments in Europe and Canada have turned to community-based processes and human capital investment to provide local solutions to local problems in increasingly complex and diverse neighbourhoods. This policy has been called the “Third Way” by Anthony Giddens or the “social investment state” (Perkins et al., 2004). David Cameron’s “Big Society” fits this framework as well. This policy recognizes that competing in the global economy can take two forms:

1. A race to the bottom in terms of the welfare of citizens, or
2. Providing a highly adaptable, skilled and educated workforce that can respond to the 21st century’s flexible knowledge-based economy.

The social investment state is a response to neo-liberal critiques of social spending as wasteful and an economic drain. This has led the push to fund only those programs deemed to be more cost effective than welfare, income support and anti-drug and anti-crime spending (Perkins et al., 2004). The social investment state has been criticised for focussing on children as the worker-citizen of the future rather than on retraining adults, for being gender-biased, and for continued adherence to the neo-liberal macroeconomic framework (lack of concern for the environment and commitment to privatization of public service work).

The Irish version of the social investment state “partnershipping” was called “co-optation by the state. By promising limited funding and community consultation in statutory decision-making, the state converted activists into subcontracted civil servants” (Mullan and Cox, 2000). Activist organisations spent their resources on writing funding applications that were better than those of their competing activist organisations and needed to undertake legal incorporation, financial auditing and restructuring to fit EU guidelines. They had less time to spend on understanding structural problems and developing broader alliances, their radical language was not incorporated into funding applications and in most cases local activism did not fit the categories that could be funded. organisations also needed to hire credentialed grant managers who were not always community members (Mullan and Cox, 2000). Welfare and childcare needs were shortchanged.

Government support for the social economy - What would the world look like?

The social economy in Canada includes at least 175,000 non-profits. There are 78,000 non-profits with charitable status. These generate revenues of $90 billion annually and employ 1.3 million staff members (Quarter et al., 2003). The social economy includes 10,000 co-ops that generate $37 billion a year and employ 150,000 people. More recent figures on the non-profit sector estimate its size at $79.1 billion or 7.8% of the GDP with 2 million people (11% of the workforce) (Geller and Salamon, 2007). Some Canadian provinces are more supportive of the social economy than others. For example Manitoba provided multi-year investment in community capacity. They also created a cabinet committee to examine all government activities through the lens of community economic development. Most childcare spaces in Manitoba are provided by non-profits (Prentice and McCracken, 2004).

In 2002 the Canadian Community Economic Development (CED) Network (CCEDNET) allied with the Chantier de l’économie sociale, Québec's social economy "network of networks". They
lobbed federal politicians to create a "Three C" policy environment:

- multi-year funding
- tax credit incentives to mobilize community financial capital
- policy changes and increased funding aimed at solving several serious problems hampering the effective development of human capital

In Quebec, there are an estimated 65,000 people working in 6,200 social economy enterprises which generate annual sales in excess of $4 billion. The social economy in Quebec includes co-operatives, mutual benefit societies and associations. Many are linked to the Desjardins credit union movement. Excluding the Desjardins movement, and the two largest agricultural co-operatives, the Quebec based social economy has over 10,000 community organisations with more than 100,000 workers (Neamtan, 2002). These organisations have developed new organisational methods and new market relations (multiple enterprises and partnerships, fair trade, alternative trade, networking), as well as new types of enterprises with new legal statuses such as social co-operatives or enterprises for social purposes (Neamtan, 2002).

Paul Martin, who became prime minister of Canada in 2003, had previously worked with Regroupement économique et social du Sud-Ouest (RESO), a successful collaborative venture between unions, businesses, and community groups in a large rundown area of southwest Montreal. RESO transformed the area into a dynamic part of the city using the tools of community economic development and the social economy. As Regional Development Minister for Quebec in the early '90s Martin made multi-year funding available for the core operations of RESO. Martin created a federal government partnership with the Province of Quebec and the Quebec Solidarity Fund to create a $5 million equity investment pool for RESO development projects (providing the three Cs of CED - capacity building, community capital, and competence (Lewis, 2004).

Once elected, he announced that social enterprises would be assisted by

- a fund of CAD$152 million in addition to the existing small business programs and business financing programs (ACCORD, 2003).
- an expanded mandate for Community Futures Development Corporations.
- new funding through pilot programs focused on capacity building ($17 million), financing, generating employment and research ($15 million).
- $100 million in credit and "patient capital" for the next five years. The Fiducie in Quebec offers “patient” capital funding product with no capital repayment for 15 years, available for real estate or working capital (Favreau, 2008).

Unfortunately a Conservative government took power in 2006, and not all of the promised activities were undertaken. The funding that had already been transferred such as research funding remained in place (Smith and McKitrick, 2010).

