

# the resilience of the cooperative model

How worker cooperatives,  
social cooperatives and other  
worker-owned enterprises respond  
to the crisis and its consequences

*By Bruno Roelants, Diana Dovgan, Hyungsik Eum and Elisa Terrasi*

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# about this report

By Bruno Roelants,  
Secretary General of CECOP-CICOPA Europe

This report has been drafted within the framework of the "Cooperate" project coordinated by CECOP-CICOPA Europe and co-financed by the European Commission as part of the "Restructuring, well-being at work and financial participation" Programme. It is also one of CECOP-CICOPA Europe's contributions to the International Year of Cooperatives 2012 launched by the United Nations.

It has been elaborated alongside the documentary film "TOGETHER – How cooperatives show resilience to the crisis", produced as part of the same project. The two products, namely the documentary film and this report, are complementary. The documentary film illustrates four emblematic cases of resilience to the crisis: the transformation of a foundry in crisis into a cooperative in Northern France (Fonderie de l'Aisne), a worker cooperative producing mineral water in Southern Poland (Muszynianka), a consortium of social cooperatives involved in social services and labour integration in Milan (Consorzio SIS) and the Mondragon cooperative group in the Basque Country, which is one of the largest business groups in Spain.

This report, in turn, analyses the factors that are at the root of such resilience in depth. It is based on four successive annual surveys conducted by CECOP-CICOPA Europe with its national member organisations since the crisis began. It includes national statistics in selected countries, as well as concrete examples including the above-mentioned four examples (which are illustrated in specific boxes). After delving successively into quantitative and qualitative analysis, this report proposes key policy recommendations aimed at promoting not only cooperatives, but also employment and entrepreneurship across Europe; this is based on the fact that the concrete experience of cooperatives in showing resilience to economic crises can be a strong source of inspiration for other types of enterprises.

It should be noted that, for stylistic convenience, the term "cooperative" is often used in this report to indicate worker cooperatives and social cooperatives, as well as other types of employee-owned enterprises such as the Spanish "Sociedades Laborales", which are part of the European network of enterprises, represented by CECOP-CICOPA Europe. The definition of these specific types of enterprises can also be found in the report.

# foreword

*By Claudia Menne,  
Confederal Secretary of the European Trade Union Confederation*

Europe needs to overcome the consequences of the biggest financial, economic and employment crisis in the history of European integration, and must prove that fair globalization and a social Europe are the guidelines for the twenty-first century. A cultural reform, along intelligent and inclusive lines, appears necessary in order to meet the main challenges: growth and economic development on the one hand and social and environmental sustainability on the other.

The financial and economic crisis is a direct result of unbridled deregulation and liberalization policy in recent decades. While the internal market is gaining shape, its social dimension risks falling behind, with fundamental economic freedom such as the freedom to provide services and the freedom of establishment taking precedence over fundamental social and workers' rights in Europe.

Europe needs to show that it is focused on its citizens and working population. The aim of European integration must be to improve working conditions and standards of living. Employment and environmental policy, oriented towards quantitative and sustainable growth, must go hand in hand with innovative answers to our production model and respect for fundamental principles and rights in the workplace. Decent work must be protected from unfair competition in the internal market through higher minimum standards on working time, working conditions and wages. Supply and demand must be directed in Europe, so as to provide environmental and sustainable development, with high levels of growth and employment, and fewer inequalities.

Small and medium-sized businesses are structurally linked to sustainability. They are often based on real value as opposed to shareholder value. In order to maintain real value, SMEs must often make faster changes of direction and actively involve their staff. A strategic change to a company's self-image in the direction of sustainability requires broad involvement of the staff. The biggest interest in sustainability is theirs. Thus social growth becomes possible.

In this sense, the cooperative experience, more vibrant than ever, offers original contributions. As key actors in the "social economy", they have proved that it is possible to validate issues relative to inclusive, socially fairer and environmentally sustainable growth, whilst at the same time remaining economically successful.

The examples given in this publication, and the experiences of the project on the success of co-operatives in times of crisis, are important contributions, which point the way to new directions.

The ETUC firmly supports this work and looks forward to further cooperation with CECOP-CICOPA Europe in the future.

# executive summary

By Bruno Roelants,  
Secretary General of CECOP-CICOPA Europe

The first chapter of this report examines to what extent the global economic crisis, which flared up in 2008, has caused very painful consequences in relation to the generation of wealth and employment, particularly in Europe, as described by successive ILO reports. It shows how the global crisis has been both doubled and relayed by the European sovereign debt crisis, with austerity measures that have had a strong deflationary impact, threatening growth, and therefore also employment and the repayment of debt itself. As a result, unemployment and particularly youth unemployment have notably worsened; while other consequences of the crisis, such as an increase in poverty and social exclusion, as well as in the number of suicides, have to be taken very seriously.

Cooperatives, which have an aggregate turnover when counting the 10 biggest world economies only, that is slightly lower than the GDP of Italy, and which amass a membership of at least 15% of the world's adult population, have reportedly been strikingly resilient to the crisis in different parts of the world: this probably corresponds to their common characteristics, enshrined in internationally-recognized standards. This is also the result of the four successive annual surveys conducted by CECOP since 2009 within its network of approximately 50,000 worker cooperatives, social cooperatives and other employee-owned enterprises active in industry and services in 17 different EU countries. However, the responses to these surveys also show important national differences that need to be taken into consideration.

In Chapter 2, a quantitative analysis focusing on France and Spain (the two European countries where statistics on cooperatives offer the highest level of reliability) suggests that, although these enterprises have not been spared by the crisis, they have been able to limit enterprise closures and job losses better than the average business, in some cases even to recover their status of net job creators, and that they also tend to delay the impact of the crisis.

Chapter 3 then provides a qualitative analysis, with a series of concrete examples of cooperative resilience, examining which factors might be at the root of such resilience. At the "micro" (enterprise) level, a number of short-term measures aimed at facing the immediate effects of the crisis (in particular aimed at temporarily reducing costs), have been taken rapidly and with a high level of legitimacy by the cooperative members thanks to the regime of democratic control which characterises these enterprises. Many cooperatives have been able to take longer term measures such as investments in innovative products, services or projects thanks to their democratic decision-making system but also thanks to the capital accumulation system which characterises them as well. We also observe that the "meso" (inter-enterprise) level considerably reinforces the capacity of individual cooperatives to take both short-term measures (in particular in maintaining jobs) and longer term ones, (in particular in the fields of training and education, research, innovation and internationalisation). In particular, cooperative groups have proven to maintain and even in a number of cases to increase, the number of jobs and the turnover, and thus to show a particularly strong resilience. At the "macro" level (legislation and public policies), it appears clearly that cooperatives' resilience is stronger in the countries that have the best legal framework protecting and promoting cooperative enterprises, such as the indivisible reserves, mutualized financial instruments, groups and consortia, in Italy, Spain and France.



All these findings allow us to formulate a series of policy recommendations in Chapter 4. These recommendations focus on the following main pillars:

- ⇒ How to substantially extend the practice of business transfer to employees under the cooperative form which, if properly managed, leads to economic activities being maintained, jobs being saved, and a net gain in public spending in the middle-long term
- ⇒ How to markedly encourage cooperatives and other enterprises to organise and develop horizontal groups and networks among themselves: although cooperatives tend to do it, they are often faced with legislation that is not very well adapted, both at national and European level
- ⇒ How to lay a much stronger emphasis on job maintenance and not only on job creation, and also on job creation within existing enterprises and not only in start-ups
- ⇒ How to decisively improve access to finance without altering specific governance and control patterns in enterprises
- ⇒ How to encourage the anticipation and preparation of restructuring processes with all stakeholders involved.

In all these fields, cooperatives have proven their strengths for decades, and have demonstrated them again since the end of 2008. Their experience provides a strong source of inspiration for public policies not just for cooperatives but for the whole enterprise world.

Moreover we also argue that none of these cooperative strengths will be decisively useful in terms of policy making in the field of employment and enterprises, if Europe does not purposefully embark on a strong growth programme to reinforce SMEs, which are the basis of entrepreneurship and employment in Europe. Such programme should take stock of the key elements drawn from the experience of cooperatives in terms of resilience to the crisis and enterprise development, such as internal restructuring dynamics, the maintenance and development of jobs and skills within the enterprises, the mutualisation of business development organizations, common financial instruments and the clustering in horizontal business groups.

# CHAPTER I the consequences of the global crisis and the resilience of cooperatives

By Hyungsik Eum,  
Diana Dovgan and Elisa Terrasi

## I. A GENERAL OVERVIEW OF THE CRISIS AND ITS CONSEQUENCES

The global economic crisis began with a financial collapse in 2008 in the US and then spread globally, causing strong economic instability throughout the world. **"Starting as a financial disaster, the crisis evolved into an economic one"**<sup>1</sup>, its most direct effect on the economy being a harsh contraction of credit to the private sector, leading to a sharp downturn. Company failures and job losses hurt individuals and families who drastically reduced their consumption, further worsening the slump in production and trade. The consequences in terms of employment have been particularly devastating: according to a recent ILO report, "after three years of continuous crisis conditions in global labour markets and against the prospect of a further deterioration of economic activity, there is a backlog of global unemployment of 200 million - an increase of 27 million since the start of the crisis"<sup>2</sup>.

**Unemployment has mostly affected developed economies and, in particular, the European Union which "saw the largest regional increase in the unemployment rate between 2007 and 2009"**<sup>3</sup>. Worse, the number of unemployed has been steadily increasing since spring 2011: in January 2012, the unemployment rate hit a high of 10.1% accounting for 24.3 million unemployed in the EU (16.9 million in the euro area), whereas it had been 9.8% in November 2011 and 7% in May 2007, before the crisis flared up<sup>4</sup>.

The youth have been among the hardest hit. **In 2011, 74.8 million young people aged 15–24 were unemployed across the world**, an increase of more than 4 million since 2007. The global youth unemployment rate, at 12.7 per cent, remains a full percentage point higher than the pre-crisis level<sup>5</sup>. In the EU, the youth unemployment rate, which was broadly stable at around 21% between mid-2010 and mid-2011, began to rise in May 2011 to a new high of 22.4% in January 2012, affecting some 5.5 million young people. In comparison, in May 2007, the unemployment rate for the under-25s was 15.9% in the EU27<sup>6</sup>.

"EMPLOYMENT SUSTAINABILITY  
IS ALSO REFLECTED IN THE  
MANAGEMENT OF THE COMPANY  
THAT PRODUCES IT"

Isabelle Durant,  
Vice-President  
of the European Parliament  
and MEP (EFA / The Greens)

<sup>1</sup> Claudia Sanchez Bajo and Bruno Roelants (2011), *Capital and the Debt Trap. Learning from cooperatives in the global crisis*, Basinstoke: Palgrave Macmillan, p. 5

<sup>2</sup> International Labour Office (2012), *Global Employment Trends 2012: Preventing a deeper jobs crisis*, Geneva: ILO, p. 10

<sup>3</sup> International Labour Office (2011), *Global Employment Trends 2011: The challenge of a jobs recovery*, Geneva: ILO, pp. 12-13

<sup>4</sup> Eurostat (2007), *Euro Area and EU27 unemployment down to 7.0%, 9/3/2007*, available on [www.epp.eurostat.ec.europa.eu](http://www.epp.eurostat.ec.europa.eu)

<sup>5</sup> International Labour Office (2012), *Global Employment Trends 2012: Preventing a deeper jobs crisis*, Geneva: ILO, p. 10

<sup>6</sup> Eurostat (2007), *Euro Area and EU27 unemployment down to 7.0%, 9/3/2007*, available on [www.epp.eurostat.ec.europa.eu](http://www.epp.eurostat.ec.europa.eu)

Whereas the first phase of the global crisis had a strong impact on the financial sector and the real economy in general, the recent economic worsening in Europe has been caused to a substantial extent by public deficit reduction measures with the imposition of austerity policies all over the EU. The ILO has warned that austerity measures are balefully affecting the job market, and predicted a global unemployment of 202 million people for 2012, a rate increase of 6.1% in the same year<sup>7</sup>.

The ILO's World of Work Report 2012 stated that fiscal austerity and labour market reforms had devastating consequences while an alternative approach exists: **"it is high time for a move towards a growth- and job-orientated strategy (...)** which requires embracing the perception that job-friendly policies have a positive effect on the economy and that the voice of finance should not drive policy-making"<sup>8</sup>. Likewise, the Trade Union Advisory Council (TUAC) to the OECD, through its President Richard Trumka, reported that: "In the summer of 2011, the global economy entered a dangerous new phase as growth slowed down in virtually all countries, the recovery stalled in advanced countries and new financial risks emerged, particularly in Europe. (...) The ongoing crisis now threatens to push some 84 million workers into extreme poverty. (...) Along with the European debt crisis, unemployment now represents the largest single threat to recovery. (...) Not only is stronger growth necessary for job creation, expanding employment is now necessary for sustaining the recovery and bolstering long-term growth"<sup>9</sup>. Indeed, according to Richard Trumka, unemployment, growing poverty and inequality threaten not only the recovery but also social and political stability. In its analysis on the crisis, the European Anti-Poverty Network (EAPN) also argues that income inequalities are to be considered as underlying causes of the current economic crisis: "the wealthiest tenth of the world's adults now control 83% of wealth"<sup>10</sup>. According to a cross-national study covering 21 rich countries, absolute poverty has increased in Europe as a result of the 2008-2009 recession, especially affecting low-skilled workers who are more vulnerable to unemployment<sup>11</sup>.

In such conjuncture, nation-states, after having heavily intervened to restart the global economy, were found saddled with debt. The downgrading of several EU countries' credit rating by the main global rating agencies is raising the cost of repaying these countries' sovereign debts, leading to further reduction of public spending and a worsening of the economic situation. The immediate and fierce restrictions on public and social services have led to economic recession and are reducing the opportunities for recovery. Such a situation could lead to a "world-wide destruction of net wealth and loss of socioeconomic cohesion"<sup>12</sup> with unduly large human and social costs. At a candlelight demonstration called "Silently" organized on 18th April 2012 by Italian SME and craft organizations, trade unions, and cooperative confederation Legacoop, the following data were publicly presented about Italy: "In 2011, 12,000 enterprises have gone bankrupt, 7.4% more than in 2010. Over the last three years, the phenomenon has exceeded 33,000 bankruptcies, which have mainly affected SMEs, because in the same period bankruptcies among large enterprises have diminished by - 5/4%. From 2009 to 2011 we count over 1000 suicides among workers and entrepreneurs. It is estimated that credits make up one third of the bankruptcies, amounting to 60 billion euros"<sup>13</sup>. Bernadette Ségol, Secretary General of

<sup>7</sup> ILO (2012), *World of Work Report 2012*, available on [www.ilo.org](http://www.ilo.org), p.2

<sup>8</sup> *Ibidem*, p. X

<sup>9</sup> Richard L. Trumka (2012), *Occupational risk: the global jobs emergency*, Observer OECD, available on [www.oecdobserver.org](http://www.oecdobserver.org)

<sup>10</sup> EAPN (2012), *Re-engaging hope and expectations - Getting Out of the Crisis Together - Alternative approaches for an inclusive recovery*, available on [www.eapn.eu](http://www.eapn.eu) p. 13. See also Sanchez Bajo and Roelants (2011), Chapter 1, section on "Wealth Destruction"

<sup>11</sup> S. Jenkins et al., (2011), *The Great Recession and the Distribution of Household Income*, Palermo: XIII European Conference of the Fondazione Rodolfo De Benedetti

<sup>12</sup> *Ibidem*, p. 20

<sup>13</sup> Roma, *fiaccolata contro i suicidi di imprenditori. Il promotore Flammini: "Proposta in 8 punti per salvare le imprese"* (2012), available on [www.lettera43.it](http://www.lettera43.it)

the European Trade Union Confederation, stands for **an urgent change of paradigm**: "the recession will make an already poor social situation even worse. Inequality is growing. Social movements are emerging to protest against injustice and insecurity. **Social justice must be the top priority on all political agendas** at both national and European level. If European leaders drop this priority to focus on austerity measures alone, particularly in countries that are already in difficulty, we should not be surprised if poverty levels increase and if inequality leads to social and political instability"<sup>14</sup>.

However, it should be noted that the impact of the crisis on European economies has been different according to countries and sectors of activity. Although all EU countries are affected, according to the Annual Report on EU SMEs 2010/2011 published by the European Commission, a group of countries such as Greece, Ireland, Romania, Latvia, Portugal and Spain could be classified as "crisis countries" by a combination of economic indicators<sup>15</sup>. On the contrary, in the same report, as far as SMEs are concerned, Austria, Germany, Luxembourg, Malta, Sweden and the UK are classified as countries showing positive recovery in 2010, both in terms of the growth rates of Gross Value-Added (GVA) and employment in SMEs<sup>16</sup>. In terms of employment growth, it is reported that year on year "the decline exceeded 0.75% in Bulgaria, Spain<sup>17</sup>, Romania<sup>18</sup>, and Slovenia, as well as in Ireland, Greece and Portugal"<sup>19</sup>. In spite of variations according to sub-sectors and countries, it could be said that, in the first period of the crisis, the worst affected sectors were construction and manufacturing with a loss of over 10% of pre-crisis employment between the second quarter of 2008 and the second quarter of 2010. However, in the service sector, during the same period, employment in state-funded structures was stable or even saw an increase, while in private structures providing services, employment was strongly affected (particularly in less knowledge-intensive services such as retail, warehousing, transport and personal services, except food and beverage services)<sup>20</sup>. Now, given the extent of the austerity policies introduced in conjunction with public debt constraints adopted in the second phase of the crisis, state-funded structures could be seriously affected.

At any rate, the crisis and its consequences are bringing back into focus issues of central importance such as **the generation of wealth, the growth of the real economy, the creation and maintenance of jobs and local/regional development**. These issues call for a more sustainable "real" economy model (wealth creation combining economic interests with long-term social and environmental concerns). Accordingly, policies towards more long-term generation of wealth entail a more equal redistribution because the latter, in turn, makes wealth re-generation sustainable (as practiced by cooperatives and cooperative groups and networks), and should be considered in earnest to remedy this crisis and prevent future ones<sup>21</sup>.

<sup>14</sup> Bernadette Ségol (2012), *The crisis: The response of the European trade unions*, available on [www.etuc.org](http://www.etuc.org)

<sup>15</sup> Ecorys (2011), *Are EU SMEs recovering?*, Annual Report on EU SMEs 2010/2011, available on [www.ec.europa.eu](http://www.ec.europa.eu), p. 25

<sup>16</sup> Ibidem, p. 27

<sup>17</sup> CECOP member COCETA indicates that, according to a study made in Spain by Sage-España on SMEs and the self-employed at the end of 2011, states that If we had to highlight some conclusions, these would be about a general situation of pessimism, which is more evident than last year. The key priority for over 80% of SMEs in 2011 is to survive. See Sage (2011), *Radiografía de la pyme en España*, available on <http://blog.sage.es>, p. 5

<sup>18</sup> CECOP member UCCECOM indicates that Romania has registered a steady growth period, starting with the fourth quarter of 2010 and that statistics forecast an economic growth of around 2.5% for 2011. In the first nine months of 2011 GDP in Romania has increased by 2.7%

<sup>19</sup> European Commission (2011), *Employment and Social Developments in Europe*, available on [www.ec.europa.eu](http://www.ec.europa.eu), p. 18

<sup>20</sup> Ibidem, pp. 43-46

<sup>21</sup> Claudia Sanchez Bajo and Bruno Roelants (2011), *Capital and the Debt Trap. Learning from cooperatives in the global crisis*; Basinstoke: Palgrave Macmillan, Chapter 9 "The mother of all warnings"

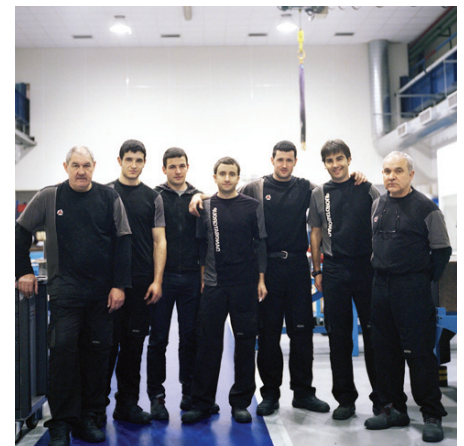
Indeed, the global economic crisis is calling for changes in development models and values that need to be translated into effective institutional practices and policies. In times of a protracted crisis, there is an urgent need to avoid measures taken under a short-term view that end up deepening the causes that brought about the crisis in the first place. There is the need to promote innovative and socially responsible strategies of change and transition, transforming the present path of an "accidental" vision of restructuring into a more "structural" one, in which costs are fairly shared by all, debated and understood, with information available in advance, so as to create the conditions for saving and generating local economic activity and jobs in a sustainable, long-term and legitimate manner.

## 2. A GLIMPSE AT THE OVERALL SITUATION OF COOPERATIVES

According to the International Co-operative Alliance, cooperative members amount to approximately 1 billion people in 96 countries. Even by a very conservative estimate which takes into account double counting (many people being members of more than one cooperative), it can be safely estimated that at least 650 million persons in the world are members of one or more cooperatives, amounting to around 15% of the world's adult population<sup>22</sup>. Cooperatives in the 10 biggest world economies make up an average of almost 5% of the GDP of this group of countries, amounting to almost the GDP of Italy, the world's 7th economy<sup>23</sup>.

In Europe, cooperatives directly employ 4.7 million persons. In France, 21,000 cooperatives provide over 1 million jobs representing 3.5% of the active working population<sup>24</sup>. In Italy<sup>25</sup>, according to the Italian Cooperative Alliance (Confcooperative, Legacoop and AGCI), there are 43,000 cooperatives (of all types) employing 1.2 million workers, co-owned by 12 million members, and generating an aggregate turnover of 127 billion euros<sup>26</sup>. In Spain, cooperatives and worker-owned companies ("Sociedades Laborales") provided 335,000 jobs in the first quarter of 2012<sup>27</sup>.

Cooperatives (mainly worker and social cooperatives) and "Sociedades Laborales" active in industry and services are around 50,000 enterprises at the European level among CECOP-CICOPA Europe members, employing around 1.3 million workers, most being worker-members.



<sup>22</sup> Claudia Sanchez Bajo and Bruno Roelants (2011), *Capital and the Debt Trap. Learning from cooperatives in the global crisis*, Basinstoke: Palgrave Macmillan, p. 108

<sup>23</sup> Ibidem, p. 106

<sup>24</sup> Coop FR, *Top 100 des Entreprises Coopératives et panorama sectoriel*. Édition 2010, available on [www.entreprises.coop](http://www.entreprises.coop)

<sup>25</sup> In Italy, despite the importance of the cooperative movement, there is still a lack of official statistical information. Nevertheless, beyond the data elaborated inside the national cooperative movement there are various sources of administrative nature: among these, there are the Ministerial Cooperative Societies Register (established in 2004) and the data published by Unioncamere (which go up to 2005). Unioncamere does not make specific reference to cooperatives but rather to "other forms of cooperatives"; however, since there are far more cooperatives and cooperative consortia included in this category then the aggregate figure given by Unioncamere represents a good estimate. See Zevi A. et al. (2011), *Beyond the Crisis: Cooperatives, Work, Finance - Generating Wealth for the Long Term*, CECOP Publications: Brussels, p. 31

<sup>26</sup> See [www.vita.it](http://www.vita.it). According to the recent report Euricse, in 2008 there were 71.578 active cooperatives (about 7.5% of all companies) with a total turnover of over 108 billion euro, representing 3.5% of the production value among private Italian firms (not counting the Cooperative Banks and including cooperative Consortia). See Euricse (2011), *La cooperazione in Italia - 1st Rapporto Euricse*, available on [www.euricse.eu](http://www.euricse.eu)

<sup>27</sup> Ministerio de Empleo y de Seguridad Social (2012), *Avance - Resumen Situación empresas de economía social y sus trabajadores en situación de alta en la seguridad social*, p. 1, available on [www.empleo.gob.es](http://www.empleo.gob.es)

### 3. THE RESILIENCE OF COOPERATIVES IN TIMES OF CRISIS

Recent studies and articles have argued that cooperatives in their various sectors and typologies appear to be showing **stronger resilience in times of crisis compared to conventional enterprises**. For example, in the EU banking sector (where cooperative banks represent about 20% in terms of the market share of deposits), no cooperative bank has failed so far, while cooperative banks continue to finance around 29% of SMEs<sup>28</sup>. According to the ILO, even in the current context of recession, an increase of cooperative start-ups has been noticed: in fact, many people interested in creating an enterprise are choosing the cooperative model in order to respond to new economic realities<sup>29</sup>.

Since 2009 CECOP-CICOPA Europe has been annually analysing the impact of the crisis among the cooperative enterprises active in industry and services affiliated to its national member federations. The main items analysed in the survey are the economic and the employment situation (the impact of the crisis on production, employment and enterprise closures), financial conditions (credit solvency, liquidity and debt problems), measures adopted by cooperatives or cooperative federations in order to adapt to the situation and future expectations in terms of governmental and European measures that could help cooperatives overcome the economic crisis. What comes out of these successive annual surveys is that, despite the important difficulties caused by the economic crisis and its consequences to CECOP-CICOPA Europe members, worker and social cooperatives seem to be more resilient than conventional enterprises of similar size, active in the same sectors and present in the same communities and regions.

#### 3.1. The economic situation of the enterprises

The four successive CECOP-CICOPA Europe surveys, covering the period 2008-2011, indicate a general downturn in production and sales among affiliated cooperatives, affecting mainly construction, manufacturing, transports and logistics. In the second wave of the crisis (from late 2011), the most persistent problems affect the construction sector, as reported by members in Italy (ANCPL)<sup>30</sup>, the Czech Republic, France and Slovakia. Late payments from public authorities, reported mainly by Italian and Spanish members, are also one of the biggest problem affecting cooperatives that have regular partnerships with public authorities. In Nordic countries, such as Sweden and Finland, the crisis is not affecting cooperatives so strongly, in as much as the number of cooperatives is gradually increasing and, in general, the rate of start-ups among cooperatives is higher than for other types of start-ups.

Some recovery signs have been registered between the end of 2010 and the beginning of 2011 in France<sup>31</sup>, Spain and the Czech Republic<sup>32</sup>. CG Scop (France) reports recovery signs during 2010 in industry (+7%), services and transport (+2%), and trade (+4%). COCETA (Spain) has reported a slow decrease in the number of worker cooperatives, but still lower compared to conventional enterprises<sup>33</sup>.

"COOPERATIVES HAVE BEEN INNOVATIVE IN TIME OF CRISIS"

Laszlo Andor,  
EC Employment  
Social Affairs and Inclusion

"WHILE THE CREATION OF ENTERPRISES (MICRO-ENTERPRISES INCLUDED) HAS DROPPED BY 11.6% IN 2011, ACCORDING TO INSEE, COOPERATIVES DISPLAY A HEALTHY, ALMOST DEFIANT STATE, WITH REGARD TO THE DETERIORATION IN THE ECONOMIC CONTEXT OBSERVED SINCE AUTUMN 2008"

La Tribune (17/01/2012)

<sup>28</sup> EACB (2010), *European Cooperative banks in the financial and economic turmoil - first assessment*, available on [www.eurocoopbanks.coop](http://www.eurocoopbanks.coop), p. 8

<sup>29</sup> Ibidem, p. 2

<sup>30</sup> ANCPL (Italy) reports a worsening of the situation for cooperatives in industry in 2011. However cooperatives in industry that have presented recovery signs in 2010 are still improving in 2011. The situation for construction cooperatives is worse than in 2011

<sup>31</sup> CG Scop (France) reports recovery signs in some sectors during 2010 (industry +7%; services and transport +2%, trade +4%) while the construction sector registers a decrease in turnover of -3%

<sup>32</sup> Excepting the construction sector in the case of Czech Republic. Poland registered an opposite trend reporting that the worst period was from 2010 to the beginning of 2011

<sup>33</sup> COCETA (Spain) indicates a 2.5% decrease in the number of worker cooperatives in 2011, significantly below the percentage of 14.73% relating to the decrease of conventional enterprises (mostly SMEs)



Generally speaking, most members complain about the persistence of the effects of the crisis and the consequent gradual weakening of cooperatives. The latter also suffer from such consequences of the crisis as the increasing costs of raw materials, a decrease in domestic demand for goods and services (Italy), and large contractors' bankruptcies (Denmark).

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. However, 2012 is expected to be worse due to the welfare system, cuts in family incomes and wages, and increasing taxes<sup>34</sup>.

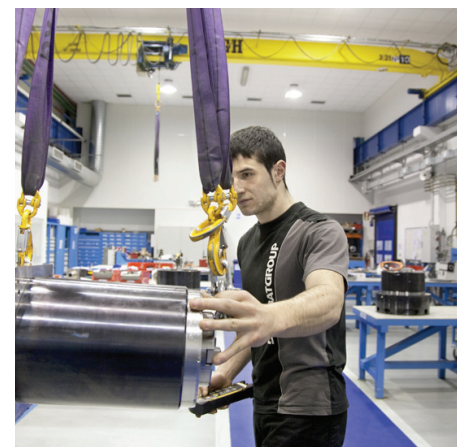
Overall, CECOP-CICOPA Europe's annual surveys point out that compared to conventional enterprises, worker and social cooperatives are more resilient in countries with a strong level of cooperative implantation and experience such as Spain, France and in some sectors in Italy. Some job losses and failures have been registered in Bulgaria and Slovakia in 2011 but, in spite of the ongoing crisis and the consequent increasing difficulties experienced by members, most of them have confirmed a general stability in terms of employment rate and enterprise viability, even with improvements in some countries. In France, closures and job losses have decreased in 2010. According to Federlavoro (Italy), in 2011 68.3% of cooperatives kept the same level of employment and 18% reported an employment growth, while 12.9% of cooperatives faced job contraction. COCETA (Spain) reported 13,336 new jobs in the service sector in 2011.

### 3.2. Credit solvency, liquidity and debt problems

Members report a **general unfavourable attitude from banking institutions**, which is not very different compared to other types of enterprises: SMEs generally suffer from a very limited access to credit. Italian<sup>35</sup> and Spanish members have reported a worsening of the situation in terms of late payments from public authorities. In turn, no consensus among CECOP-CICOPA Europe members was observed concerning the level of indebtedness, although the prevalently reported trend seems to be that cooperatives are less indebted than the average of enterprises. Furthermore, it was observed that specific cooperative financial institutions and instruments, developed inside the worker and social cooperative movements, are providing support and solutions for the development of cooperatives, which could not be found otherwise.

### 3.3. Future expectations

In the first consultation on the crisis carried out by CECOP-CICOPA Europe in 2009, almost all members expected a worsening of the economic situation. In 2010, this perception had become even stronger. However, within the 2011 survey, the situation among members appeared to have become more heterogeneous: members in Italy, Spain and France were expecting a similar or slightly improved situation compared to 2010, whereas members in Central and Eastern European countries generally expected a worsening of the situation. Even though they enjoyed overall stability in employment and turnover in 2011 (with some cases of recovery, mostly in France). CECOP-CICOPA Europe members generally expect the situation to be worse in the future, stressed by recent austerity programmes.



<sup>34</sup> Data from Elabora Centro Studi Confcooperative, available on [www.federsolidarieta.confcooperative.it](http://www.federsolidarieta.confcooperative.it)

<sup>35</sup> 66.7% of cooperatives affiliated to Federlavoro complain about a growth of interest rates in 2011; 11.5% of cooperatives which requested a loan did not obtain one

### 3.4. Measures put in place to overcome the crisis

In order to resist the crisis and better adapt to its consequences, two levels of complementary measures have been put in place by worker and social cooperatives<sup>36</sup>: short-term "emergency" measures (like reduction of costs and working hours/wages, use of reserves, subcontracting, changes in production, training etc.) on one side and long-term measures (investment in training for workers, technological innovation, product changes etc.), on the other. The specific governance model of these enterprises has allowed them to take adequate decisions, sometimes very quickly, in order to save jobs or the activity of the enterprise (e.g. reductions in working hours, change and modernisation of products). In the 2012 survey, members have shared their concerns that those measures could be weakened and have a less beneficial impact if the crisis persists and if those measures are not followed by effective institutional policies. The surveys also highlighted other type of measures planned and carried out by CECOP-CICOPA Europe members, in order to limit job losses and enterprise closures: promotion of partnerships and improvement of trade networks to obtain a higher level of competitiveness on the market; creation and development of financial instruments; improvement of training and capacity building; supporting access to governmental and EU programmes.

## 4. COOPERATIVES: MAIN CHARACTERISTICS

In order to understand the hypotheses which we will formulate in the next section regarding possible cooperative-specific factors of resilience to crises, it is necessary to first summarize some basic characteristics of cooperatives in general and of worker and social cooperatives in particular. These will be analysed in more depth in Chapter 3, in connection to the qualitative analysis of cooperative examples of resilience.

According to the international definition and operational principles approved by the cooperative movement at the global level in the **"Statement on the Cooperative Identity"** and enshrined in ILO Recommendation 193 on the Promotion of Cooperatives (through a vote which involved the majority of the governments of the world including all governments of the present EU member states, as well as trade union organizations and employers' organizations from around the world)<sup>37</sup>, a key concept in the cooperative model of corporate governance is that of joint ownership and democratic control: in all cooperatives, the internal democratic control is based on the principle of **"one member, one vote"** whatever the share of capital held by the respective workers may be.

Another central concept is the one of stakeholder: being key stakeholders in a given community (producers, consumers, users, workers etc), cooperative members logically tend to opt for enterprise strategies which respond to the local community needs which the cooperative aims to satisfy (maintain and create jobs, develop production, find a house, obtain credit etc.)<sup>38</sup>.

<sup>36</sup> Different measures potentially taken by members are not to be considered as unchanging and can sensibly vary according to the different contexts

<sup>37</sup> See [www.ilo.org](http://www.ilo.org)

<sup>38</sup> Among those, the following are worthy of mention: consumer cooperatives, producer cooperatives, worker cooperatives, social cooperatives, financial cooperatives (cooperative banks, insurance cooperatives, and credit unions), housing cooperatives and utility cooperatives (water, electricity, telephone). In worker cooperatives and social cooperatives, the active participation of the enterprise staff in the enterprise strategy and management, impacts substantially on labour relations and, indirectly, on territorial development



Furthermore, cooperatives have internal financial rules by which they have a high tendency to accumulate capital, both under the form of nominal and non-transferable cooperative shares, and of common reserve funds.

Two other complementary key concepts are **cooperation among cooperatives and the concern for the surrounding community**. This reflects a dimension that goes beyond the creation and development of individual enterprises and, thus, transcends the micro dimension towards a more "meso" one. This dimension finds its implementation *inter alia* in the establishment of alliances, networks, promoting organisations, federations, groups, consortia etc., which we will examine in more depth in Chapter 3.

Among the various typologies of cooperatives, worker and social cooperatives are characterized by worker ownership, namely the fact that they are owned and controlled by their employees. Other types of enterprises, such as the Spanish "Sociedades Laborales" (workers companies) share the same feature.

⇒ **Worker cooperatives'** key mission is to create and maintain sustainable jobs, in a strong local development and wealth generation perspective<sup>39</sup>. Their members are the employees of the enterprise, who thus jointly decide on the major entrepreneurial decisions and elect and appoint their own leaders (boards of directors, managers, etc.). They also decide on how to share the profit with a twofold aim: a) to provide a fair remuneration, in the form of returns based on the work done (in fact an adjustment of the price of remuneration), and b) to consolidate the enterprise and its jobs over the long term by building reserves. Finally, the cooperative spirit promotes employees' information and training, a prerequisite to develop the autonomy, motivation, responsibility and accountability required in an economic world which has become increasingly insecure.

⇒ **Social cooperatives** have a primary and direct general interest mission. They are specialised in the provision of social, health, educational or environmental services or in the reintegration of disadvantaged and marginalised workers (disabled, long-term unemployed, former detainees, addicts, etc.), or both<sup>40</sup>. Social cooperatives first emerged in Italy but today they can be found in various EU countries, often regulated by specific national laws<sup>41</sup>. Most of them are owned totally or at least partly by their workers (and thus also strive to generate sustainable jobs, just like worker cooperatives), while offering the possibility or even making it compulsory (according to the national laws) to involve other types of members (service users, public authorities, voluntary workers, etc.).

⇒ **Other types of enterprises owned by their workers**, such as the Spanish "Sociedades Laborales", share with worker and social cooperatives the central feature of being constituted of worker-members, and thus likewise lay a strong emphasis on generating sustainable employment.



<sup>39</sup> CICOPA (2005), *World Declaration on Worker Cooperatives*, available on [www.cicopa.coop](http://www.cicopa.coop)

<sup>40</sup> CICOPA (2011), *World Standards of Social Cooperatives*, available on [www.cicopa.coop](http://www.cicopa.coop)

<sup>41</sup> Social cooperatives (Italy, Poland, Greece, Hungary), Collective interest cooperative societies (SCIC) in France, social initiative cooperative in Spain, social solidarity cooperative in Portugal

## 5. HYPOTHESES CONCERNING COOPERATIVE-SPECIFIC EFFECTS

According to the responses obtained in the successive annual surveys conducted by CECOP-CICOPA Europe members generally attribute the cooperative resilience to the following elements, which are linked to the cooperative characteristics which we briefly saw in the previous section: participation of members in the management of the cooperative, the build-up of reserve funds, the connection with territorial needs and the participation of the community, the capacity to organise and follow-up business transfers to employees, mutual aid and horizontal groups and consortia among cooperatives. In particular, the establishment of horizontal groups and consortia is considered by members as being an important instrument to support innovation and competitiveness for small and medium sized worker and social cooperatives: a strong tradition in this sense already exists in countries such as Italy and Spain. However, a more in-depth analysis of the responses to the four successive annual surveys is necessary in order to understand the various situations and contexts across Europe.

By synthesising members' responses to the surveys and by cross-checking possible influences from sectoral and national variations, five tendencies seem to emerge:

- ➔ A first trend is characterized by types of cooperatives which, during the first years of the crisis, suffered less damage compared to cooperatives in other sectors of the economy. This is the trend reported by Federsolidarietà (Italy), the largest federation of social cooperatives in Europe with above 5,500 enterprises. It could be assumed that the sectoral factor is important, as social cooperatives mainly provide social services, which are very often funded by public authorities at local level; however, the overall situation has been gradually worsening in 2011 and 2012, with more public budget cuts. In fact, social cooperatives have had to make important efforts in order to maintain jobs and the provision of social services of general interest alive, despite those cuts. On the other hand, social cooperatives focusing on labour integration of disadvantaged people are generally not dependent on public funding, being involved in the production of a whole array of goods and services like worker cooperatives.
- ➔ Secondly, some members have reported a relatively milder situation among their affiliated cooperatives than the general economic downturn in their countries, such as Spain (COCETA), Italy (Legacoop Servizi), the Czech Republic (SCMVD)<sup>42</sup>. Those members also report few job losses and few cases of enterprise closures.
- ➔ Thirdly, some members report an important level of resilience in terms of maintaining employment while also reporting a general economic downturn in their affiliated cooperatives: this is the case of CG Scop (France), ANCP and AGCI (Italy), NAUWC (Poland), Coop Finland (Finland).
- ➔ Fourthly, some members have been reporting either recovery tendencies three years on, such as Federlavoro e Servizi (Italy) or an improvement of the general situation, as compared to other enterprises, such as Kooperationen (Denmark) and Coompanion (Sweden).

<sup>42</sup> SCMVD even pointed out that in some sectors (such as the car industry) cooperatives increased by 8% in production in 2011 and that they are expecting a small increase and those sectors in 2012 and that the crisis has been caused rather by "generational reasons"

⇒ Finally, some members from Central and Eastern European countries have reported a general downturn including job losses and enterprise closures in their affiliated cooperatives: UCECOM (Romania)<sup>43</sup>, NUWPC (Bulgaria), EstCoop (Estonia), CPS (Slovakia). Although they need to be examined in more depth, those difficulties appear to be linked to both national and sectoral factors, and to the relatively weaker presence of cooperatives and weaker public policies towards cooperatives in those countries.

Examining these five tendencies, it could be hypothesized that some cooperative-specific characteristics enable cooperatives to be more resilient to economic crises beyond national and sectoral factors, even though the above-mentioned first, fourth and fifth groups seem to be highly influenced by such factors.

Then, what kind of cooperative-specific effects could be identified to explain the resilience of cooperatives? Before delving into a more empirical analysis, we could hypothesize that some specific features of the cooperative model of enterprise, which we could summarise as follows, may be playing a role<sup>44</sup>.

### Cooperative-specific effects identified as advantages with respect to the economic crisis

#### 1. Micro level (individual enterprises)

- ⇒ The capacity to mobilize members' participation, mainly enterprise staff
- ⇒ The capacity to mobilize the participation of the wider community (especially, in the cases of social cooperatives)

#### 2. Meso level (mobilisation of mutual aid among cooperatives)

- ⇒ Existence of business support entities (in the field of training, consulting and financing) owned and controlled by the national cooperative movements
- ⇒ Development of horizontal groups/consortia/networks among cooperatives

#### 3. Macro level (favourable environment)

- ⇒ Presence in a substantial part of the economy
- ⇒ The existence of a conducive legal framework, e.g. making indivisible reserves compulsory, establishing non-banking financial instruments, regulating worker and/or social cooperatives and other employee-owned enterprises such as the Spanish "Sociedades Laborales", and defining public policies promoting such enterprise forms

However, given that all individual cooperatives affiliated to CECOP-CICOPA Europe members are founded on the same cooperative values and operational principles and that, according to the results of the successive annual surveys, not all of them are resilient to the crisis in the same fashion, we could hypothesize that cooperative-specific characteristics are particularly effective when micro, meso and macro level characteristics are combined, and that the inherent advantages of the cooperative model at the micro-

<sup>43</sup> It is worth specifying that UCECOM reported that in 2011 only job losses were registered and no enterprise closures

<sup>44</sup> For more information and deeper analysis, see Zevi A. et al. (2011) *Beyond the Crisis: Cooperatives, Work, Finance - Generating Wealth for the Long Term*, Brussels: CECOP Publications and discussion about Cooperative Development Strategy, available on [www.cicopa.coop](http://www.cicopa.coop)

level are not sufficient to overcome the large-scale economic recession in the ongoing crisis: therefore measures at the meso and macro level would be important in order to strengthen the advantages of the cooperative model at micro level.