The Social economy and gender

Côté and Fournier (2005) wrote that gender equity became worse under state control. Gender-based approaches and organisations present in the social economy from 1996 – 1999 generated more total jobs, more jobs for women and better paid jobs than after 1996 when the Quebec government became involved in regulating and financing the third sector after the Socio-Economic Summit of
October 1996 (Status of Women Canada, 2004). Prior to 1999 the social economy was funded by 17 regional funding committees (CRÊS) and women were represented on the management boards alongside provincial government employees. These boards ensured that projects with social ends were funded. The prevalence of women in co-ops is echoed in Europe where women find co-ops to be a convenient way to organize work, to share responsibility and to have democratic management (Sätre Åhlander (2000). Gender equity worsened when the Québec government instituted a gender-neutral approach from 1999, with the establishment of the Centre Locaux de Développement (CLDS) and the Politique de Soutien au Développement Local et Régional (Côté and Fournier, 2005). The CLDs were service agencies for small business and only funded groups with the potential to be self-financing after one year; this ironically reduced the number of created jobs, led to fewer jobs for women and fewer well-paid jobs. Funded groups had to use business plans and reporting schemes that were not designed for their organisations and that may have compromised their initial aims. Community initiatives were no longer recognized. This outcome is similar to that described above by Mullan and Cox (2000) in the Irish social investment state. Women were not given a place on the boards of the CLDs even though they were asked to voluntarily train those who took over the CLDs.

Researchers Louise Toupin and Nadine Goudreault evaluated the social profitability of women’s work and its contribution to community life so that it can be included in future definitions of the social economy. This measurement is necessary so that women’s work can be accorded value in the market-based or currently-defined social economy. Women’s groups lost the opportunity to insert their unpaid contributions into the budget allocation criteria in Québec in 1999. Status of Women Canada (2004) funded a study that examined how the restructuring of the social economy negatively impacted the health and working conditions of women in Québec. When Québec shortened hospital stays, women had to bear the burden of the transfer of care delivery to the home and had to perform more complex care. These studies have found that the shift to the social investment state (rather than social economy), in combination with “gender-neutral” policies (which are actually gender-biased) had a negative impact on women.

**The Social Economy and a sustainable food system**

The traditional definition of food security does not emphasize local production and ensuring community resilience or environmental protection. A proper definition of food security should include three aspects:

1. Land tenure,
2. Environmental issues as part of sustainable production and
3. Safe food from a consumer point of view.

In Vancouver, British Columbia, a coalition worked on the food security issue. It included the Food Assessment Research Team and the Centre for Sustainable Community Development (CSCD). Their vision of food security includes re-localizing food production, rooftop gardens and urban agriculture, direct sales from farms to institutions, and food related social enterprises. They do not consider their vision to be utopian but rather consider it a viable strategy that should receive financial support from Western Economic Diversification Canada. The community food sector includes community kitchens, community gardens, good neighbour programs, co-op grocery stores, buying clubs and healthy food vending.

Vancouver’s Forum of Research Connections (FORC) claims that a social economy approach to

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3 The World Food Summit (1996) definition of Food Security: “Food security exists when all people, at all times, have physical and economic access to sufficient, safe and nutritious food for a healthy and active life.”
addressing acute food insecurity would improve food quality, support local growers and create jobs for current charity recipients.

Agricultural co-operatives provide sustainability. Although they are negatively affected by trade liberalisation and the increasing concentration taking place in the food industry, co-operatives and producer marketing boards empower farmers, allowing them to forge their own paths (Moran et al., 1996; Côté et al., 2000). Historically co-ops have played important roles in the production, processing and sale of foods. Today, many agricultural co-ops are in trouble because of low commodity prices, intensifying competition, high capital needs, growing membership diversity and dwindling government support. They are often vulnerable organisations buffeted by international forces (often financial).

Multinational corporations use large-scale corporate agriculture that is increasingly short-lived, mobile and unsustainable; it reduces smallholders to producing cheap, standardised commodities for industrial food processing (Nigh, 1999). Dominant trends in the food business under globalization are: industrialization and subcontracting, global concentration of food sectors, effective and dynamic food distribution, marketing strategies based on product quality, and a uniformity of consumption practices in the international market (Renard, 1998). In Canada many large co-operatives in the grain, dairy and mushroom industries have demutualised.

The Cortes Island Shellfish Growers Co-operative Association is one of the founding members of the new BC Maritime Resource Co-operative which was established to address problems of concentration of power in the industry. They provide shared services to small shellfish co-operatives (oysters and clams). They made large investments in research and development of the shellfish industry in order to support resource-based communities now facing lean times. Environmental problems faced by the industry are bad weather, predators and toxic blooms.

In Canada co-ops are involved in the local provision of organic foods and are building an alternative food economy (for example the multi-stakeholder Growing Circle Food Co-operative on Saltspring Island). The alternative food economy includes Community Supported Agriculture (CSA), food charters, the Slow Food movement, food box programs and various NGOs. Their aim is to create a local and sustainable food system that improves access to fresh and healthy foods and gives producers a greater share of the consumer dollar. These initiatives also fit the frame social economy defined as a grass-roots based, regionally oriented federation of decentralized, autonomous and democratic enterprises building sustainable communities (Wilkinson and Quarter, 1995).