In the following two chapters, we will engage in an empirical analysis of the resilience of cooperatives compared to conventional enterprises with more detailed quantitative and qualitative data, and try to put our above hypotheses to the test and verify whether they are correct or not.

# CHAPTER 2 quantitative analysis

By Hyungsik Eum

## I. INTRODUCTION

As we saw in Chapter 1, many CECOP-CICOPA Europe members reported that worker and social cooperatives have better resisted the economic crisis. However, can we confirm this statement with empirical evidence? In this chapter, we will examine quantitative data in order to test CECOP-CICOPA Europe members' estimations against empirical data.

Some statistical data provided by CECOP-CICOPA Europe members reflect different situations according to countries and sectors. For example, as reported by Cooperatives UK, the number of all worker cooperatives in the UK rose in the midst of the economic crisis from 373 cooperatives with 1,649 workers in 2007 to 541 cooperatives with 1,940 workers in 2011: at the same time, worker cooperatives in Central and Eastern European countries, which are more dependent on industrial sectors, have suffered from the crisis in losing up to 20-30% of cooperatives and workers. Another situation is exemplified by Legacoop Servizi, one of the the Italian federations of worker cooperatives in the service sectors, which reports a significant amount of enterprise closures, especially in the early stages of the crisis, the aggregate number of workers has remained stable, and recent signs of recovery could be observed.

However, because numbers of worker and social cooperatives in many countries are very small in comparison with the numbers of all types of enterprises in the same country, it is difficult to generalise conclusions resulting only from data from CECOP-CICOPA Europe members. In order to make a more relevant comparison at the macro level, in this chapter, we will examine only Spanish and French cases where numbers of worker and social cooperatives are relatively significant compared to numbers of all enterprises<sup>45</sup>. Although Italy has the largest worker and social cooperative sector in Europe, we have not been able to work on the Italian case because we cannot obtain totally reliable data at the national level for the period of the economic crisis.

<sup>45</sup> In Spain, the number of worker cooperatives was 16,813 in 2011, which represented 1.11% of all Spanish enterprises employing at least one worker. In France, the number of worker cooperatives was 1,803 in 2009, which represented 0.15% of all French enterprises employing at least one worker

## 2. METHODOLOGY AND DATA SOURCES

Due to data availability, we only used data on numbers of enterprises and jobs as indicators, in spite of the limited information that it can provide. Given that our concern is more about the dynamics of enterprises and employment during the economic crisis, rather than about the static situation of each country, we tried to show the degree of change by calculating the growth rate<sup>46</sup>. In comparing the numbers of cooperatives with the numbers of all enterprise types, we only consider the growth rate. Indeed, due to large differences in absolute numbers, comparing sheer numbers does not provide any significant information, whereas a comparison between growth rate changes can illustrate differences in evolution patterns. However, it should be noted that, in comparing worker cooperatives with all enterprises, only two data elements, namely, a) the movement dynamic illustrated by the change of bars in the graphs, and b) the information on the decrease of absolute numbers presented in the figures in the zone under the line "zero" should be considered as meaningful information. This is because, even in Spain and France where worker cooperatives have reached significant numbers, the number of worker cooperatives is still too small to be compared to the one of all types of enterprises, and even a small variation could bring about an over-represented difference in the growth rate.

As data sources, we obtained data on worker cooperatives from the respective national confederations, namely COCETA in Spain and CG Scop in France. Since COCETA regularly receives official data from the Ministry of Employment and Social Security and from regional governments, and since CG Scop is in charge of collecting information from worker cooperatives through mandatory inscription on Ministry list, the data provided by these two national confederations is official and trustworthy.

Concerning the data on all enterprises, we used data from the national statistical institutes of each of the two countries, INE (for numbers of enterprises) and the Ministry of Employment and Social Security (for numbers of jobs) in Spain, and INSEE in France. For a more relevant comparison, we only used data on enterprises which employ more than one employee because self-employed and enterprises without employees cannot be compared with cooperatives: indeed, since this report focuses in great part on employment, data from enterprises without employees are not relevant to the present discussion.

## 3. WORKER COOPERATIVES IN SPAIN

Worker cooperatives, ("cooperativas de trabajo asociado" in Spanish) are a very important part of the overall cooperative movement in Spain. They are regulated by a cooperative law from 1999 at the national level, but also by regional legislation in each Autonomous Region, which is well adapted to regional contexts. COCETA, the Spanish member of CECOP-CICOPA Europe, officially represents all worker cooperatives and comprises 16 Regional Unions and Federations of worker cooperatives, covering almost all Spanish regions.

As shown in Table I, the number of Spanish worker cooperatives increased by 2007 and fell significantly in 2009. However, even though the absolute number has continued to decrease, the speed of the decrease has slowed down, and we thus observe a tendency towards recovery since 2010. In 2011, the total number of Spanish worker cooperatives was 16,813.

<sup>46</sup> The growth rate was calculated by dividing the increase/decrease of numbers in a given year by the numbers of the previous year

In Spanish worker cooperatives, the service sector represents a very important part. Furthermore, its weight has increased during the economic crisis due to a relatively fast decrease in the construction and industry sectors. The development of worker cooperatives in the social service sector also seems to have contributed to this continuous increase, (except in 2010), even during the economic crisis.

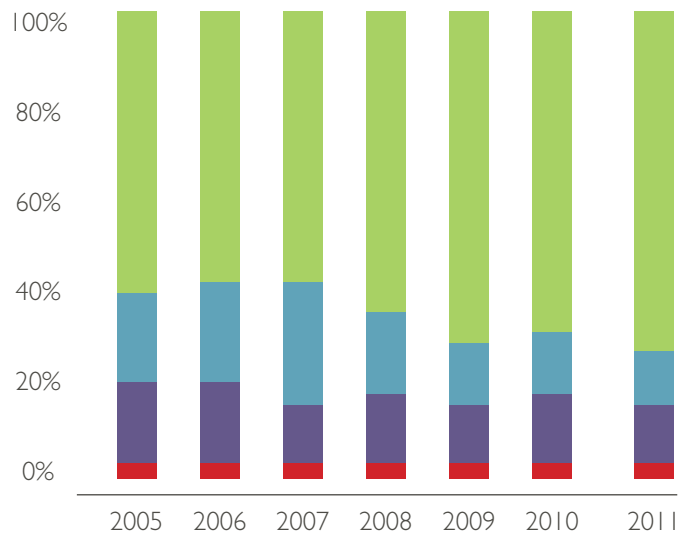
TABLE 1. NUMBER OF SPANISH WORKER COOPERATIVES AND THEIR GROWTH RATE

	2005	2006	2007	2008	2009	2010	2011
<b>total</b>	18,000	18,250	18,961	18,625	17,414	16,979	16,813
<b>growth rate</b>		+1.39%	+3.90%	-1.77%	-6.50%	-2.50%	-0.98%

source: Coceta

GRAPH 1. COMPOSITION RATE  
OF SPANISH WORKER  
COOPERATIVES  
BY SECTOR

service ●  
construction ●  
industry ●  
agriculture ●



based on table 2

TABLE 2. NUMBER OF SPANISH WORKER COOPERATIVES BY SECTOR

	2005	2006	2007	2008	2009	2010	2011
● <b>service</b>	10,782 (59.90%)	10,548 (57.80%)	10,902 (57.50%)	12,013 (64.50%)	12,381 (71.10%)	11,749 (69.20%)	12,206 (72.60%)
● <b>construction</b>	3,438 (19.10%)	3,851 (21.10%)	5,158 (27.20%)	3,427 (18.40%)	2,281 (13.10%)	2,191 (12.90%)	2,152 (12.80%)
● <b>industry</b>	3,258 (18.10%)	3,285 (18%)	2,237 (11.80%)	2,570 (13.80%)	2,299 (13.20%)	2,411 (14.20%)	1,782 (10.60%)
● <b>agriculture</b>	522 (2.90%)	566 (3.10%)	664 (3.50%)	615 (3.30%)	453 (2.60%)	628 (3.70%)	673 (4%)
<b>total</b>	<b>18,000</b>	<b>18,250</b>	<b>18,961</b>	<b>18,625</b>	<b>17,414</b>	<b>16,979</b>	<b>16,813</b>

source: Coceta

Retrieving precise data on the number of workers in Spanish worker cooperatives is complicated due to different regulations applied in different autonomous regions. Therefore, in the official data provided by COCETA, we can only find the number of worker-members, but not the number of non-member workers. COCETA estimates that the overall number of workers, including both worker-members and non-member workers, should be between 10 and 25% higher than that of the data provided.

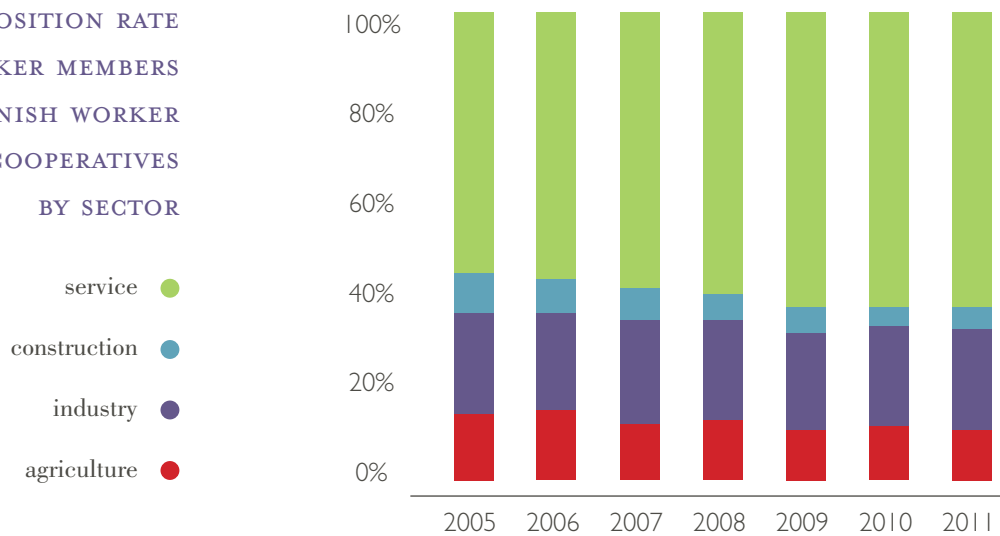
The number of workers in Spanish worker cooperatives significantly decreased in 2008-2009. However, it began increasing from 2010, even though the number of enterprises was slightly decreasing in 2010-2011.

TABLE 3. NUMBER OF WORKER MEMBERS IN SPANISH WORKER COOPERATIVES AND THEIR GROWTH RATE

	2005	2006	2007	2008	2009	2010	2011
<b>total</b>	219,780	222,464	222,279	212,106	193,708	194,034	203,208
<b>growth rate</b>		+1.22%	-0.08%	-4.58%	-8.67%	+0.17%	+4.73%

source: Coceta

GRAPH 2. COMPOSITION RATE OF WORKER MEMBERS IN SPANISH WORKER COOPERATIVES BY SECTOR



based on table 4

The composition rate of worker members by sector shows slightly different characters from that of the number of enterprises. From Graph 2 and Table 4, we can find that the industrial and agricultural sectors represent a more important part of the number of worker members than that of cooperatives. Conversely, a relatively modest number of worker members in the construction sector indicates that they are often small-sized enterprises.



TABLE 4. NUMBER OF WORKER MEMBERS IN SPANISH WORKER COOPERATIVES BY SECTOR

	2005	2006	2007	2008	2009	2010	2011
● service	123,078 (56%)	126,805 (57%)	129,769 (58.38%)	127,445 (60.09%)	122,125 (62.56%)	121,566 (62.56%)	128,788 (63.38%)
● construction	17,582 (8%)	15,572 (7%)	15,636 (7.03%)	11,140 (5.25%)	9,140 (4.38%)	8,502 (4.38%)	7,874 (3.87%)
● industry	50,549 (23%)	48,492 (22%)	49,780 (22.40%)	45,797 (21.59%)	40,977 (21.15%)	41,548 (21.38%)	44,248 (21.77%)
● agriculture	28,571 (13%)	31,145 (14%)	27,094 (12.19%)	27,724 (13.07%)	21,466 (11.08%)	22,418 (11.54%)	22,297 (10.97%)
<b>total</b>	<b>219,780</b>	<b>222,464</b>	<b>222,279</b>	<b>212,106</b>	<b>193,708</b>	<b>194,304</b>	<b>203,208</b>

source: Coceta

#### 4. WORKER COOPERATIVES IN FRANCE

Constituting the third largest worker cooperative movement in Europe below the Italian and Spanish ones, the French worker cooperative ("société coopérative et participative" or SCOP in French) movement has a very long historical tradition and well organized networks. It is regulated by a general cooperative law from 1947 and particularly by a law on the status of worker cooperatives in 1978<sup>47</sup>. CG Scop, CECOP-CICOPA Europe's French member, represents most worker cooperatives (SCOP) and collective interest cooperatives (SCIC, "Société Coopérative d'Intérêt Collectif"), a comparatively new and specific type of social cooperative based on the multi-stakeholder governance model. CG Scop is composed of 13 regional unions and 3 sector federations representing 3 major branches of activity (construction, communication and industry).

Since 2005, the number of French worker cooperatives has been increasing continuously. Although numbers stagnate in 2008-2009, we can observe signs of accelerated recovery in recent years. This pattern is found in the number of workers as well. In 2011, there were 1,902 worker cooperatives in France.

TABLE 5. NUMBER OF FRENCH WORKER COOPERATIVES AND THEIR GROWTH RATE

	2005	2006 <sup>48</sup>	2007	2008	2009	2010	2011
<b>total</b>	1,612	1,661	1,744	1,804	1,803	1,822	1,902
<b>growth rate</b>	+4.68%	+3.04%	+5%	+3.44%	-0.06%	+1.05%	+4.39%

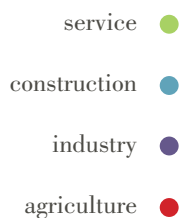
source: CG Scop

<sup>47</sup> Loi n°78-763 du 19 juillet 1978 portant statut des sociétés coopératives ouvrières de production, in French

<sup>48</sup> Owing to a technical reasons at CG Scop, we had to adjust the data in 2006 by averaging the original data in 2006 and 2007. By doing so, although the number is not correct in itself, it provides a more realistic trajectory of the increased rate, which is more important for our comparison with data of all enterprises later in this chapter. This issue is same in the case of the number of jobs in Table 7. However, in the case of the composition rate by sectors, where the trajectory is not important, we did not modify the figures

As in the Spanish case but to a lesser extent, the service sector is the most important one among French worker cooperatives. As shown in Graph 3 and Table 6, the significance of the service sector has continued to grow during the economic crisis. Given that the number of cooperatives in the industry and construction sectors has remained relatively stable, we can observe that the constant increase has been driven by the development of the service sector:

**GRAPH 3. COMPOSITION RATE  
OF FRENCH WORKER  
COOPERATIVES  
BY SECTOR**



based on table 6

**TABLE 6. NUMBER OF FRENCH WORKER COOPERATIVES BY SECTOR**

	2005	2006	2007	2008	2009	2010
● service	818 (50.74%)	814 (51.58%)	926 (53.10%)	988 (54.77%)	1,008 (55.91%)	1,048 (57.52%)
● construction	430 (26.67%)	418 (26.49%)	443 (25.40%)	442 (24.50%)	422 (23.41%)	420 (23.05%)
● industry	347 (21.53%)	335 (21.23%)	360 (20.64%)	358 (19.84%)	355 (19.69%)	338 (18.55%)
● agriculture	8 (0.50%)	7 (0.44%)	13 (0.75%)	16 (0.89%)	18 (1%)	16 (0.88%)
<b>total</b>	<b>1,612</b>	<b>1,578</b>	<b>1,744</b>	<b>1,804</b>	<b>1,803</b>	<b>1,822</b>

source: CG Scop

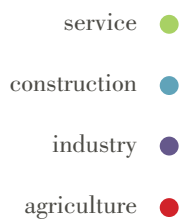
In the case of France, the number of workers indicates all employees including members and non members. The increase in the number of workers in French worker cooperatives had been constant until 2008, and after a decrease in 2009, it stabilized at around 40,000 with slight increases every year. The composition rate is almost the same as that of the number of cooperatives.

TABLE 7. NUMBER OF WORKERS IN FRENCH WORKER COOPERATIVES AND THEIR EVOLUTION

	2005	2006	2007	2008	2009	2010	2011
<b>total</b>	36,485	38,196	39,772	41,448	40,064	40,138	40,494
<b>growth rate</b>	+3.44%	+4.69%	+4.13%	+4.21%	-3.34%	+0.18%	+0.89%

source: CG Scop

GRAPH 4. COMPOSITION RATE  
OF WORKER  
IN FRENCH WORKER  
COOPERATIVES  
BY SECTOR



based on table 8

TABLE 8. NUMBER OF WORKERS IN FRENCH WORKER COOPERATIVES BY SECTOR

	2005	2006	2007	2008	2009	2010
● service	16,400 (45.03%)	16,822 (45.96%)	18,418 (46.32%)	19,775 (47.71%)	18,975 (47.36%)	20,130 (50.15%)
● construction	10,855 (29.81%)	10,849 (29.64%)	11,588 (29.14%)	11,770 (28.40%)	11,848 (29.57%)	11,179 (27.85%)
● industry	9,091 (24.96%)	8,861 (24.21%)	9,659 (24.29%)	9,677 (23.35%)	9,116 (22.75%)	8,720 (21.73%)
● agriculture	72 (0.20%)	67 (0.18%)	99 (0.25%)	226 (0.55%)	125 (0.31%)	109 (0.27%)
<b>total</b>	<b>36,418</b>	<b>36,599</b>	<b>39,764</b>	<b>41,448</b>	<b>40,064</b>	<b>40,138</b>

source: CG Scop

**5. COMPARISON BETWEEN WORKER COOPERATIVES AND ENTERPRISES IN GENERAL AMIDST THE ECONOMIC CRISIS**

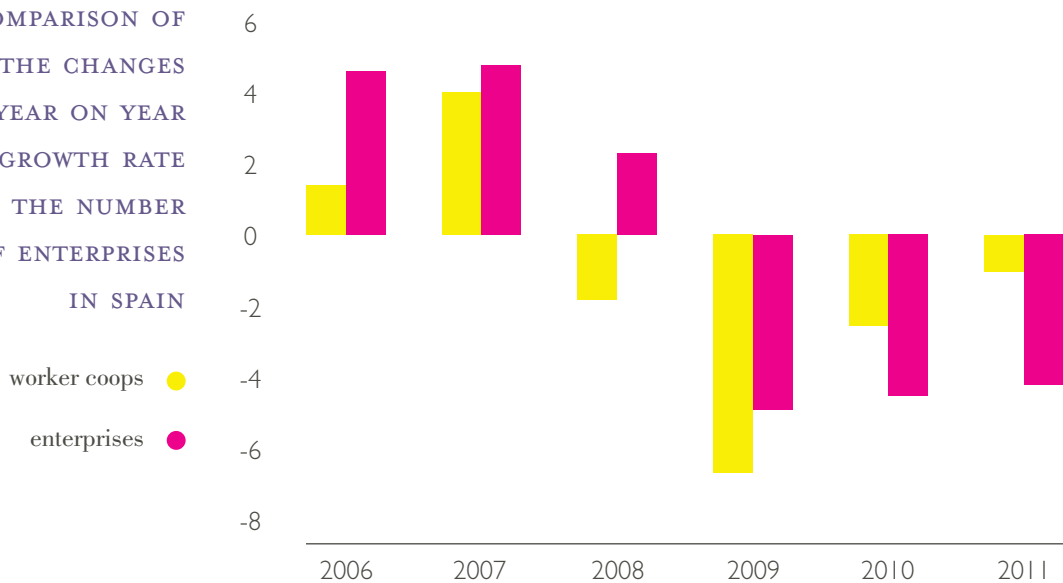
**5.1. Spain**

In Spain, the changes in numbers of enterprises and jobs, both in worker cooperatives and enterprises in general, illustrate similar patterns. In terms of the number of enterprises, after a fall from 2008, worker cooperatives and enterprises in general are still decreasing, in terms of employment. The fall began in 2007 and a deep slump can be observed in 2008-2009.

However, significant differences are found in the recovery speed of worker cooperatives as of 2010. Although the number of cooperatives is still decreasing, their decreasing speed has slowed down in a significant manner compared to that of all types of enterprises. The same pattern can be even more clearly observed in the change of numbers of jobs. Compared to a new decrease in employment in enterprises in general in 2011, worker cooperatives even show an increase in worker-members as of 2010.

Based on these observations, we can state, with all due reserve, that recovery signs can be observed in worker cooperatives in spite of the ongoing stagnant situation of enterprises in general.

**GRAPH 5. COMPARISON OF THE CHANGES YEAR ON YEAR FOR THE GROWTH RATE OF THE NUMBER OF ENTERPRISES IN SPAIN**



*based on table 9*

TABLE 9. COMPARISON OF THE CHANGES YEAR ON YEAR  
FOR THE GROWTH RATE OF THE NUMBER OF ENTERPRISES IN SPAIN

	2006	2007	2008	2009	2010	2011
● worker cooperatives	+1.39%	+3.90%	-1.77%	-6.50%	-2.50%	-0.98%
● enterprises*	+4.53%	+4.69%	+2.29%	-4.77%	-4.48%	-4.09%

\* Agriculture sector excluded. Enterprises which employ more than one worker.  
Calculation based on sources from COCETA for worker cooperatives, from INE for whole enterprises

GRAPH 6. COMPARISON OF  
THE CHANGES  
YEAR ON YEAR  
FOR THE GROWTH RATE  
OF THE NUMBER  
OF WORKERS  
IN SPAIN



based on table 10

TABLE 10. COMPARISON OF THE CHANGES YEAR ON YEAR  
FOR THE GROWTH RATE OF THE NUMBER OF WORKERS IN SPAIN

	2006	2007	2008	2009	2010	2011
● worker cooperatives	+1.22%	-0.08%	-4.58%	-8.67%	+0.17%	+4.73%
● enterprises*	+4.81%	+3.49%	-6.84%	-5.18%	-0.64%	-2.70%

\* Agriculture sector excluded. Enterprises which employ at least more than one worker.  
Calculation based on sources from COCETA for worker cooperatives, from the Ministry of Employment and Social security for whole enterprises

### 5.2. France

By comparing worker cooperatives and enterprises in general in France, we can observe that the changes reflect similar patterns, in spite of the absence of recent data about enterprises in general. Differently from the Spanish case, recovery patterns are also observed in both types of enterprises in a similar way. Generally speaking, we can state that the French economy has been less affected by the economic crisis than the Spanish one and that, as a constituent part of the French economy, worker cooperatives have been following a similar rhythm.

This being said, an interesting point is that the speed of the fall in the number of worker cooperatives was relatively slower than that of enterprises in general. As we can see in Graphs 7 and 8, whereas worker cooperatives suffered from a decrease in the number of enterprises and jobs only in 2009, this decrease occurred one year later than the decrease of enterprises in general and the employment within them. We can hypothesize that the reason for this cushioning effect has to do with healthier governance and financial structures in worker cooperatives. For example, in French worker cooperatives, 40.7% of the annual surplus in 2010 was saved as indivisible reserves imposed by law. As we will see in the next chapter, indivisible reserves, and the existence of a solidarity fund among French worker cooperatives under CG Scop called SOCODEN, can be considered as important instruments to protect cooperatives from financial constraint. This argument seems to be corroborated by Table 13 which illustrates that worker cooperatives are less indebted than conventional enterprises in similar sectors and of similar sizes.

GRAPH 7. COMPARISON OF THE CHANGES YEAR ON YEAR FOR THE GROWTH RATE OF THE NUMBER OF ENTERPRISES IN FRANCE



based on table 11

TABLE 11. COMPARISON OF THE CHANGES YEAR ON YEAR  
FOR THE GROWTH RATE OF THE NUMBER OF ENTERPRISES IN FRANCE

	2006	2007	2008	2009	2010	2011
● worker cooperatives	+3.04%	+5%	+3.44%	-0.06%	+1.05%	+4.39%
● enterprises*	+3.28%	+1.64%	-0.24%	-1.03%	n.d.	n.d.

\* Agriculture sector excluded. Enterprises which employ at least more than one worker.  
Calculation based on data from CG Scop for worker cooperatives, from INSEE for whole enterprises

GRAPH 8. COMPARISON OF  
THE CHANGES  
YEAR ON YEAR  
FOR THE GROWTH RATE  
OF THE NUMBER  
OF WORKERS  
IN FRANCE



based on table 12

TABLE 12. COMPARISON OF THE CHANGES YEAR ON YEAR  
FOR THE GROWTH RATE OF THE NUMBER OF WORKERS IN FRANCE

	2006	2007	2008	2009	2010	2011
● worker cooperatives	+4.69%	+4.13%	+4.21%	-3.34%	+0.18%	+0.89%
● enterprises*	+1.24%	+1.41%	-0.68%	0.93%	+0.48%	n.d.

\* Agriculture sector included. Enterprises which employ at least more than one worker.  
Calculation based on data from CG Scop for worker cooperatives, from INSEE for all French enterprises

**TABLE 13. DEBT RATIO OF FRENCH WORKER COOPERATIVES AND FRENCH NON-FINANCIAL ENTERPRISES BETWEEN 2007 AND 2010 (DEBT TO EQUITY)**

		2007	2008	2009	2010
<i>general</i>	worker cooperatives	41.15%	42.53%	44.30%	46.55%
	non-financial enterprises	71.30%	78.80%	79.90%	74.40%
<i>SMEs</i>	worker cooperative SMEs	41.84%	42.25%	43.65%	43.45%
	non-financial SME enterprises	86.80%	89.30%	89.60%	83.70%
<i>industry sector</i>	worker cooperatives in the industry sector	28.18%	30.55%	29.30%	30.75%
	non-financial enterprises in the industry sector	58.50%	64.40%	64.70%	58.30%

Source : CG Scop

In the French case, another interesting indicator is the different modalities for establishing worker cooperatives. As we can see in Table 14, 20% of worker cooperatives have been transformed from conventional enterprises into cooperatives during 2008-2011, which would otherwise have closed down leading to a substantial destruction of jobs, if their workers had not decided to transform their enterprises into cooperatives. In the case of the transmission from healthy enterprises, most of the enterprises were sold to employees by owners who could not find successors.

**TABLE 14. CREATION OF (AFFILIATED) COOPERATIVES BETWEEN 2008 AND 2011**

	Percentage in creations (2008-2011)
Creation ex nihilo	68.2%
Transmissions from healthy enterprises	12.7%
Worker buy out of enterprises in difficulty	7.3%
Transformations from associations	10.4%
Transformations from cooperatives	0.9%
Origin unknown	0.4%
<b>Total creations of worker cooperatives and collective interest cooperatives</b>	<b>100%</b>

source: CG Scop



## CONCLUSION

Although a fundamental limit of this analysis is that it could not cover all CECOP-CICOPA Europe members and not even the Italian case, (the first country in Europe in terms of the number of worker and social cooperatives), we have been able to identify interesting observations from Spanish and French worker cooperatives.

First of all, **the economic crisis has not spared worker cooperatives**. Taken as a whole, they have suffered problems almost to the same degree as other enterprises. We have observed a change in the composition of worker cooperatives according to their sector; and we can thus conclude that the economic crisis has brought about or has accelerated structural change among sectors. In general, the construction and industry sectors have decreased; nevertheless, an increase in the service sector has replaced this loss.

We can, however, also conclude that **worker cooperatives have showed slightly different patterns during the economic crisis from that of enterprises in general**.

In Spain, variations in numbers of worker cooperatives and of enterprises in general were similar until 2009 with a rapid fall in the number of enterprises and jobs. But, since 2010, worker cooperatives have showed a slowdown in the decrease in both indicators, and, moreover, a net increase in employment.

In France, where the effects of the economic crisis seem to be less severe than in Spain, after a level of stagnancy between 2007 and 2009, both worker cooperatives and enterprises in general have showed a tendency towards recovery. However, two points should be noted. Firstly, in spite of the slow rate of the increase, worker cooperatives never decreased in terms of the number of enterprises and jobs, except for a slight decrease in employment in 2009 only. Secondly, the slowdown in the increase, or zero increase in the worst situation, occurred one year later than in other types of enterprises.

These observations from Spanish and French experiences seem to allow us to state that worker cooperatives and social cooperatives (which are included in the count of worker cooperatives in both countries) have been more resilient than conventional enterprises during the economic crisis. Which factors characterizing worker and social cooperatives have enabled cooperatives to show these different dynamics? We will explore various cases and factors of resilience in the next chapter.

# CHAPTER 3 qualitative analysis

By Elisa Terrasi

## I. INTRODUCTION

As we saw in Chapter 1, since the global crisis struck in 2008, CECOP-CICOPA Europe national member 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. In Chapter 2, we focused on quantitative analysis in two countries (France and Spain) where national statistical data were sufficiently complete and undisputable. In this chapter, we will engage in qualitative analysis by examining specific cases of resilience to the crisis, and we will try to explain such resilience through various characteristics of cooperatives, having to do both with their internal functioning (democratic decision making, economic control by members, cooperative reserves etc.) and with the various modalities of cooperation among them.

We will try to probe into the factors explaining such resilience through a cross-analysis of the operational principles that are at the core of the cooperative identity, together with empirical evidence. For methodological convenience, we will regroup these factors according to three different levels of analysis:

- ⇒ **Micro-level:** the measures put in place inside cooperative enterprises in the fields of governance, education and training, capital management etc.
- ⇒ **Meso-level:** the cooperation among cooperatives at the local, regional and national level, through the creation of business support institutions, groups, consortia, federations etc.
- ⇒ **Macro-level:** the public policies and legislative framework enabling the development of cooperatives and international cooperation among cooperatives and cooperative federations.

The above are simple analytic categories. In reality, the micro, meso and macro-levels are closely intertwined.

## 2. MICRO LEVEL INTERNAL MEASURES PUT IN PLACE BY COOPERATIVES

### 2.1. Democratic control

The identity and rationality of cooperatives are contained in their definition and operational principles that are, as we saw in Chapter 1, part of the world cooperative standards approved by cooperative organisations from around the world within the framework of the International Cooperative Alliance (ICA) and eventually recognized internationally by governments, trade unions and employers' organisations through the adoption of ILO Recommendation 193 on the Promotion of Cooperatives.

The international definition stipulates that a cooperative is "an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and

aspirations through a jointly-owned and democratically-controlled enterprise"<sup>49</sup>. It follows, from the above definition, that **cooperatives are fully-fledged private enterprises in which the member-based component ("association of persons") prevails over the entrepreneurial one, which is instrumental ("through a[n] ... enterprise")**.

At the same time, these two components are complementary: being an association of persons (and not of capital) guarantees that the satisfaction of the economic, social and cultural needs and aspirations of the cooperative members are implemented through democratic control by the same members, who actively participate in enterprise governance and management through equal voting rights (2<sup>nd</sup> cooperative principle). It should also be underlined that cooperative members are usually key stakeholders in local communities, such as workers, producers, consumers, users of services; inhabitants etc. and that cooperatives are committed to explicitly contributing to the sustainable development of the community (7<sup>th</sup> cooperative principle)<sup>50</sup>.

In the case of worker-members (whom we find in both worker and social cooperatives), the practice of democratic control and joint ownership has a special significance in terms of member involvement: democratic control by enterprise staff, expressed by equal voting rights (one-member-one-vote, not one-share-one-vote), implies that negotiations on business strategies take place among the enterprise staff themselves, something which inevitably has a deep impact on business management, on production and processes, and on the capacity to anticipate change. In a period of crisis, this characteristic can lead to very rapid decisions, both conjunctural ones (such as the reduction of costs) and more structural ones. The more the worker-members are well informed and well trained to take common decisions, the better they will be able to face the challenges of a crisis through rapid, appropriate and legitimate decision-making, with a very rapid rate of implementation in the enterprise processes, since the decision makers are the same as the implementers.

The cooperative governance model applied to worker-members is well exemplified by the French worker cooperative **Alma**, one of Europe's leading enterprises in computing activities such as design software and cutting sheet metal. Based in Saint-Martin d'Herès, close to the city of Grenoble, the cooperative was founded in 1979 by university researchers and is 100% owned by its 78 employees. The activities are divided into different departments with a strong operational autonomy, which are small dynamic teams led by a manager appointed by the Executive Committee and validated by two-thirds of the employees of the department. The cooperative members have singled out this democratic system of organisation as one of the main pillars of the competitiveness of the enterprise<sup>51</sup> during the crisis. In fact, the enterprise growth has gone on unabated in the middle of the crisis, with a consolidated annual turnover of 10.4 million euros, and a surplus growing at above 15% on the average over the last 5 years.

Over the last few years, CECOP-CICOPA Europe has registered several examples of dynamism among its members in terms of democratically elaborating and approving solutions specifically designed to survive the crisis, usually characterized by both short-term and long-term measures aimed at the stability of the enterprise within its community, which means limiting job losses and enterprise closures.

"IF WE HAD TO EXPRESS IN ONLY ONE WORD THE MOST POSITIVE CONTRIBUTION OF COOPERATIVE ENTERPRISES TO OVERALL DEVELOPMENT IN OUR PRESENT HISTORICAL CONJUNCTURE, WE WOULD SAY, WITHOUT ANY HESITATION: PEOPLE"

José María Arizmendiarieta,  
founder of MONDRAGON



<sup>49</sup> See [www.ica.coop](http://www.ica.coop)

<sup>50</sup> The social dimension of cooperatives, which has been recognized by Italian and Portuguese constitutions, is particularly clear in the case of social and worker cooperatives: worker cooperatives create and maintain jobs; on the other hand, the most distinctive characteristic of social cooperatives is that they explicitly define a general interest mission as their primary purpose and carry out this mission directly in the production of goods and services of general interest and work integration for vulnerable groups

<sup>51</sup> GESCOP Poitou-Charente (2011), *Quand les SCOP partagent leurs pratiques*, available on [www.les-scop.coop](http://www.les-scop.coop)

To give an example of short-term money-saving measures, at the end of 2011 the members of the Romanian cooperative **Colin Daily Bucarest** (food industry) agreed, for a limited period of time, on the voluntary reduction of wages, a halt in pay rises and indemnity payments for administrative staff, as well as of meal vouchers that had been granted to all staff. This choice was the result of a common analysis aimed at maintaining the cash-flow needed for the viability of the enterprise: "In their dual role, first as members sharing capital, secondly as wage-earners of their own enterprise, the cooperative members have applied all possible measures needed to overcome the crisis"<sup>52</sup>. Measures such as a temporary reduction of wages have been largely reported by CECOP-CICOPA Europe members since the beginning of the crisis: for example, CECOP-CICOPA Europe's Polish member **NAUWC** indicates that a number of cooperatives cut wages temporarily by 10-25% and, in some cases, the number of working days was reduced from five to four<sup>53</sup>. In all cases, these democratically-approved measures are only temporary and exceptional. They are normally taken when the only other option left is to lay off part of the workforce or to close down the business. Apart from their effect on job maintenance, such measures are particularly meaningful in terms of adaptation of an economic activity to periods of crisis and the safeguarding of know-how in the enterprise in spite of the crisis. Indeed, they allow the enterprise to resume production after a slump as soon as the industry recovers from its blocked situation and orders start coming in again. Since they are decided democratically, they entail a high level of legitimacy, and therefore efficiency, since they will normally be implemented without controversy.

⇒ *An example drawn from the documentary film "Together"*



### Poland Muszynianka cooperative

#### *A succesful cooperative evolution*

Muszynianka is a worker cooperative located in Krynica-Zdrój in the Muszyna region, near the Polish border with Slovakia. The region is rich in mineral water and characterized mostly by the tourism industry and the offer of health services. Like other regions in Central and Eastern Europe, it has experienced a huge restructuring process, due to the change from a planned economy to a market one, and to the profound economic adaptation needed to enter the EU. Cooperatives, which had been established during or before communism, have been strongly affected by this change. In addition to that, they have been wrongly branded as being a remnant of communism.

The cooperative was created in 1951, during the communist era, as a service cooperative by the initiative of 10 members and through the support of local authorities. At the beginning they provided services (e.g. hairdressing, printing,



<sup>52</sup> UCECOM (Romania): from the 2012 CECOP-CICOPA Europe consultation on the crisis

<sup>53</sup> According to NAUWC, Polish workers cooperatives decided to 1) reduce their amount production during 2010 to avoid stocks of products; 2) decrease employees' salaries temporarily by 10-25%, during that time; 3) increase the services provided. Services cooperatives (as medical ones) increased the provision of services. They have decided not to increase the price of their services, when conventional enterprises have increased, so more people are coming to cooperatives as customers

shoemaking, tailoring) and then started to produce sweets, meat, water and other products. Nowadays, 96% of production is mineral water, mainly for the national market. Exports are secondary (0.6% of the total production). The cooperative counts 66 workers, out of whom 52 are members.

After 1989, with the end of the planned-economy regime, the Board and the Supervisory Board decided to change the production of the cooperative. "The year 1989 was not favourable to the cooperative movement because the economic transformation caused problems for the cooperatives to adjust to the new market conditions. Cooperatives were usually small, with a poor financial situation, in need of qualified workers and indebted because of high interest rates. Unfortunately, some cooperatives did not manage to adjust to the market changes and had to be closed down or sold out", remembers Maria Janas, the President of the cooperative. Instead, Muszynianka went through this difficult period adapting itself to the enormous changes that took place in the country, and restructured itself fully according to the cooperative operational principles, in particular the ones on democracy and autonomy.

The cooperative has a strong connection with the surrounding territory: it is connected with the Muszyna region, since the raw material used to produce mineral water comes from this area. "We cannot produce our water anywhere else. Therefore (...), we take care of the environment and we invest in the environmental protection and in the development of sewage systems, so that the water will remain clean. (...) We have been cooperating with the local administration, foundations and associations which have worked for this community since the very beginning. We support the hospitals, schools, sport clubs and youth organisations financially. Everything that happens here is supported by our cooperative", says Maria Janas.

Over the past 5 years, the amount of employees has been stable - about 60-70 people. In Maria Janas's opinion, the economic crisis has been more of an opportunity than a threat to them: "our cooperative has not felt any consequences of the crisis yet, just the opposite - the level of production and sale has been increasing steadily, regardless of the weather during summer, which constitutes a decisive factor for the sale of mineral water. In my opinion, the crisis was not harmful to us, just the opposite - we had a chance to present ourselves on the market in the best possible way, to win new clients and we also consolidated our position as a brand and a company". In fact, the turnover has increased from 20.9 million euros in 2008 to 27.6 million euros in 2011 (a 32% increase in 3 years, amidst the crisis).

As explained by Maria Janas, according to the national cooperative law, the members must take part in the management of the enterprise: "three fourths of the members have to participate in the annual General Meeting, otherwise there is no competence to issue any resolutions (...) they know what to do, they are responsible for the product and they identify themselves with this cooperative. They are aware of the fact that this cooperative is our common property, nobody from the outside can come to help or to harm the cooperative. Everything we do, we do it for ourselves."

## 2.2. Financial participation and capital accumulation

According to the 3<sup>rd</sup> cooperative principle, the members of a cooperative contribute equitably to the capital of the enterprise, through a financial participation which can be either symbolic or more substantial but always confers an equal participation in ownership without indenting the democratic principle mentioned above. **The fact that each member holds a portion of the share capital of the cooperative makes each member responsible for the future of his/her own enterprise** (which, for worker-members, means his/her own future and the sustainability of his/her job) and therefore members are more prone to assume risks for the growth and recovery of the enterprise.

Another aspect of this principle is that a limited part of the annual surplus is redistributed to members not as a return on investment but as a year-end adjustment of the price of the transactions between the cooperative and its members: in the case of worker and social cooperatives, it is an adjustment of the worker-members' remunerations; another part of the annual surplus is usually earmarked for a reserve fund, which is the common property of the cooperatives (see frame below).

### Cooperative reserves

The third cooperative principle states that, "members allocate surpluses for (...) developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible"<sup>54</sup> : reserves are a general practice in all cooperatives in the world, regardless of their different purposes and activities.

These reserves are an essential measure to ensure the financial sustainability of the enterprise: they compensate for the structural limitation of share capital in cooperatives, and protect them against debt and market volatility. There are cooperatives which, having experienced a strong growth over years, have built amounts in reserves that are much higher than their share capital<sup>55</sup>.

The above principle mentions the possibility that reserves can be indivisible: in part of the EU countries, (such as in France, Italy, Spain and Portugal), the indivisibility of reserves is legally mandatory, even after the liquidation of the enterprise. In such countries, in the case of the closure of a cooperative, the reserves are transferred to an institution promoting cooperatives, such as a cooperative development fund.

Indivisible reserves are a key way to express that cooperatives are cross-generational enterprises, which, in turn, partly explain the sustainability of jobs within them. Furthermore, they can act as a deterrent against take-overs by external acquirers, who cannot claim control over such funds.