Asia

In Asia there have been strategic alliances of co-ops in production, processing and marketing for tropical fruit. The tropical fruit industry has the classic characteristics that historically have given rise to large and effective co-operative enterprises: i.e., extensive supply, considerable shrinkage because of inadequate technology and weak marketing mechanisms. Malaysian co-operatives work in consumption goods, tourism and agriculture. The social consequences of large-scale production of fruit for export have resulted in loss of land by small holders to plantations owned by multinationals and large-scale growers, transfer of land from local food production to export production resulting in food imports, labour and health/environment issues. An Alternative Trade network has evolved in the last 15 to 20 years to offer producers and consumers a fair and equal relationship, which also provides environmental standards and healthy working conditions. This movement now boasts sales in excess of $200 million worldwide. In Asia tropical fruit (mangosteen, longan and duku) are extensively grown by small holders (over 80%) and in home gardens, and can contribute to income generation. However some fruit yields are low and not all can be commercialised. Asian fruit production and export are addressing issues connected to
postharvest, handling, processing and marketing infrastructures. The major issue is that the international market requires standardised high quality products.

Tropical fruits have become important to Southern countries as an alternative to traditional plantation crops like cocoa, coffee, oil palm, rubber and sugar that have low product prices. Consumer interest in organic and healthy foods has provided a stimulus to tropical fruit production. The increase in international tourism means that transportation is available, facilitating the exports of fruit. Between 1987 and 1997 the quantity of fruits such as bananas, grapes, pineapples, citrus and melons imported into Canada from the South increased by approximately 45 percent, from 452 to 656 million kilograms. In 1995 40% of fruit imports came primarily from Latin America. Other significant sources are Morocco and Thailand. The most important fruit imports were bananas, grapes, citrus fruits, melons and pineapples. Other tropical fruits include Durion, Guava, Mango, Mangostene, Lanalum, Papaya, Pomelo, Rambutan, Sawo and Starfruit. Mangoes dominate all other crops in terms of production. Other tropical fruit produced at significant levels are pineapples, avocados and papaya (FAO, 2001).

Africa
In Africa, co-ops have been making an impact on land tenure and micro-credit issues for the benefit of female farmers. In Nigeria, women make up between 60 and 80 percent of the agricultural labour force, depending on the region, and produce two-thirds of the country's food crops. As elsewhere in Africa, however, extension services had focused on men and their farm production needs and women have difficulties accessing land and credit. When women do own land, the land holding tends to be smaller and located in more marginal areas. Since rural women have less access than men to credit, this limits their ability to purchase seeds, fertilizers and other inputs needed to adopt new farming techniques.

Only 5 per cent of the resources provided through extension services in Africa are available to women, notes Ms. Marie Randriamamonjy, Director of the FAO's Women in Development Service, "Although, in some cases, particularly in food production, African women handled 80 per cent of the work. Of total extension agents at work in Africa today, only 17 per cent are women." There has been some growth in the number of non-governmental organisations and women's associations involving or working with rural women. Sometimes these are mixed organisations, but frequently, rural women prefer to belong to groups run by women. Traditional credit programs have failed to reach these farmers. Micro-credit as bottom-up rather than top-down financing has potential for sustainable and gender-neutral rural financial systems.

Co-operatives offer an alternative model of social organisation
Co-operatives all over the world offer an alternative model of social organisation which addresses some of the core problems within contemporary capitalism such as inadequate employment, global inequality and food insecurity (Wolff, 2012). In the past they offered another way of organising businesses within a predominantly capitalist economy, but as the inherent weaknesses of capitalism are becoming more apparent, many regions in different parts of the world are adopting the successful approaches of Mondragon Corporation in Spain's Basque region. It is a corporation and federation of worker co-operatives. Mondragon Corporation is the largest business group in the Basque region and the seventh largest in Spain. Mondragon has a pay cap in which the highest paid worker can only earn 6.5 times more than the lowest paid; it has 85,000 members of which 43% are women. This one company reduces gender and income inequality in the Basque region. Mondragon shows how co-operatives growing to large sizes in many economic sectors can be transformative. Similarly La Cooperativa Humar – Marinaleda, a farmer co-operative in the Andalusian region of
southern Spain, pays all of its workers the same € 47 per day and they earn almost twice Spain’s minimum wage. Jobs are rotated and their motto is "To work less so that all may work." Contrast this to the situation in many developed countries when many high ranking people are proud to have several jobs, including paid board memberships, even at times when unemployment figures are very high. The Marinaleda council implemented measures to prevent the real estate speculation which undermined the rest of the Spanish economy. The co-operative has also provided education and has an action squad instead of a legislative body (Anon, 2012). The author of the article on Marinaleda calls it utopian and a genuine solution to market forces.

References