<sup>54</sup> See [www.ica.coop](http://www.ica.coop) and [www.ilo.org](http://www.ilo.org)

<sup>55</sup> Claudia Sanchez Bajo and Bruno Roelants (2011), *Capital and the Debt Trap. Learning from cooperatives in the global crisis*, Basinstoke: Palgrave Macmillan, p. 125



**The strong trend towards capital accumulation shown by cooperatives reveals its usefulness in times of crisis.** The financial reserves which were built before the crisis allow cooperatives to go beyond the short-term emergency measures mentioned above (such as temporary wage reductions etc.) when the crisis comes, and adopt measures oriented towards the long-term, such as investments in technology or other structural changes in the production process. By way of example, CECOP-CICOPA Europe's Czech member **SCMVD** reports that: "even in times of crisis, our member cooperatives have achieved some remarkable results: utilisation of new technologies (such as nanotechnology); the production of car polish with Teflon and nanoparticles (silicone-free) to meet the needs of demanding customers; the penetration of Asian markets (among which the Chinese and Indonesian markets) with different types of supplies for the automobile industry etc."<sup>56</sup>. Slovak member **CPS** reports innovations in products and the sale of products online<sup>57</sup>. Romanian member **UCECOM** registered, in 2009, approximately 180 products or services related to the utilization of new technologies or activities, e.g., in the field of renewable energy generation.

In Spain, the worker cooperative **La Veloz** has diversified its activities in order to overcome the economic crisis. It started in 1993 as a bike eco-courier service in Zaragoza, with the aim to provide stable employment with good working conditions, working in a cooperative way for ecological and social good. To reduce the impact of the crisis, La Veloz has recently started new activities: a shop selling and repairing bicycles on the one hand and an advice and management service provided to other cooperatives (e.g. legal, accountancy, working relations etc.) on the other. As stated by the cooperative, "now, our transport section is suffering more than other activities; however the cooperative has been able to greatly reduce its impact through progress in other activities"<sup>58</sup>. In order to be able to generate such change, the economic surpluses generated by the cooperative have not been distributed to the worker-members but mainly put towards both the compulsory and the voluntary reserve funds. This allows them to have some leeway to compensate for the decline of some activities. As a result, La Veloz has increased its turnover in recent years despite the crisis<sup>59</sup>.

<sup>56</sup> From the 2012 CECOP-CICOPA Europe consultation on the crisis

<sup>57</sup> From the 2012 CECOP-CICOPA Europe consultation on the crisis

<sup>58</sup> See *Autogestión cooperativa: Algunas claves para minimizar el impacto de las crisis*, available on [www.economiasolidaria.org](http://www.economiasolidaria.org)

<sup>59</sup> See *La Veloz se centra en la diversificación y la autogestión para superar la crisis*, available on [www.empresaytrabajo.coop](http://www.empresaytrabajo.coop)

"THE KEY TO GLOBAL PROSPERITY: WORKER OWNERSHIP. SHARED OWNERSHIP HELPS TO DIVERSIFY RATHER THAN CONCENTRATE WEALTH AND ROOTS THE VALUE IT GENERATES IN COMMUNITIES"

The Guardian (4/01/2012).



⇒ *An example drawn from the documentary film "Together"*



## ITALY

### Spazio Aperto Servizi, Simone de Beauvoir and La Cordata social cooperatives

*When social innovation is a long-term strategy for growth,  
even in times of economic crisis*

Since 2008 and the consequent implementation of government austerity measures, Italian social cooperatives have had to deal with the economic effects of the public budget cuts on the one hand, and the emergence of new forms of poverty and marginalization on the other. This means that they need to become more economically independent from local authorities and strengthen their position on the market. The following examples come from the experience of three social cooperatives that are constituents of Consorzio SIS in Milan (presented further in this chapter). They show how social innovation promoted by cooperatives can be an effective strategy to anticipate socio-economic change and new emerging needs, while remaining competitive on the market.

**Spazio Aperto Servizi** (SAS) is an Italian social cooperative that has been operating in the metropolitan area of Milan since 1993. It provides health, social and educational services and counts 350 members out of whom 256 are worker-members. SAS operates with a special concern for citizens' needs and active participation, which is considered to be the key element for the definition of a new innovative and community-based strategy. Indeed, SAS is a multi-stakeholder cooperative, namely owned and controlled by several types of members (workers, volunteers, suppliers, legal bodies, and families of the disabled involved in the cooperative). An example of innovation generated by the cooperative is the "Casoretto" semi-residential centre that, since 1999, has been providing social and health services to disabled persons. It was born as a joint initiative of the families of the disabled persons and the workers of SAS, aimed to provide families with a service responding to the specific needs of persons between 18 and 65 years-old with severe mental and physical disabilities. The cooperative now has to implement its social mission of responding to the emerging needs in a new urban context, characterized by critical factors, such as the scarcity of economic resources available from public institutions and, at the same time, an increase in socio-economic difficulties which have worsened since the crisis. The establishment of new partnerships with the private sector is one of the strategies put in place by the cooperative in order to reduce its dependence on public funds and strengthen its investment capacity. From 2008 to 2010, the cooperative registered a 16% increase in employment and an 18% increase in turnover.

The Cooperative **Simone de Beauvoir** (SDB) is a social cooperative founded in 1993 by 15 members, through a spin-off of another cooperative. It provides home care services to the elderly and disabled adults in the Milan metropolitan area and related hinterland. In 2003 it established the Integrated Day Centre for elderly persons affected by Alzheimer's disease, perhaps the most common

"COOPERATIVES ARE A REMINDER TO THE INTERNATIONAL COMMUNITY THAT IT IS POSSIBLE TO PURSUE BOTH ECONOMIC VIABILITY AND SOCIAL RESPONSIBILITY"

UN Secretary-General Ban Ki-moon





form of dementia among older adults. This centre is the result of the experience developed over the years in home care services: it was increasingly clear that there was a need for specific treatment for people suffering from various forms of dementia, for which home care could not represent an adequate response. At the same time, an analysis of social and health data on the elderly population, as well as a targeted assessment of the situation on the territory of Milan, confirmed the need to provide this specific service. In 2004, the cooperative was recognized by the regional accreditation system and thus formally integrated in the regional health structure. From 2008 to 2009, the turnover of the cooperative went up from 1.2 to 1.5 million euros (a 27% increase in one year).

**La Cordata** is a social cooperative which, since 1989, has been offering both social housing and hosting/tourism services to various categories of people in Milan: tourists, students, workers, families, foreigners, children, single mothers with their children and people with disabilities. It offers hospitality, social support, education and housing or accommodation for short - medium and long-term periods. The main mission of the cooperative is to provide, at the Milan metropolitan level, temporary housing solutions for vulnerable categories (minors of age, handicapped persons, one-parent families etc.) and for the many people who transit through Milan (for work, study or tourism) and need accommodation at competitive prices. This cooperative is a good example of entrepreneurial risk-taking and innovation management. Silvia Bartellini, Vice-President of the cooperative explains: "our enterprise shows how cooperatives can make entrepreneurial and management innovation (...). Since the 80s and 90s, there have been important evolutions among social cooperatives in Milan: from being mainly organisations delivering social services on behalf of local authorities, nowadays many cooperatives are becoming protagonists in the service sector; designing their own interventions and investing capital in new projects. Indeed, social cooperatives have developed specific competences in designing services thanks to their long-standing knowledge of the local community and of people's needs. For all these reasons, carrying out services designed by the public authorities is no longer sufficient. Nowadays, social cooperatives feel ready to start their own projects from the position of being a partner with local authorities. This has been possible also thanks to the entrepreneurial competences developed during the last 30 years as well as the capacity to generate surpluses and to re-invest it"<sup>60</sup>. The cooperative has 5 social housing and hosting structures in Milan: Zumbini Sei, a building of 4,500 m<sup>2</sup>, is the most important project in the history of La Cordata, with a big investment: the building cost was 4,5 million euros, which has been financed through a bank loan. Both social housing and tourism services are provided within the same complex: Zumbini Rooms, a budget hotel; Tandem, a hostel for students living with young persons at risk of marginalization (with the assistance of educators); Erin which comprises 4 apartments for the accommodation of mothers with children; a family centre offering psychological support and education for parents; and Jobox, an incubator supporting youth entrepreneurship. Zumbini Sei is located in the Barona Village (owned by the Cassoni Foundation), one of the first and most significant experiences in the field of social housing in Milan aimed to create opportunities for community development in a previously abandoned area of 40,000 m<sup>2</sup> on the outskirts of Milan where poverty is growing. La Cordata increased its turnover from 2,584.284 euros in 2008 to 2,932.578 euros in 2010 (a 13% increase in two years in spite of the economic slowdown).

### 3. MESO LEVEL

#### THE ROLE OF INTER-COOPERATION IN THE RESILIENCE AND GROWTH OF COOPERATIVES

The cooperative way of functioning is built upon another important operational principle (the 6<sup>th</sup> one) related to the wider cooperative movement to which individual cooperatives belong and contribute. **This principle of inter-cooperation is implemented through the creation and development of various entities such as business support institutions, consortia and federations and plays an essential role in the long-term development of cooperatives.** The practice of inter-cooperation, in turn, reinforces the 4<sup>th</sup> cooperative principle (autonomy and independence of cooperatives), given that support institutions belong to the cooperatives themselves which have actively contributed to their creation. Even though cooperatives often collaborate with public authorities through public contracts, concessions etc., institutions supporting cooperatives constitute the major source of cooperative development because they are designed to meet the specific developmental needs of cooperatives.

This 6<sup>th</sup> operational principle of cooperatives is also linked to the 7<sup>th</sup> and last one, which stipulates that cooperatives should have a special concern for the community which surrounds them. Both principles provide a vision that clearly transcends the individual enterprise.

#### 3.1. The creation and development of common business support institutions

##### ➔ Finance

As reported by CECOP-CICOPA Europe's annual surveys on the crisis conducted since 2009<sup>61</sup>, access to credit in the current economic conjuncture has markedly worsened for worker and social cooperatives and other employee-owned enterprises, especially due to difficulties in obtaining bank loans, increases in interest rates and late payments from public authorities; this could represent a huge obstacle for investment in, and growth of these enterprises, and could even impair their survival, especially the smaller ones.

In order to fight against such negative trends, in some European countries, part of the year-end surplus is to be used for the development of cooperatives at the national level: for example, in Italy, a national law obliges all cooperatives with positive results to transfer 3% of their surplus to solidarity funds. The role played by these funds is essential, more than ever in this time of crisis: some of them are entirely dedicated to the cooperative sector (such as Coopfond and Fondosviluppo in Italy or SOCODEN in France) and others to the wider social economy (such as ESFIN-IDES in France, CoopEst and SOFICATRA at the European level). They are not "purely" financial but fully-fledged development organisations, intervening with advisory and follow-up services in different fields such as business transfers to employees, enterprise start-ups, enterprise development and



<sup>60</sup> For example, La Cordata has developed an internal system of performance management: every three months the administrative staff makes a detailed economic and financial report of all services in order to promptly plan the adequate management interventions. This instrument, along with the annual business plan which is checked every three months through the financial and economic report, has substantially raised the cooperative's trustworthiness, thus facilitating the relationships with the banks

<sup>61</sup> Available on the CECOP-CICOPA Europe website, [www.cecop.coop](http://www.cecop.coop)

modernization, and they use different financial instruments, such as subordinated loans, risk capital, participative certificates, or guarantee funds<sup>62</sup>.

The creation of SOCODEN in France is an interesting case of financial support designed for the development of cooperatives.

**SOCODEN** is the main internal financing instrument created in 1965 by the worker cooperative movement in France, financed by a part of the turnover of all affiliated worker cooperatives that have positive results. The funds are then earmarked by SOCODEN on specific projects aimed to respond to the needs of worker cooperatives in the various stages of the life of the enterprise, from start-ups or buy-outs to external growth operations and development, generally under the form of loans or participative certificates. 150 enterprise development projects are implemented every year by SOCODEN and its subsidiaries. Start-ups and the worker buy-out of enterprises in crisis represent 35% of the total, operations of development 37%, salvation 19% and transmission of healthy enterprises to their workers 10%.

#### ➔ Advisory, capacity building and training

The role of financial instruments is usually accompanied by other institutions active in the fields of networking, training and capacity building etc.

The **Wales Co-operative Centre** (UK) is the leading agency for delivering expert business advice to cooperatives in Wales. The Centre has accumulated nearly 30 years' experience in supporting the planning of business transfers to employees and in developing worker cooperatives, in a range of sectors including mining, manufacturing, publishing and training. The Specialist Business Succession Team provides advice on suitable employee ownership models, looks at how vehicles such as Employee Benefit Trusts and Share Incentive Plans can be used to support the transfer process, and provides support in finding finance, business planning, and management and governance issues<sup>63</sup>. For example, **PrimePac Solutions Ltd** is a worker cooperative which has been created thanks to the support of the Wales Co-operative Centre. It fills bottles, sachets and tubes for clients including leading brands in the health and personal care sector. The cooperative was formed when their former owner, the Budelpack Rumney, decided to withdraw from Wales. When the news broke out that the company was not going to reinvest in the area, a group of employees considered a succession plan and, thanks to the support of the Wales Co-operative Centre, decided to invest their redundancy payment into setting up a new employee-owned company. In particular, the Wales Co-operative Centre provided legal and business planning advice and helped the company access funding from Co-operative and Community Finance, Finance Wales and the Welsh Government. 19 employees were needed to start up the new company. After long negotiations, the employees managed to purchase the necessary equipment from Budelpack and began operating in October 2005. The company now employs 22 permanent staff and between



<sup>62</sup> Zevi et al. (2011), *Beyond the Crisis: Cooperatives, Work, Finance - Generating Wealth for the long term*, Brussels: CECOP Publications

<sup>63</sup> In terms of community impact, the role played by the Wales Co-operative Centre is significant: the Welsh economy is largely based on SMEs, with over half of private sector employment in firms of fewer than 250 people, of which 33% are micro businesses with fewer than 10 people. Indeed, these businesses are typically owned by their funders who, in some instances, exit the company, often because of retirement, or else because they have lost interest or they want to withdraw their investment to invest elsewhere. Many of them fail every year because succession is handled badly. Employee-owned companies are already worth 1 billion £ to the Welsh economy, employing 7,000 people. A study by Cass Business School of employee ownership across Britain, discovered that employee owned businesses were more resilient to the recent recession than their competitors, and emerged from it quicker. In Wales today, 47% of SMEs overall expect to grow in the next 12 months, while 57% of cooperatives expect to do so. See William Davies & Jonathan Michie (2012), *Employee Ownership: Defusing the business succession time bomb in Wales*, University of Oxford: Wales Co-operative Centre, available on [www.walescooperative.org](http://www.walescooperative.org), p. 12

10 and 20 temporary staff. Since 2008, the cooperative has increased both turnover and profit; in 2012<sup>64</sup>, it registers approximately 1.9 million £ business turnover (instead of 1.1 million £ in 2008) employing 26 employees (instead of 16 in 2008).

Another interesting case in Europe as pointed out in a 2009 ILO report, refers to CECOP-CICOPA Europe's Swedish member **Coompanion**: "Sweden has a network of 25 cooperative development agencies that have been promoting worker cooperatives since 1985 *promoting job creation even when a severe financial crisis affected the country in the late 1980s* (italics have been added). Together they support the start-up of between 200 and 400 new cooperatives each year. There are around 500 cooperatives, which are members of their Association, most of which are worker cooperatives. However, they do not limit themselves to worker cooperatives but also promote other models such as consumer, producer or multi-stakeholder cooperatives"<sup>65</sup>.

Regional unions of worker cooperatives in France are essential agents in promoting cooperatives' start up and development and in business transfers to employees, in close coordination with SOCODEN (see above) and other financial institutions of the cooperative movement such as ESFIN-IDES and the cooperative bank Crédit Coopératif. The consultants of the Regional Unions visit the new cooperatives at least twice the first year, then at least once a year, thus ensuring effective follow-up and substantially diminishing the risk of failure<sup>66</sup>. In business transfers to employees, the rhythm of visits can even be once or twice a week in the beginning, as we will see in the following example.

#### ⇒ An example drawn from the documentary film "Together"



### FRANCE Fonderie de l'Aisne

#### *A successful case of a worker buy-out*

The Fonderie de l'Aisne, a foundry located in the north-east of the French Champagne region, is a successful example of a failed enterprise transformed into a successful cooperative. It produces aluminium, mainly pieces for heavy transport, boats, boilers, airport light signals and others. It is the only foundry in France making these types of products. The Fonderie de l'Aisne was born after the bankruptcy of the Fonderie Denis, established by the Denis family in 1930.

In 2006, the Fonderie Denis drastically reduced the number of employees from 220 workers to 89, following the default of one of its major clients in the automobile industry, on which the enterprise was then highly dependent. Between September and October 2008, orders in the automobile industry collapsed in the wave following the bankruptcy of Lehman Brothers: the monthly turnover dwindled from 750,000 euros in September 2008 to 200,000 euros in October. As a consequence, in May 2009, the enterprise was liquidated.



<sup>64</sup>Data up to March 2012

<sup>65</sup>J. Birchall and L.H. Ketilson (2009), *Resilience of the Cooperative Business Model in Times of Crisis*, Geneva : ILO p.32

<sup>66</sup>See CG Scop website, [www.les-scop.coop](http://www.les-scop.coop)

However, in March 2009, Pascal Foire, who had been the Director of production in the factory since 2005, and Catherine Maurice, working as accountant in the foundry, had a new future for the company in mind. They heard about other foundries transformed into cooperatives in France, so they decided to visit them to find out how they had done it. They visited the Fonderie Lensois and the Fonderie de la Bruche where they had the opportunity to learn more about cooperatives. Following this, Pascal Foire and Catherine Maurice asked 26 workers of the former Fonderie Denis to join them in the creation of a cooperative that would allow them to save their jobs. 22 workers agreed. "We took the decision to invest capital so that the enterprise could restart, we kept our jobs, and there are not so many jobs today" - said Bruno Coet, a worker of the cooperative.

Nonetheless, this result was not easy to achieve: in March 2009, when they submitted the business plan for the establishment of the new cooperative to the judge, it was not approved. However, they did not give up. The French cooperative system played an important role in supporting their initiative from the very beginning. Olivier Vangrimberghe, who followed up this enterprise at the regional union of worker cooperatives, remembers: "they needed a lot of information so we tried to put them in contact with different entrepreneurs, institutions and partners to help them start with the project". They met twice a week for the first two months to work together on the buy-out project. "The dossier presented by the Regional Union was prepared and evaluated by consultants and experts, who gave their opinion on the issue of whether the cooperative movement could finance it", he added.

After only one month of interruption of production, the cooperative resumed production in June 2009.

The workers not only took the risk to invest in the company, they also gave 50% of their unemployment benefits. In all, they provided an amount of 399,720 euros for the share capital needed to establish the cooperative, which made up most of the start-up capital. This meant that the minimum each worker had to contribute was 23,100 euros, a decision which they took democratically among themselves. Since not all of them had this amount, the cooperative is now retaining 3% of the salary of the workers who did not manage to reach the 23,100 euros. Other contributors to the start-up capital were local government structures, the cooperative bank Crédit Cooperatif, SOCODEN, and the France Active Foundation<sup>67</sup>.

The turnover rose from 1.3 million euros in 2009 to 3.3 million euros in 2011 (a 254% increase in two years' time). This cooperative earmarks two thirds of the annual result for reserves, as approved by the General Assembly; the rest is distributed equally to the workers. "Today we know for whom we are working. We know that we do not work for a financial group who could loot the company for several years and then close it or delocalize it", said Pascal Foire, manager of the Fonderie de l'Aisne.

<sup>67</sup>The start-up capital of the cooperative was shared by SOCODEN (60,000 euro), Conseil Régional and Conseil Général (150,000 euro), France active (60,000 euro), the cooperative bank Credit Cooperative (84,000 euro) and workers (399,720 euro)



**The promotion of information, education and training affirmed in the 5<sup>th</sup> cooperative principle, is not only an instrument but also a pre-condition for an effective deployment of the cooperative rationality and identity**, at all levels of the enterprise processes. In cooperatives, it is clearly visible to what extent information is key to achieving a participative sharing of responsibilities and avoiding information asymmetries inside the enterprise<sup>68</sup>.

Training is also one of the main missions for the meso-level business support institutions, being at the core of cooperative development itself: worker-members hardly take well-informed decisions if they are not properly trained. All these characteristics become particularly relevant in a period of crisis, in which business acumen and rapid decisions are key factors in the survival and development of an enterprise.

To give an example, the Board of CECOP-CICOPA Europe's Bulgarian member **NUWPC** commissioned a research from the University of National and World Economy to develop a pilot project for the development of a retail network for the cooperative system. The investigation, which started at the end of 2010, showed the need to develop the retail network in order to facilitate the sale of cooperative products. Following this project, the Professional Education Centre of NUWPC has launched a specific training programme in May 2012 addressed to sales managers of all cooperatives belonging to the Union system. The training programme will focus on the management system in trade activities, the opening of new shops, developing a specific brand etc. This programme, which is completely financed by NUWPC, responds to a specific entrepreneurship strategy aimed at strengthening the presence of the cooperatives on the market<sup>69</sup> and initiating a process of horizontal integration for the cooperatives inside the union. The market policy of NUWPC is also oriented toward the establishment of joint production with other cooperatives throughout Europe.

In Spain, where according to Eurostat, the youth unemployment rate was the highest in Europe (50.5%) in February 2012<sup>70</sup>, CECOP-CICOPA Europe Spanish member **COCETA** is developing a programme called "**Aulacoop**", a virtual space addressed to young people who want to know what a worker cooperative is and how it is managed<sup>71</sup>. Currently, the "virtual classroom" offers the following courses: cooperative business management; introduction to cooperatives; being a member of a worker cooperative; systems of quality management; cooperative accounting; entrepreneurship responsibility in cooperatives. Furthermore, in each Spanish region, courses and other training activities are also organised, mainly in universities and colleges. Some universities have cooperative centres such as the Cooperative Research Centre (Cecoop) at the University of Santiago de Compostela, the University of Valencia and the Complutense University of Madrid<sup>72</sup>.

Federations have a critical role in the implementation of specific programmes for research and development: for example, CECOP-CICOPA Europe's Spanish member **CONFESAL** has signed an agreement with the University of MONDRAGON to study the financial participation of employees and is also planning to create a task force on the financial participation of employees with the two main Spanish trade unions (CCOO and

"IT HAS BEEN SAID THAT COOPERATIVES ARE AN ECONOMIC MOVEMENT WHICH USES EDUCATIONAL ACTION, BUT THE DEFINITION COULD AS WELL BE REVERSED BY SAYING THAT THEY ARE AN EDUCATIONAL MOVEMENT WHICH USES ECONOMIC ACTION"

José María Arizmendiarieta,  
founder of MONDRAGON



<sup>68</sup> Claudia Sanchez Bajo and Bruno Roelants (2011), *Capital and the Debt Trap. Learning from cooperatives in the global crisis*, Basinstoke: Palgrave Macmillan, p. 122

<sup>69</sup> This will be done through the implementation of a number of actions: 1) a marketing research based on small series, which should be later multiplied; 2) higher efficiency in sales, as prices will be determined by the manufacturer; 3) the creation of designer bureaus for some leading cooperatives to create their own innovative models

<sup>70</sup> Eurostat, *Unemployment statistics*, data up to February 2012, available on the Eurostat website, [www.epp.eurostat.ec.europa.eu](http://www.epp.eurostat.ec.europa.eu)

<sup>71</sup> See the website, [www.aula.coop](http://www.aula.coop)

<sup>72</sup> See the CICOPA article : M.Vilnitzk, *Spanish young cooperators: an escape from the crisis*, *Work Together*, (october 2011 - Issue 5), available on [www.cicopa.coop](http://www.cicopa.coop)

UGT). French member **CG Scop** is conducting extensive research among its members to better understand the strategies and practices in business transfers to employees under the cooperative form, and the expectations of the cooperative movement on these issues. This research will foster awareness-raising and training toward managers in both legal and financial aspects. This will help CG Scop's regional unions in their important role of accompanying groups of persons to establish cooperatives, supporting them in the economic, legal and financial fields, and in advising the newly-formed cooperatives in the establishment of appropriate monitoring tools and training on cooperative management.

### 3.2. Entrepreneurial grouping and networking among cooperatives

Even though it functions in different ways and degrees according to various national contexts, the above-mentioned 6<sup>th</sup> cooperative principle (cooperation among cooperatives) is an irreplaceable instrument in the hands of cooperatives in order to capitalize their economic and human resources and makes them become more competitive on the market. The grouping among cooperatives can be achieved in different ways: it may start with simple networks and evolve towards consortia (cooperatives of cooperatives), up to larger and more closely-knit groups. They share the characteristic of being horizontal structures that reflect the democratic governance system found in individual cooperatives. Most CECOP-CICOPA Europe members agree on the added value represented by grouping and networking strategies and, from the beginning of the crisis, a number of initiatives in this direction have been launched.

To mention a few examples, **NAUWC** (Poland) reported the recent creation of three sectoral groups (metal industry, medical care and fisheries)<sup>73</sup>; in June 2011, the **Consorzio Cooperative Costruzioni (CCC)** based in Bologna and the **Consorzio Ravennate** (the two biggest Italian cooperative consortia) merged, thus increasing the competitiveness of the constituent cooperatives in public procurement, as the merged consortium could provide an even better service offer as a general contractor for public tenders to its member cooperatives, reaching an aggregate turnover of 6 billion euros, with more than 300 member cooperatives in the entire national territory employing more than 20,000 persons<sup>74</sup>. In Spain, **COCETA** reported the recent formation of groupings through second-degree cooperatives, established with the aim to provide more services to individual cooperatives through cost deduction and promoting the creation of sectoral business networks<sup>75</sup>. The Spanish publication on worker cooperatives "Empresa y Trabajo" reports that "a strategy put in place by cooperatives to cope with times of difficulty is through groupings, either networks using inter-cooperation, or legal forms of association that allow them to lower the costs (sharing administration, facilities, etc.) and access to tenders on a larger scale"<sup>76</sup>.

Another example is given by CECOP-CICOPA Europe member **Federlavoro** (Italy) which has developed strategic support measures for the development of energy efficiency for buildings and the growth of integrated initiatives for the production of energy from renewable sources. In this framework, Federlavoro promoted the birth of the "**CONESCo - Cooperation Network**" among "ESCo", namely Energy Service Companies affiliated to Confcooperative (the Italian intersectoral cooperative organisation in which Federlavoro is integrated), operating in the Southern Italian regions of Apulia, Calabria, Campania and Sicily. The birth of this experience was facilitated both

<sup>73</sup> From the 2011 CECOP-CICOPA Europe consultation on the crisis, see [www.cecop.coop](http://www.cecop.coop)

<sup>74</sup> From the 2011 CECOP-CICOPA Europe consultation on the crisis and press release *Fusione fra CCC Bologna e Consorzio Ravennate: Puntiamo al vertice delle costruzioni in Italia*, available at <http://www.consrav.net/>. See also [www.ccc-acam.it](http://www.ccc-acam.it).

<sup>75</sup> From the 2011 CECOP-CICOPA Europe consultation on the crisis; the report is available on the CECOP website: [www.cecop.coop](http://www.cecop.coop)

<sup>76</sup> *De esta crisis tenemos que salir reforzados. Buenos ejemplos de cooperativas que están logrando capear el temporal* (July-September 2010), available on [www.empresaytrabajo.coop](http://www.empresaytrabajo.coop)

by the national regulatory framework that has made available a new legal tool called the "network contract", and by the national and regional policies regarding sustainable energy development. The enterprise networks regulated under this new law are, from an economic standpoint, a free association of enterprises with the aim of increasing their competitiveness and innovativeness. The Network Contract is a new legal form created in 2009 to allow enterprises to develop networks among themselves while maintaining their individual autonomy, regulating their legal relations on the basis of a permanent collaboration on strategic objectives.

⇒ *An example drawn from the documentary film "Together"*



## ITALY

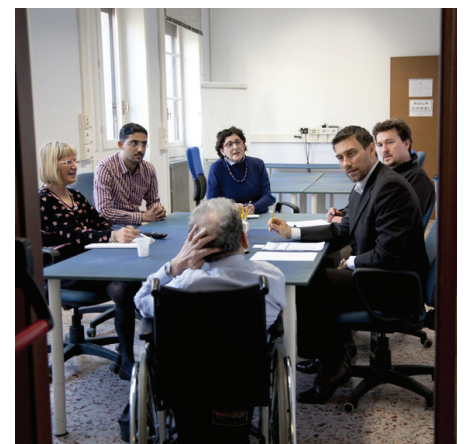
### CGM GROUP (CONSORZIO GINO MATTARELLI)

*A network of excellence  
in the production of welfare services*

Established in 1987 (before the introduction, in 1991, of law 381 on social cooperatives), CGM is the largest Italian group of social cooperatives, comprising 969 cooperatives and 80 cooperative consortia in all parts of Italy, with a total workforce of 45,000 workers (among whom about 10% are disadvantaged) and an aggregate turnover of 1.1 billion euros which, in spite of the crisis, increased by 15% between 2008 and 2010. 700,000 Italian families benefit from the different services provided by the cooperatives of the group, mainly in the fields of social care, health care and education. CGM provides a national platform among the latter for the exchange of information, know-how and training. Claudia Fiaschi, President of CGM, states that the consortium has seen "a growth, and not a decrease, of members' share capital in recent years, together with an increase of net assets. The cooperative instrument provides not only an element of resistance but also of revival of the business".

The tools put in place by CGM during the last few years are a good example of a strategy for growth and anticipating change (including crises): in 2006, CGM re-configured itself as a peer group ("gruppo paritetico"), a new legal figure in Italy, and established eight subsidiaries, controlled by its constituent local consortia, and specialized in different fields: Accordi (for the environment and job placement); Comunità solidali (for social care services); Luoghi per crescere (for education); Mestieri (for job orientation and training); Cgm Finance (for financing); Solidarete (for internationalization); Connecting people (for the social inclusion of migrants) and Welfare Italia (for health services). According to Claudia Fiaschi, Welfare Italia "is not low-cost health care. It is an offer of specialized clinics distributed across the country with the aim of generating an offer of health distributed in the local communities with excellent quality at affordable costs".

While the CGM system gradually grew from the local to the national level in a bottom-up dynamic, this elaborate service system with subsidiaries has, in turn, been developed from the national to the local level, by the application of brands and services into local initiatives that are supported by constituent cooperative





consortia directly in their own communities. "This framework is the starting point for the creation of a welfare system based on new emerging needs expressed by the communities" - adds Claudia Fiaschi - "we are very keen to combine all those processes that create employment, economic development and redistribution of wealth in the communities, with an environmental concern".

### ⇒ An example drawn from the documentary film "Together"



## ITALY

### CONSORZIO SIS (SISTEMA IMPRESE SOCIALI)

#### *Excellence in the field of social innovation and entrepreneurship strategy*

Consorzio SIS is one of the 80 cooperative consortia of the CGM group (see above). It was established in Milan in 1995 out of a merger between two former cooperative consortia active in the Milan metropolitan area since 1988. Consorzio SIS today regroups 30 cooperatives providing social services such as care for children, elderly and disabled people, the integration of targeted groups in the labour market and social housing. It provides a good example of how the social cooperative group/consortium system functions at the local level.

Consorzio SIS provides various services to its constituent cooperatives, such as setting up new cooperatives as spin-offs and support in the different stages of enterprise development; financial and accounting counseling; training; support in designing quality management systems; research in funding opportunities and project management and operating as a general contractor for public tenders etc.

The consortium expanded very rapidly between 1999 and 2003, when it also established numerous relationships and partnerships with local associations and public authorities. Over the past four years, in response to the new challenges including public budget cuts, Consorzio SIS has shifted direction, from, "being mostly an incubator of enterprises (...) to a more strategic function of orientation of the production of the cooperatives according to the needs of new markets", as Stefano Granata, President of Consorzio SIS, explains.

By way of example, Consorzio SIS decided to create the medical centre Welfare Italia Solari<sup>6</sup>. The clinic opened in June 2011 after the acquisition and renovation of the former Medical Centre Solari, with an investment of approximately 1.8 million euros from the social cooperatives affiliated to Consorzio SIS. Welfare Italia Solari<sup>6</sup> adheres to the national brand Welfare Italia Servizi of CGM (see above), and proposes an advanced welfare model providing what is classed as "light health" services, such dentistry, gynecology and physiotherapy.

The main aim of this project is to respond to the emerging needs of impoverished people of the Milan metropolitan area, as Stefano Granata explains: "the economic crisis has exacerbated people's basic needs (...), and it is more difficult to access health services (...) We want to enable citizens to access affordable and, at the same time, high quality health services".

This medical centre is an important project launched by Consorzio SIS in terms of its social innovation and entrepreneurship strategy: "this experience is quite successful – adds Stefano Granata - and I would say that the importance of this lies not only in what we can offer to users but also in the aggregation that we have been able to achieve among cooperatives in terms of investment, but also with other companies, as well as with the citizens in the community".

The strategy put in place by the consortium appears to be winning: according to the Consorzio SIS 2010 Social Responsibility Report, the aggregate turnover of the consortium rose from 29 million euros in 2008 to 44 million euros in 2010 (a 33% increase); furthermore, if we compare the employment data, we observe that the workforce inside Consorzio SIS increased from 1,741 to 1,861 persons during the same period (a 7% increase), while maintaining at around 10% the ratio of disadvantaged workers.

**TABLE 15. CONSORZIO SIS AGGREGATE TURNOVER AND EMPLOYMENT  
(INCLUDING DISADVANTAGED WORKERS)**

	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>aggregate turnover</b>	29,555,272	37,951,330	44,280,864
<b>work force</b>	1,741	1,760	1,861
<b>number disadvantaged worker</b>	199	150	182

*Source: Consorzio SIS*

⇒ *An example drawn from the documentary film "Together"*



## SPAIN MONDRAGON GROUP

### *An emblematic example of a horizontal enterprise group*

MONDRAGON is a group of over 110 cooperatives located in the Basque Autonomous Region of Spain and located around the small town of Mondragón/Arrasate. The group is mainly active in industry, but also in retail, banking, agriculture, services, education and research.

The MONDRAGON group originated in 1943, when a catholic priest, Jose Maria Arizmendiarieta, who would be one of the main inspirers of this cooperative experience, established a vocational school in Mondragón.

In 1956, a handful of students from the school established a first industrial cooperative on the worker cooperative model, which was followed by a few others: together, these cooperatives established a first grouping among themselves, as well as a cooperative bank (Caja Laboral, in 1959), with an entrepreneurial division which, in turn, incubated many other cooperatives and cooperative groupings. Several common services were gradually established among the cooperatives thus created, in particular in education, research (as early as 1974, with Ikerlan) and welfare insurance (in 1978 with Lagun Aro). In the early 1980s, the MONDRAGON experience was submitted to a first big test of resilience: the Basque region was struck by a significant economic crisis, but the group suffered virtually no enterprise closure and no job losses.

Adapting itself to the entry into the EU and globalization, the MONDRAGON cooperatives democratically established among themselves a corporation in 1991, with new financial instruments, in particular in the field of investment, and a dynamic strategy of internationalization, getting closer to their clients and to their production partners in global chains of production and distribution. The various educational centres grouped together to constitute a university in 1997 (now with over 9,000 students). The group developed considerably in the 1990s and until the global crisis struck in 2008. Nowadays, the MONDRAGON Corporation is the 10<sup>th</sup> largest business group in Spain and the largest in the Basque region with a workforce of over 83,000 people. It has become increasingly international, with 73 plants in 18 other countries of the world.

The MONDRAGON group is an excellent example of a horizontal and democratic enterprise group, legitimizing all decisions and involving over a hundred enterprises and tens of thousands of worker-members through democratic procedures. It provides both complete autonomy to each cooperative, and a say for each cooperative and each cooperative member in all the overall strategic decisions of the group as a whole, a process culminating in the MONDRAGON Congress.

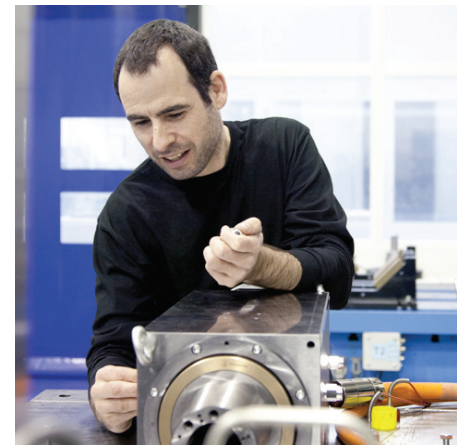
MONDRAGON considers that it has a specific mission towards the local community. Beyond the seven cooperative principles, the group has designed



an additional one called "social transformation", meaning that, ultimately, it does what it does for the social transformation of the community, and for the generation and distribution of wealth within it, which is one way to express the 7<sup>th</sup> cooperative principle (concern for the community). With the extension of its production sites worldwide, the group also endeavours to gradually apply its principle of social transformation to its production units abroad, and not only in its region of origin.

The economic crisis did affect the MONDRAGON group very seriously and in particular in the industrial sectors in which the group is strongly active, (e.g. car components). As we can see in table 16, the group underwent a tangible decrease, between 2008 and 2009, in both aggregate turnover (-11%) and employment (-7%). Nevertheless, the table also shows that 2007 corresponded to a peak, followed by a moderate decrease in employment in 2008 (caused by the effects of the global crisis over the last trimester), and that the levels of both turnover and employment attained in 2006 were recovered by 2010<sup>77</sup>.

Even more importantly, the decrease in employment registered in 2009-2010 took place without producing lay-offs. The welfare insurance cooperative, Lagun Aro, is the key actor of job sustainability within the group, which is, of course, even more important in the current time of crisis. Apart from offering the worker-members of the MONDRAGON cooperatives a full range of insurance products including health insurance and a complementary pension system, Lagun Aro also provides protection against unemployment. In response to the 2008 global crisis, it has been providing pre-retirement schemes to workers over 58 years of age, and has been managing the redeployment of hundreds of redundant worker-members between cooperatives inside the group. Re-training and transport costs following the change from one cooperative to another are covered. If the worker's remuneration is higher in the cooperative of destination, Lagun Aro pays the difference; otherwise it is the original cooperative that pays. When workers cannot be redeployed or go into early retirement, both Lagun Aro and the cooperative pay for a redundancy scheme for a period of 2 years. Mikel Zabala, Director of human resources of the MONDRAGON Corporation, considers that "this is a competitive advantage, because it provides the cooperative workers with job security, which is a very important element of motivation". In spite of its difficult social mission, Lagun Aro registered a rate of growth in excess of 6% in 2009, in spite of the crisis<sup>78</sup>.



<sup>77</sup> Economic data about the evolution of employment are available on the MONDRAGON website: [www.mondragon-corporation.com](http://www.mondragon-corporation.com). According to the MONDRAGON Corporate Profile 2011, the workforce has a slight decrease from 85,066 in 2009 to 83,859 in 2010 (-1.4 %)

<sup>78</sup> Data available on the MONDRAGON website: [www.mondragon-corporation.com](http://www.mondragon-corporation.com)

TABLE 16. AGGREGATE TURNOVER AND EMPLOYMENT IN THE MONDRAGON GROUP OVER THE LAST FEW YEARS

	2006	2007	2008	2009	2010	2011
aggregate turnover in industry and distribution (billion euros)	13,390	15,056	15,584	13,819	13,989	13,969
employment	83,601	93,841	92,773	85,066	83,859	83,569

Source: Annual reports 2006-2011 (see [www.mondragon-corporation.com](http://www.mondragon-corporation.com))

#### 4. MACRO LEVEL HOW A FAVORABLE CONTEXT CAN PROMOTE COOPERATIVES

**A coherent system of representation and networking and a legal cooperative framework can be decisive elements for the full achievement of the cooperative model, both at the national and international level.**

The definition and the seven operational principles that have been globally recognised, firstly within the cooperative movement itself, then by the international community through ILO Recommendation 193/2002 on the Promotion of Cooperatives, have served as a basis for the definition of national cooperative legislation existing in most countries of the EU and of the world. As mentioned in Chapter 1, CICOPA, the world organization of worker and social cooperatives, successively elaborated and approved specialized world standards for worker and social cooperatives respectively<sup>79</sup>, which are presently contributing to the definition of specific cooperative legislation regarding worker and social cooperatives.

It is not the purpose of this report to go much further in this analysis; it will suffice here to underline that an adequate legal framework can promote a favorable environment for the development of cooperatives, providing them with not only recognition but also promotion policies, which are particularly important in times of crisis as they help cooperatives pursue their mission, amidst difficulties.

For example, CECOP-CICOPA Europe's German member **VDP** reported that the last reform of 2006<sup>80</sup> in national cooperative law, which adjusted to the needs of new and small cooperatives by reducing the minimum number of members and established the admissibility of investor-members<sup>81</sup>, have brought indubitable advantages, overall in terms of simplification and cost reductions, as proved by "a dynamic trend towards the establishment of cooperatives in the last 2 or 3 years", in spite of the global economic crisis<sup>82</sup>.



<sup>79</sup> See both the World Standards of Social Cooperatives and World Standards of Worker Cooperatives on the CICOPA website: [www.cicopa.coop](http://www.cicopa.coop)

<sup>80</sup> The 2006 amendment on the Cooperative Societies Act (GenG) of 1889

<sup>81</sup> This amendment of the general cooperative law may have been done to make it as attractive as the SCE Regulation

<sup>82</sup> From 2012 CECOP-CICOPA Europe consultation on the crisis

In some countries, such as Spain and France, a specific legal status has been granted to worker cooperatives<sup>83</sup>. As far as social cooperatives are concerned<sup>84</sup>, a specific legal status has been established in Poland, Italy, Greece, Portugal, France and Spain<sup>85</sup>, as well as in Hungary.

It is worth taking into consideration that those countries where the cooperative movement is most developed in terms of the number of cooperative members are the same in which national laws provide more specific guidelines (e.g. about the creation of consortia, horizontal groups, financial instruments, indivisible reserves etc.). Provisions safeguarding the indivisibility of cooperative reserves even in case of closure (see above), in some EU countries such as Italy, Spain and France, partly explain the development and relative stability of worker and social cooperatives in these countries<sup>86</sup>.

As for financial instruments, CECOP-CICOPA Europe's member organisation **CFI** was created in 1986 by the three Italian cooperative confederations (Confcooperative, Legacoop and AGCI) through Law 49 (Marcora Law), and is aimed at providing support to cooperatives created through business transfers to employees. During its first period of activity, (between 1986 and 1997), CFI invested approximately 80 million euros in the equity capital of 160 worker cooperatives set up by workers of companies in crisis (business transfers to employees) and, overall, promoted stable employment to close to 6,000 workers. CFI then had to halt new activities for a few years because of a legal dispute between the European Community and the Italian State concerning the application of state aid regulation in the Marcora Law, which was modified accordingly. With this legislation change, and in a new economic-industrial scenario, from 2003 onwards, CFI redefined and broadened its investment strategy: indeed, it also began to finance start-ups, development, consolidation and re-positioning projects in existing cooperatives. Since the beginning of this new operational phase until 2009, CFI carried out 41 interventions. Of this amount, 51% was provided in the form of participation in the equity capital, 6% to underwrite convertible bonds and 43% in the form of loans. CFI's equity capital has reached 83.7 million euros today and its total assets are around 106.8 million euros<sup>87</sup>. Since the crisis began, CFI has begun to work on turning a new wave of transfers of enterprises in crisis into cooperatives: since 2008, 13 new business transfers to employees have been implemented, saving 324 jobs, and 8 additional ones are presently under study<sup>88</sup>. CFI is simultaneously financing and following up development projects in existing cooperatives.

An example of business transfer to employees linked to the Marcora law and to CFI is the **Industria Plastica Toscana (IPT)** an Italian worker cooperative near Florence created in 1994 upon the initiative of some employees of the former Italian Plastics Industry, who took over the enterprise and transformed it into a cooperative following its bankruptcy. They launched the production of shopping bags and sacks for the retail and distribution



<sup>83</sup> France: Law 78-763 of 19.07.1978 on worker cooperatives (SCOP); Italy: Law 142/2001 on worker cooperatives. In the case of Spain, Autonomous Regions have exclusive competences in the area of cooperatives and the general state cooperative law 27/1999 contains specific rules on particular types of cooperatives. Special laws on particular types of cooperatives do not exist

<sup>84</sup> Bruno Roelants (2009), *Cooperatives and Social Enterprises. Governance and normative framework*, Brussels: CECOP Publications

<sup>85</sup> Collective Interest Cooperative Society Law 2001-624(France); Social Initiative Cooperative Law 27/1999, Art. 106 (Spain); Social Solidarity Cooperative Law 22/12/1998 (Portugal); Social Cooperative Law 27/04/2006 (Poland); Social cooperative of Limited Responsibility Law 2716/99 (Greece); Social Cooperative Law 381/91 (Italy)

<sup>86</sup> The same observation can be made for other parts of the world than Europe. For example, Quebec, which has a cooperative legislation with provisions on indivisible reserves, has seen a much higher development of worker and social cooperatives than the rest of Canada, which has no such provisions

<sup>87</sup> See [www.cfi.it](http://www.cfi.it)

<sup>88</sup> Information updated to May 2012



market. It represents a successful experience from the field of active policies working to promote employment (in particular through the above-mentioned Marcora law), and financial support inside the cooperative system. In fact, CFI gave financial assistance to the cooperative in two different periods: the first time, in 1996, it provided 2 million euros under the term of the Marcora Law; in 2009, after a change in the Italian legislation declaring the progressive ban of plastic shopping bags from the market, the cooperative decided to produce biodegradable shopping bags. This change entailed the adoption of new technologies requiring an investment of 2 million euros, which was provided by CFI together with other financing bodies inside the cooperative movement, as well as two banks. Thanks to this financial assistance, the cooperative's turnover increased by 230% between 2007 and 2010<sup>89</sup>.

**TABLE 17. TURNOVER, VALUE OF PRODUCTION AND EMPLOYMENT  
IN THE INDUSTRIA PLASTICA TOSCANA (IPT) GROUP OVER THE LAST FEW YEARS**

	2009	2010	2011
turnover (euros)	11,411,506	14,624,845	26,493,648
worker-members	34	31	35
non-members-workers	4	8	6

Source: *Industria Plastica Toscana (IPT)*

With regard to the promotion of cooperatives at the European level, CECOP-CICOPA Europe has coordinated the ANTICIPATE project<sup>90</sup>, aimed at reflecting about restructuring and anticipation of change against the economic crisis inside its network.

As a result of this project in 2011 it published a study called *Beyond the Crisis: Cooperatives, Work, Finance - Generating Wealth for the Long Term*, based on the French, Spanish and Italian experiences. The study provides scientific conclusions to be drawn from the cooperative experience in restructuring and anticipation of change that can be usefully disseminated across Europe and proposes public policies targeted at the promotion of restructuring and anticipation of change in cooperatives and in enterprises in general. Approved by the Board of CECOP-CICOPA Europe, these policy recommendations (which are being partly re-formulated in Chapter 4 of this report) are addressed to both the EU institutions and national governments, relating to "the creation of economically sustainable employment, which is part of the core mission of our enterprise network, and which our experiences prove to be a fundamental element of enterprise sustainability"<sup>91</sup>. This work certainly represents one step further in promoting the cooperative model and proposing appropriate legislation and policies at the macro-level, within and beyond the crisis.

"THE COOPERATIVE MOVEMENT HAS CONSIDERABLE ADVANTAGES: THE STAKEHOLDERS ARE ALSO THE CO-OWNERS OF THOSE ENTERPRISES THEREFORE THEY HAVE MUCH WIDER POSSIBILITIES TO DECIDE ABOUT THEIR OWN ACTIVITIES. I BELIEVE THAT THE DISCUSSION THAT IS TAKING PLACE AT THE EUROPEAN LEVEL TO STRENGTHEN THE ROLE OF THE COOPERATIVE MOVEMENT IS A GOOD WAY TO STIMULATE PEOPLE TO TAKE RESPONSIBILITY FOR THEMSELVES IN THEIR OWN LIVE"

Jaromír Drábek,  
Czech Minister of Labour  
and Social Affairs

<sup>89</sup> See Zevi A. et al. (2011) *Beyond the Crisis: Cooperatives, Work, Finance - Generating Wealth for the Long Term*, Brussels: CECOP Publications, p. 95

<sup>90</sup> "Entrepreneurial restructuring & anticipation of change in worker & social cooperatives & other employee-owned enterprises" under the 2009 EC call for proposal on "Restructuring, Well-being at Work and Financial Participation"

<sup>91</sup> Zevi A. et al., (2011), *Beyond the Crisis: Cooperatives, Work, Finance - Generating Wealth for the Long Term*, Brussels: CECOP Publications, p.211

## CONCLUSION

In this chapter we tried to analyse the different strategies put in place by worker and social cooperatives to cope with the economic crisis through concrete examples, making reference to the operational principles on which these strategies are based. At the micro level, we saw that worker-members define business strategies, which give priority to the defense of their jobs and of the economic activities of their enterprise. Along with emergency temporary measures (such as wage reductions etc.), which are legitimized through democratic decision-making, 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). We also saw how 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, we saw how the principle of inter-cooperation, illustrated by different entities such as the financial instruments of the cooperative movement, business support institutions, consortia and federations, plays an essential role in the sustainable development of cooperatives. At the macro level, we noticed that those countries where worker and social cooperatives and other employee-owned enterprises have developed most in terms of numbers and resilience of enterprises and jobs are also the countries 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).



# CHAPTER 4 conclusions and policy recommendations

By Bruno Roelants and Diana Dogan

## I. FINDINGS FROM CHAPTERS 2 AND 3

The data on cooperatives' resilience to the crisis in the European Union, which we have been examining in Chapters 2 and 3, remains partial: quantitative data comes from two countries - France and Spain - with sufficiently reliable and systematic statistics (fortunately they are two of the three most important European ones as far as worker and social cooperatives are concerned); while qualitative data on good practices is case-bound and needs broader research.

We now have to check whether crossing these quantitative (Chapter 2) and qualitative (Chapter 3) data, with the additional input from members' feedback through four successive annual surveys (Chapter 1), provide significant evidence that cooperatives have shown a certain level of resilience to the crisis, and, if so, indicate the factors that could increase or reduce such resilience: in particular, our hypothesis in Chapter 1 stating that a high level of cooperative resilience requires a combination of micro, meso and macro factors.

The quantitative data examined in Chapter 2 on France and Spain suggest that cooperative closures, since the start of the crisis, have been less pronounced than in enterprises as a whole (except in 2009 in Spain, a data that should be further examined). The impact of negative effects of the crisis tends to be delayed as compared to enterprises in general, and, more importantly, worker cooperatives appear to be better at maintaining jobs than the average of enterprises. In addition, recovery in cooperatives seems to be faster than in enterprises in general. These significant findings convergence towards a main trend (although not an absolute one) found in the four successive surveys summarized in Chapter 1 and covering CECOP-CICOPA Europe members in 16 European countries.

However, these quantitative data present other limitations than the fact that they only come from two countries. For example, they do not show characters of cooperatives such as the average longevity of the enterprises nor of the jobs therein.

Another limitation from the quantitative data is that they do not make a distinction between the cooperatives benefiting from the advice and guidance provided by the cooperative system (national and regional federations, groups, business support institutions etc.) and the ones that do not. In the case of France, this distinction is not so important, as almost all worker cooperatives benefit from such assistance once they are affiliated to the national cooperative organisation CG Scop, differently from Spain even though the Spanish confederation of worker cooperatives COCETA does represent them all.

In this respect, some complementary data obtained by FCTC, the Catalan federation of worker cooperatives, analysed in the course of this study, is worth looking at. In Catalonia, around 400 worker cooperatives, out of a total of around 1,400, benefit from the support provided by FCTC. In the region as a whole, 81 new worker cooperatives were established and 28 were terminated in 2011; among the cooperatives supported and followed up by FCTC, the figures were 47 new and 11 ended respectively<sup>92</sup>. According

to these data, the ratio between the enterprises' mortality and birth rate was 34% for all worker cooperatives in the region, but only 23% for those that could count on the assistance of the federation. Meanwhile, births of Catalan worker cooperatives in 2011 represented 5.8% of the total sum of workers cooperatives in the region, while the 47 cooperatives assisted by the federation in their incubation represented a growth rate of 11.7%. This observation suggests that an organized system for the follow up and development of cooperatives is more resilient, and may produce a higher birth rate and a lower ratio of deaths over births, than cooperatives without such assistance.

Now, what is qualitative data telling us in the cases shown in Chapter 3 as compared to the quantitative data at the national level in Spain and France?

First of all, the data regarding jobs that have been saved or maintained thanks to business transfers to employees (e.g. 1,279 jobs in France for 2010 and 2011), as exemplified in the case of Fonderie de l'Aisne in Chapter 3, should be considered as net gain of jobs, as the latter would have otherwise been condemned, because the transferred enterprises would otherwise have closed down.

Indeed, the experience of business transfer to employees should be clearly recognized as particularly meaningful in saving jobs and local economic activity, generally at a low cost. What we know for sure about business transfers to employees (through detailed records on hundreds of projects) is the unquestionable difference that support and follow up by the cooperative system makes, in term of lowering risk and raising the chances of success as compared to enterprises that do not have access to this type of assistance. This is the reason why business transfer projects have attained a particularly high level of success and efficiency in Italy, France and Wales, as illustrated in Chapter 3, where a cohesive enterprise support system geared to assist these projects is in place.

Apart from the business transfers to employees, what are the other examples in Chapter 3 telling us about cooperatives' higher levels of resilience? Whereas it could be argued that cases of individual cooperatives showing more resilience to the crisis compared to the average firm are statistically negligible to draw conclusions, the resilience of quantitatively relevant larger cooperative groups cannot be put in doubt: for example, over 110 enterprises in the MONDRAGON group, and almost 1,000 in the CGM group.

Let us first consider the level of enterprise destruction. Since the crisis started, the MONDRAGON group has only suffered one enterprise closure in 2009 (and the 10th cooperative to fail in the whole history of the group since 1956). Thus, the net variation in the number of enterprises within the MONDRAGON group was less than -1% in 2009 against -6.5% for Spanish worker cooperatives as a whole. The indication is that cooperative groups like MONDRAGON maintain more worker cooperatives alive than the average of worker cooperatives in Spain.

Secondly, let us consider the employment dimension, a key data since sustainable employment is a major concern for worker and social cooperatives. Consorzio SIS (which, as we saw, gathers 30 social cooperatives in the Milan area with 1,861 workers) had a 1% increase in employment in 2009 and 5.7% in 2010.

Coming back to MONDRAGON, the decrease in the level of employment was lower than for Spanish worker cooperatives in general in 2008 (-1.28 % against -4.58 %) and even in 2009, the worst year since the beginning of the crisis (-8.4 % against -8.67%). In 2010, however, the MONDRAGON employment figure was worse than for Spanish worker cooperatives in general (-1.4 against +0.17%), although it should be underlined that many of MONDRAGON's jobs are in industry, and that the national figure for employment in worker cooperatives in industry in 2010 was worse than the national

<sup>92</sup> Data provided by FCTC

average. It should also be taken into account that 2007 represented an all-time peak in the employment level of the group, and that the 2006 level was recovered in 2010. Like for Spanish worker cooperatives in general, the MONDRAGON employment figures are also higher than for Spanish business in general, except for 2009 (-8.4% against -5.18%).

Nevertheless, the above figures on employment decrease conceal the fact that MONDRAGON has virtually not laid off any worker since the crisis began. The fight against lay-offs, like in previous difficult periods, has been dealt with through a mixture of temporary redundancies, pre-retirement schemes and temporary and permanent redeployments from one cooperative to another within the group, all funded by the group's own social protection system. Even the workers of the only MONDRAGON cooperative which closed down during the crisis (as mentioned above) were redeployed to other cooperatives within the group. It is here that the cooperative strength comes into full play, especially taking into consideration that MONDRAGON is active in mainstream industrial, retail and banking activities and thus highly exposed to this global crisis.

Another feature to be underlined is the substantial increase in business turnover during the crisis for the social and worker cooperatives that are part of cooperative groups. In MONDRAGON, after a substantial decrease in turnover in 2009 (-11.4%), the upward trend returned in 2010 with +2%. At any rate, neither the group as a whole nor its key components such as the bank, the welfare system or the research centres, have ever been in the red. In the Italian social cooperative group CGM, the increase in turnover between 2008 and 2010 was 15%. In CGM's Milanese local consortium Consorzio SIS, the progression for the same period reached 33%.

Even more important is the fact that, thanks to this relatively good economic health and the pre-crisis level of capital accumulation at the individual constituent cooperative level and at the group level, both CGM and MONDRAGON - and their constituent cooperatives have been able to invest substantially in innovative projects (in such fields as health, environment, or industrial projects like an electric car) in the midst of the crisis, thus launching new economic activities and new jobs, and generating a virtuous circle of growth and jobs.

As we can see, the importance of the tools of the cooperative system at the meso level (national and regional federations, financial instruments, training and research institutions, enterprise groups and networks etc.) in strengthening the cooperatives' resilience to the crisis cannot be overstated. These tools provide fundamental support in enabling the individual cooperatives to face both the very first impact of the crisis and to provide long term responses to it.

Thus, a mix of micro and meso dimensions clearly delivers a much higher level of cooperative resilience compared to what individual cooperatives can do on their own.

As for the contribution of the macro dimension (legislation and public policies, see Chapter 3) to the cooperatives' resilience to the crisis, it is less immediately visible than the meso one, as it takes place on a totally different time scale. Indeed, many national legal rules that have been crucial in helping cooperatives maintain a strong level of resilience to the crisis, by reinforcing both the micro and the meso dimension, were approved and well tested before the crisis began.

Examples include :

- a) the general cooperative legislation established along several decades in France, Italy and Spain since the 1940s, establishing, inter alia, the indivisible reserves regime examined in Chapter 3
- b) the laws on worker cooperatives in Spain and France approved between the 1970s and the 1990s
- c) the laws on social cooperatives established in 7 EU member states between 1991 and 2006

- d) the law on "participative certificates" in France in the 1980s
- e) the legislation on other financial tools dedicated to cooperative development in Italy in the 1980s and 1990s
- f) the laws on cooperative groups established in Italy and Spain in the last decade.

As we can see, an appropriate combination of micro, meso and macro is key to bringing into full play the cooperative's high level of resilience to crises. This validates our hypothesis formulated at the end of Chapter 1.

Since it is necessary to not only look at the crisis, but also at the post-crisis, it is essential to now examine carefully how public authorities at both European and national level can promote cooperatives and their central socio-economic role in European society through appropriate macro measures. One of the key teachings from this crisis and from the pre-crisis period is that it is necessary to combine the micro, meso and macro dimensions for worker and social cooperatives to show both the highest possible level of resilience in times of crisis and to deliver the best socio-economic development between crises. On this basis, they can successfully carry out their mission (create sustainable jobs and deliver goods and services of general interest) while being a source of inspiration for other enterprises and for policy making.

## 2. POLICY RECOMMENDATIONS

Let us now confront the above-mentioned cooperative factors of resilience with European policies, and see to what extent the latter are sufficient to support cooperatives and worker-owned enterprise in their resilience effort. To the extent to which public policies do not, according to our analysis, fully respond to the needs of these enterprises in coping with the crisis, we will formulate below several policy proposals, which are part of policy orientations which have been approved within CECOP-CICOPA Europe.

In reading the following lines, we invite the reader to ponder on the fact that what is at stake is not only to elaborate European and national policies conducive to the development of cooperatives, but also, taking stock of the resilience of cooperatives, policies that can be conducive to the development of European entrepreneurship and the European economy at large as a response to the crisis.

### 2.1. Socially responsible restructuring and adaptation to change

According to the European Commission, restructuring is to be considered in its widest sense and includes various enterprise transformation processes such as "company reorganisation, closures, mergers & acquisitions, downsizing, outsourcing, relocation etc."<sup>93</sup>. In the Green Paper *Restructuring and anticipation of change: What lessons from recent experience?* published in January 2012, the Commission recognises that "restructuring is a crucial factor for employment and for the competitiveness of Europe" and that restructuring processes could also have important social consequences<sup>94</sup>.

Various experiences described in this report illustrate the ways in which worker and social cooperatives adopt restructuring processes such as internal restructuring, spin-offs, business transfer to employees, creation of consortia and horizontal groups. Thanks to their specific ownership, governance and capitalisation model, worker and social

<sup>93</sup> European Commission, DG Employment, Social Affairs and Inclusion website: <http://ec.europa.eu/social>

<sup>94</sup> COM(2012) 7 final

cooperatives have a specific capacity to adapt to changes, maintain jobs and economic activities when being at risk, while pursuing their social mission (creating sustainable jobs for worker cooperatives, labour integration for one part of the social cooperatives, or providing social, health, educational and environmental services to the community for another part of social cooperatives). Their governance model helps them anticipate and prepare restructuring processes in time in association with the workers and the different concerned stakeholders. This ensures adequate and sustainable restructuring solutions and minimises the negative social impacts of the latter.

The recently adopted European Economic and Social Committee (EESC) Initiative Opinion *Cooperatives and restructuring* recognises that cooperatives handle restructuring in a socially responsible fashion and underlines that "specific cooperative governance models, based on joint ownership, democratic participation and members' control, as well as the ability of cooperatives to rely on their own financial resources and support networks, explain why cooperatives are more flexible and innovative in managing restructuring over time, as well as in creating new business"<sup>95</sup>. Among other sources, the EESC examined a study conducted by CECOP-CICOPA Europe in 2010 with the support of the European Commission and focusing on cooperative restructuring processes in Italy, Spain and France<sup>96</sup>, which was published as a book in 2011<sup>97</sup>.

### 2.1.1. Saving jobs and economic activities through business transfers

One of the major challenges when discussing restructuring is the transfer of businesses which would otherwise close down. Very surprisingly, the Green Paper on restructuring and anticipation of change allocates only few lines to this issue, addresses the latter only from the angle of the "failed entrepreneur" and only mentions measures in favour of a second chance for the latter.

Successful business transfers save jobs and thus prevent workers from the risk of unemployment and social exclusion. They also create a favourable environment for new jobs: in fact, the 2008 Communication *A Small Business Act for Europe*<sup>98</sup> indicates that more new jobs are created in successfully transferred enterprises than in start-ups. For this reason, business transfers should not be addressed only as a career perspective for one individual - the failed entrepreneur - but as an employment and social solution for European citizens and regions at large, which is particularly relevant in the current situation of massive jobs losses and enterprises closures illustrated in Chapter 1. Preventing enterprises from closure is in the core interest of the regions: social exclusion is avoided and local wealth and skills are maintained.

Moreover, within the framework of business transfers, the Green Paper does not even mention business transfers to employees. As this is being illustrated through this report, the cooperative system has a very rich record of experience and high-level expertise in this field, with a high rate of success, comparatively low costs and high policy significance for European industry. Business transfers to employees are even on the increase with the on-going crisis, especially in France, Italy and Spain. For example, CECOP-CICOPA Europe French member CG Scop has accompanied 128 successful business transfers to employees in 2010 and 2011. 1,279 jobs have thus been saved in those enterprises, without mentioning all the upstream, downstream and surrounding local economic activities whose jobs are also at risk when an enterprise has to close down.

<sup>95</sup> Opinion of the Consultative Commission on Industrial Change (CCMI) on Cooperatives and restructuring. CCMI/093; Rapporteur Marie Zvolška, Co-rapporteur Jan Olsson; April 2012

<sup>96</sup> Under the same programme as the one under which the present study is being supported

<sup>97</sup> Zevi A. et al. (2011), *Beyond the Crisis: Cooperatives, Work, Finance - Generating Wealth for the Long Term*, Brussels: CECOP Publications

<sup>98</sup> COM(2008) 394 final

### As a consequence, we propose the following policy recommendations:

- ⇒ Business transfers should remain a priority in future EU policies and initiatives on restructuring
- ⇒ It is more crucial than ever to promote all types of business transfers, including business transfers to employees: in the current situation, the EU can ill afford to deny successful experiences of jobs being saved
- ⇒ Very often, the problem encountered in business transfer to employees in cases of bankruptcies is not only a question of bureaucratic length, as mentioned in the Green Paper when it mentions the case of the "failed entrepreneurs", but often, and even more importantly, of lack of knowledge about this business scenario amongst concerned professionals (eg. lawyers, accountants, etc) and within the judicial system. Training for professionals would thus be essential in promoting this practice. Better knowledge about cooperatives should also be promoted in trade unions and among persons/structures whose mission is to inform about the creation or transfer of businesses
- ⇒ The conversion of enterprises in crisis into economically sustainable cooperatives requires a precise diagnosis. In addition, the earlier the diagnosis can be established, the more successful and sustainable the restructuring will be. The authorities at all levels should cooperate with the cooperative system in facilitating the establishment of early diagnoses of enterprise crises and of the feasibility of transformation into cooperatives
- ⇒ Preferential rights should be given to employees in order to give them the best conditions for a takeover bid for an enterprise facing closure
- ⇒ Training possibilities should be proposed to redundant workers after restructuring processes, but also new entrepreneurial experiences. In this sense, the French model of "business and employment cooperatives" ("coopératives d'activité et d'emploi") an interesting example of support for the creation of new and sustainable businesses. In business and employment cooperatives members provide a mutually supportive environment for each other while developing their own economic activities
- ⇒ Specific state aid provisions in coordination with fiscal policy at the member-state level in favour of saving and developing economically sustainable activities that are threatened by closure, in particular through business transfers to employees.

### 2.1.2. Enterprise grouping: stronger and more sustainable together

The establishment of horizontal networks, consortia or groups between enterprises represents an important instrument for small and medium sized cooperatives active in industry and services to strengthen innovation and competitiveness and adapt to new market challenges. Cooperative groups provide economies of scale and scope for their constituent enterprises, allowing cooperative SMEs to join together on specific tenders, develop a common internationalisation strategy, share common instruments eg. in the fields of investments, education and research, and deliver many other common entrepreneurial services, thus cutting costs and attaining a substantially higher level of adaptation to, and anticipation of change, both at the shorter-term conjunctural level and at the longer-term structural level, than what an individual SME is able to deliver on its own. Such groups also enable the constituent cooperatives to raise their production within the value chain, through cooperation among enterprises on specific products, services or projects.

Conjunctural and structural responses are highly complementary: in order to engage in the more long-term structural measures, enterprises first need to survive in the very short term, otherwise their efforts towards the long term will be fruitless. In this sense, some specific measures to maintain employment during periods of crisis in horizontal groups, consortia or networks deserve special attention such as the redeployment of workers from one cooperative of the same group to another, as we have seen in Chapter 3 in the case of MONDRAGON, where hundreds of workers from cooperatives active in one industrial sector undergoing the brunt of the crisis (eg the automobile industry) have been temporarily redeployed in cooperatives active in other enterprise sectors which, at the same moment, were less affected, before being re-absorbed by their cooperative of origin once the economic situation of the latter has improved. This type of jobs restructuring is also a way to respond better to fast-changing sectors, market or economic transformations while guaranteeing employment security for workers and maintaining industrial knowledge in the enterprise and in the region in which it is embedded.

The experience of cooperative groups should be highly promoted among SMEs at large. This clustering process would provide SMEs with the opportunity to pool resources in order to occupy a larger portion of the globalized chains of production, distribution and finance which are increasingly dominating the industrial system, instead of remaining sub-contractors dependent on few clients. Pools and clusters of SMEs can in turn create the necessary business scales to do R&D and innovation.

#### **We consequently propose the following policy recommendation:**

- ⇒ Legislation and policies promoting cooperative horizontal groups should be promoted across Europe, including a better adaptation of the European Cooperative Society (SCE) regulation to the specific needs and governance structure of cooperative groups
- ⇒ Inter-SME collaborative networks such as the ones we already have in Europe under the cooperative form (artisans' cooperatives, cooperatives of SMEs, activity and employment cooperatives etc) should be encouraged, as those networks considerably reinforce the sustainability of the micro and small enterprises through shared marketing, purchases or other services. Such networks are also virtually the only way in which micro and small enterprises can be a source of innovation.



## 2.2. Sustainable employment in sustainable enterprises

The current economic crisis has had - and is still having - a deep impact on the destruction of jobs, wealth, and enterprises, and particularly among SMEs. The "Employment Package"<sup>99</sup> published by the Commission in April 2012 is meant to be a response to the high level of unemployment rate in Europe. The communication identifies the biggest job potential areas and provides a medium-term agenda for EU and Member States action to support job recovery.

Rapidly visible results in term of job creation has become one of the Commission's most pressing concerns to such an extent that recently adopted texts supposed to help the EU reduce unemployment rates envisage only measures in favour of creating new jobs. The 2012 Employment Package follows this trend: there is no reference nor encouragement to efforts towards maintaining existing jobs, even though, at the moment of drafting this report, millions of jobs are threatened across the EU and so many persons are at risk of poverty and social exclusion. In the CECOP-CICOPA Europe network, a considerable amount of enterprises in various industrial and service sectors which were apparently condemned to disappear have been saved and have then developed with a higher turnover and higher employment rates (thus becoming net employers again) through business transfers to employees. The Package also fails to underline the fact that, beyond employment maintenance, even employment creation is more effective in existing enterprises than through start-ups. This is also part of the concrete experience among the industrial and service cooperatives and other employee-owned enterprises from the CECOP-CICOPA Europe network.

### We thus propose the following policy recommendations:

- ⇒ European policies should not concentrate all the efforts only on the creation of new jobs, but also to maintain existing jobs and save jobs in enterprises risking to close down
- ⇒ In the field of job creation, stronger efforts should be deployed to promote job creation in existing enterprises and not only in start-ups
- ⇒ Policies promoting sustainable employment with internal mobility, long-life learning and training should be encouraged and not only measures in favour of flexicurity and workers mobility
- ⇒ The EU has adopted an employment target for 2020: 75% of the working-age population (20-64 years) are to be employed. The Commission has committed itself to assessing this employment rate every year. The risk is that the Commission only take into account the mere quantitative elements (eg. number of jobs being created). It should also take into account qualitative characteristics such as the duration of those jobs, the type of contract, etc.

<sup>99</sup> COM(2012) 173 final

### 2.3. Access to finance

Cooperatives in industry and services are facing unfavourable attitudes from banking institutions and very high requirements and access conditions when applying for credits and loans. Especially when it comes to small and medium sized cooperatives, the situation is not very different from conventional SMEs. Beyond the fact that the banking or near-banking sector is reluctant to grant credits to cooperatives in industry and services, their difficulties to access venture capital are also related to:

- their profit distribution system which gives priority, in the allocation of the profits, to the granting of returns to members (calculated on the basis of the type of relation between the members and the cooperative, not on the remuneration of capital) and to the indivisible reserve funds<sup>100</sup>
- their control system, which accord very limited power, if any, to external shareholders (only some national legislations give the possibility of conventional external investors having an aggregate power of maximum 33%, provided the general assembly of the cooperative approves such structure, which is seldom the case).

Those difficulties have encouraged worker cooperatives and their federations to put in place specific financial instruments for their development. Some of them are entirely dedicated to the cooperative sector (such as CFI, Coopfond and Fondosviluppo in Italy or SOCODEN in France) or even other social economy sectors (such as ESFIN-IDES in France, SOFICATRA and CoopEst at the European level).

#### 2.3.1. EU level financial mechanisms

European institutions could contribute to bring down barriers to access to finance for worker and social cooperatives<sup>101</sup>:

#### **We thus propose the following policy recommendations:**

⇒ The European Investment Bank and the European Investment Fund should be involved in the creation and strengthening of non-banking financial institutions for the development of worker and social cooperatives.

#### **The above mentioned institutions should:**

› act as intermediaries between these networks of enterprises on the one hand and the financial markets, the banks and institutional investors on the other, with the issuing of non-voting financial instruments, both redeemable ones (such as classical bonds) and non-redeemable ones (such as participative certificates that can remain as equity for an indefinite period in enterprises, and can thence increase the capacity of the enterprises to obtain bank loans for productive purposes, especially under Basle 3). In addition, the policy

<sup>100</sup> ZANOTTI Antonio in Zevi A. et al. (2011), *Beyond the Crisis: Cooperatives, Work, Finance - Generating Wealth for the Long Term*, Brussels: CECOP Publications, p.79

<sup>101</sup> The specific policy recommendations in this section are drawn from a set of policy recommendations addressed to the EU institutions and at the national level in order to facilitate the development and the anticipation of change for industrial and service cooperatives and other employee-owned enterprises (some of these recommendations concerning the wider enterprise world) can be read in Zevi A. et al. (op.cit.)

environment should promote interaction with banks and institutional investors with the aim to encourage the subscription of these new financial instruments. These mechanisms should respect the governance system of joint control by the members-stakeholders over their enterprise and by the latter over their common financial institutions, as decades-long experience has shown that this was the safest way to maintain the specific strengths of these enterprises and ensure the long-term effect of the investments carried out in them. The experience since the crisis that flared up in 2008 confirms this fact

- › favour joint guarantee mechanisms
- › manage common funds among enterprises.

### 2.3.2. *Employee participation in enterprise capital*

As we could see in this report, worker-members in worker and social cooperatives provide share capital to their cooperatives. In many cases, such share capital is quite substantial (corresponding to one year's wages or even more). This important financial effort by enterprise staff should be properly valued, especially in times of crisis.

#### **On this basis, the following policy proposals should be considered:**

- ⇒ Considering that their financial shares are, in most cases, not immediately redeemable, worker-members in industrial and service cooperatives should be granted complete de-taxation on their financial participation in their enterprises, and they should be able to borrow with limited guarantee mechanisms for this purpose
- ⇒ Direct financial mechanisms aimed at helping employees invest in enterprises in crisis or without successor in order to engineer business transfers to employees, in particular under the cooperative form, are strongly urged
- ⇒ Similar policies encouraging employees to take part in the capital and results of their enterprises should be encouraged through concrete fiscal mechanisms in other forms of enterprise as well, and with the necessary legal protection and corresponding ratio of participation in the governance, oversight, decision-making and responsibility in the enterprise
- ⇒ Accompanying mechanisms in industrial and service cooperatives and other employee-owned enterprises such as the non- (or not immediate) distribution of cooperative returns, the revaluation of members' shares (according to mechanisms to be defined and independent from the stock market) should be encouraged and protected by law.

### 2.3.3. Promotion of enterprise reserves

As mentioned in Chapter 3, cooperative reserves that are not divisible even in case of liquidation have proven to be a powerful instrument for the long-term permanence and development of enterprises in the regions where they are located, and the jobs therein. They are also a major component of the cross-generational solidarity systems. In the case of social cooperatives providing social, health, educational or environmental services to the community, this is an important guarantee for the sustainability of their general interest mission.

#### **On the basis of the above, the following policy proposals should be considered:**

- ⇒ Legal provisions instituting fully de-taxed indivisible reserves in cooperatives in all EU member states where indivisible reserves are not already enshrined in legislation are strongly urged. In countries where indivisible reserves are already enshrined in legislation, total de-taxation of these reserves is advocated
- ⇒ Options for other forms of accumulation of non-redeemable capital helping enterprises to de-leverage and reduce their level of indebtedness while engaging in productive investment programmes aimed at anticipating change should be explored and encouraged in all forms of enterprises.

### 2.3.4. Common funds for the development of enterprises

As we saw in Chapter 3, cooperatives in several EU countries have established common funds for the development of new cooperatives or for development projects in existing ones. In Italy, such funds have been established by law, collecting 3% of the profits of all cooperatives. Thousands of sustainable jobs in hundreds of enterprises have been created thanks to these funds, which are fully financed by the cooperative enterprises themselves. Particularly in a time of crisis and budget cuts, this way of pooling financial resources should be considered very seriously by policy makers.

#### **We thus propose the following policy recommendation:**

- ⇒ National legislation making it compulsory for all cooperatives to dedicate a percentage of their turnover or results to help establish new cooperatives, reinforce existing ones, and restructure enterprises threatened by closure into cooperatives should be encouraged. These solidarity funds should be managed under the supervision of the cooperative organisations themselves for all cooperatives affiliated to such organisations. As a real instrument of economic policy, those solidarity funds should be used in order to invest in certain strategic sectors.

### 2.3.5. The role of investors

A main challenge for cooperatives has always been, and remains, adequate access to bank credits. However, more recently, and in particular with the financial constraints stemming from the financial crisis, access to capital markets in order to attract net capital/asset resources has been put in place in some instances and is worth looking at: IDES in France or the capital contribution without voting rights launched by the cooperatives Eroski and Fagor electrodomesticos, which are constituents of the MONDRAGON group in Spain<sup>102</sup>.

Contribution of capital without voting rights guarantees that the control of the cooperative belongs exclusively to cooperative members and thus ensures the pursuit of the cooperative social mission. At the same time it is a very interesting source of financing.

#### **On the basis of the above, the following policy proposals should be considered:**

- ⇒ Funds interested in investing in cooperatives, such as social investment funds, should be open to external investors but with a system of none or limited voting rights. In the situation of limited voting rights, the external investors should remain a minority in order to guarantee the stakeholders' control dimension of the enterprise, like it is the case for the cooperatives
- ⇒ Such investments should include a compulsory minimal investment period in order to preserve the sustainability of the enterprises
- ⇒ In as much as possible, these funds should invest not directly in cooperatives but in the financial instruments of the cooperative system.

<sup>102</sup> ZELAIA Adrian in See Zevi A. et al. (2011) *Beyond the Crisis: Cooperatives, Work, Finance – Generating Wealth for the Long Term*, Brussels: CECOP Publications, p.147-153

## CONCLUSION

The policy recommendations formulated above would be conducive to reinforcing the resilience of cooperatives, which has already manifested itself in the ongoing crisis three years on. In so doing, they would also help cooperatives be an inspirational factor for the wider enterprise world and for policy-makers in coping with the ongoing crisis. In addition, given the high level of self-financing, capital accumulation and mutualisation of resources between enterprises, as practiced by cooperatives, these policies would result, at least in the middle term, in lower costs for the public budgets and hope for the too many unemployed and excluded European citizens.

Nevertheless, none of these policies can be really effective without tackling, first and urgently, Europe's root economic problems, and in particular the vicious cycle generated by austerity and deflationary policies. We thus see an urgent need for coordinated economic, financial and monetary policies aimed at re-launching Europe's economic growth, in order to provide certainty, which is the key so that the specific policy recommendations proposed above are to generate the expected results.

In this respect, it is important to underline that, along the successive surveys on the crisis with members, our team has also obtained responses from organisations outside Europe (within the framework of CICOPA, the world organization representing worker and social cooperatives, which is also coordinated by the CECOP staff). The general feedback which we obtained from such organizations (including from important economies such as the US, Canada, Japan, China and Brazil) is a far higher level of confidence towards the future, in spite of continuing economic difficulties, than is the case among members in Europe.

Last but not least, the considerations included in this report should remind policy-makers that a key to Europe's future lies in competitive SMEs which, as we all know, provide the majority of jobs. For this to take place, policies are needed to help SMEs reach larger sizes (as some EU member states such as Germany have done), create clusters and horizontal groups among themselves (like cooperatives have done, with concrete examples in this report), and develop skills and dedicated workforces (where cooperatives have, again, an important experience to share).

# acronyms and abbreviations

<b>AGCI</b>	// Associazione Generale delle Cooperative Italiane
<b>ANCPL</b>	// Associazione Nazionale delle Cooperative di Produzione e Lavoro
<b>CCOO</b>	// Syndicat Espagnol Comisiones Obreras
<b>CECOP</b>	// European Confederation of Workers' Cooperatives, Social Cooperatives and Social and Participative Enterprises
<b>CFI</b>	// Cooperazione Finanza Impresa
<b>CG Scop</b>	// Confédération General des sociétés coopératives et participatives
<b>COCETA</b>	// Confederación Española de Cooperativas de Trabajo Asociado
<b>CONFESAL</b>	// Confederación Empresarial de Sociedades Laborales de España
<b>CPS</b>	// Coop Product Slovakia
<b>EC</b>	// European Commission
<b>EESC</b>	// European Economic and Social Committee
<b>EFA</b>	// European Free Alliance
<b>ESFIN-IDES</b>	// Institut de Développement de l'Economie Sociale
<b>ESCo</b>	// Energy Service Companies
<b>Estcoop</b>	// Estonian Union of Worker Co-operatives, Participative Enterprises and Social Economy Organisations
<b>ETUC</b>	// European Trade Union Confederation
<b>EU</b>	// European Union
<b>FCTC</b>	// Federació de Cooperatives de Treball de Catalunya
<b>GDP</b>	// Gross Domestic Product
<b>ICA</b>	// International Cooperative Alliance
<b>ILO</b>	// International Labour Organisation
<b>INE</b>	// Instituto Nacional de Estadística
<b>INSEE</b>	// Institut National de la Statistique et des études économiques
<b>MEP</b>	// Member of the European Parliament
<b>NAUWC</b>	// National Auditing Union of Workers' Co-operatives
<b>NUWPC</b>	// National Union of Worker Producers' Cooperatives
<b>OECD</b>	// Organisation for Economic Co-operation and Development
<b>R&amp;D</b>	// Research and Development
<b>SCIC</b>	// Société Coopérative d'Intérêt Collectif
<b>SCMVD</b>	// Union of Czech and Moravian Producers' Cooperatives
<b>SCOP</b>	// Société Coopérative et Participative
<b>SOCODEN</b>	// Société Coopérative de Développement et d'Entraide
<b>SME</b>	// Small Medium Enterprise
<b>UCECOM</b>	// National Union of Handicrafts and Production Cooperatives of Romania
<b>UGT</b>	// Unión General de Trabajadores
<b>VDP</b>	// Mitunternehmen- und Genossenschaftsverband E.V.



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**www.coceta.coop** // COCETA

**www.cecop.coop** // CECOP

**www.cicopa.coop** // CICOPA

**www.consrav.net** // Consorzio Ravennate

**www.ccc-acam.it** // Consorzio Cooperative Costruzioni

**www.entreprises.coop** // Coop FR

**www.cfi.it** // Cooperazione Finanza Impresa

**www.les-scop.coop** // CG Scop

**www.economiasolidaria.org** // Economía Solidaria

**www.empresaytrabajo.coop** // Empresa y trabajo.coop

**www.etuc.org** // ETUC

**www.eurocoopbanks.coop** // European Association of Cooperative Banks

**ec.europa.eu/employment\_social** // European Commission's DG for Employment, Social Affairs & Inclusion

**www.epp.eurostat.ec.europa.eu** // Eurostat

**www.federsolidarieta.confcooperative.it** // Federsolidarietà

**www.ica.coop** // ICA

**www.ine.es** // INE

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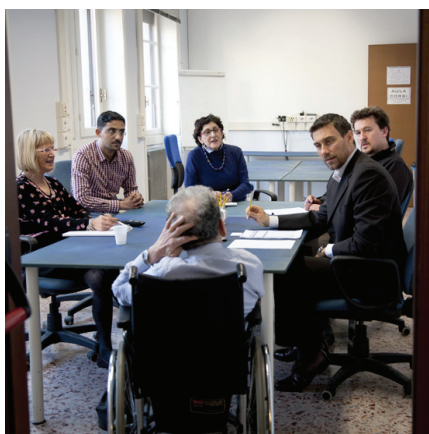
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### About CECOP

CECOP-CICOPA Europe is the European confederation of cooperatives and other employee-owned enterprises in industry and services. It groups national federations in 17 EU countries, which in turn affiliate approximately 50,000 enterprises in those sectors employing 1.4 million workers. 9,000 are social cooperatives, employing around 270,000 workers.



### CECOP-CICOPA Europe

European House of Cooperatives

Avenue Milcamps 105

1030 Brussels, Belgium

**Tel:** +32 2 543 10 33

**Fax:** +32 2 543 10 37

**E-mail:** [cecop@cecop.coop](mailto:cecop@cecop.coop)