

Fact Sheet

Cooperatives & Rural Employment

Summary

Over 100 million jobs have been generated by cooperatives around the world. As agriculture remains the major source of income and employment in rural areas and the majority of cooperatives are found in the agricultural sector, cooperatives are significant in providing jobs to rural communities. They provide direct employment, as well as seasonal and casual work. However, cooperatives also maintain farmers ability to be self-employed given that for many farmers the fact that they are members of a cooperative and derive income from the services, allows them to continue to farm and contribute to rural community development. The impact of cooperatives in providing income to rural populations creates additional employment through multiplier effects including enabling other rural enterprises to grow and in turn provide local jobs.

Cooperatives provide jobs in all sectors of the rural economy

Cooperatives of all types are found in the rural context—in agriculture (production, processing, marketing, purchasing and sales), but also in the provision of financial services (banking, credit and loan, insurance), health, electricity, telecommunications and water, consumer, housing, tourism, and handicrafts to name only a few.

Cooperatives provide real economic benefits to farm families through increasing the stability of the farming sector, improving market access for their products and strengthening the farmers' position in the agri-food chain. Improving farmers' living conditions supports rural development and preserves the viability of rural communities.

Cooperatives too are often the only provider of services in rural communities given that traditional companies often find it too costly to invest in these areas or anticipate unacceptable levels of economic return. This is the case for example for the provision of services like that of electricity, or management of water resources, or consumer supply that enable other enterprises to be established and grow.

Further, the cooperative form of enterprise is flexible and so it can respond the needs of its members. For example, in a number of countries, new forms of cooperatives are being formed especially in rural areas. In rural Canada individuals, local authority and other enterprises have chosen the cooperative form of enterprise to address service provision for their communities and in doing so are reducing rural-urban migration and preserving rural community culture. Other countries too are forming "community interest cooperatives" to address the need of people in rural areas.

Salient figures

A number of countries are reporting growth in cooperatives over the last five years especially in rural areas. For example, Finland reports a growth of 30%, 24% in the Philippines, 12% in Moldova, 10% in Lithuania. A particular sector of current rapid expansion is the sustainable energy sector with the creation of bio-fuel cooperatives in Brazil, Mexico, Thailand, India, and the United States and wind power cooperatives in Canada, Denmark and the United Kingdom. Also, worthy of note, is the fact that 90% of all fair trade is produced by cooperatives mostly in rural areas. Other interesting facts and figures:

- Argentina: 58% of rural electricity in 2005 was provided by cooperatives without which the agricultural sector, responsible for 6% of the GDP, would be compromised and jobs in rural communities would be lost. [1]
- Benin: The savings and credit cooperative federation, FECECAM, is providing financial services including affordable micro health and life insurance to its 516,076 individual members, 90% of which are found rural areas.
- Ethiopia: 900,000 people in the agriculture sector are estimated to generate part of their income through cooperatives.[2]
- France: 650,000 members of 3,200 agricultural cooperatives provide over 150,000 jobs. [3]
- India: the needs of 67% of rural households are covered by cooperatives. [4]



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**ILO Cooperative
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sheets on how
cooperatives
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- Iran: 28 million individuals in rural areas are members of or derive benefits from rural cooperatives [5]
- Japan: 9.1 million family farmers are members of cooperatives. Their cooperatives provide 257,000 jobs.[6]
- Mongolia: 19% of rural revenues are derived from cooperatives. [7]
- Philippines: The majority of the 30,000+ cooperatives are located in rural areas. They provide 65,215 jobs in rural areas through direct employment with cooperatives. [8]

Cooperative form of enterprise well suited to promoting rural employment

Typically, cooperatives place more emphasis on job security for employee-members and employees' family members, pay competitive wages, promote additional income through profit-sharing, distribution of dividends and other benefits, and support community facilities such as health clinics and schools, than do traditional businesses.[8] The Cooperative Values and Principles are especially important in the rural context – self-help, self-help, self-responsibility, democracy, equality, equity, and solidarity, the ethical values of honesty, openness, social responsibility and the principle of caring for their members and their communities.

- By virtue of the principles of cooperatives, there is an integral relationship between a cooperative at its community. Cooperatives are essentially a response to community development opportunities or challenges.
- They tend to be more stable employers especially in rural areas as their members are in the community where they are located. [9] As individuals and enterprises in a particular community form cooperatives to serve their needs, cooperatives are less likely to relocate to lower wage areas, but find innovative ways to retain jobs and remain competitive.
- Cooperatives prevent leakage of local money. The services and products offered assist in keeping money in the community. Residents do not have to travel outside the community to spend their disposable income. In addition, through remittance schemes, cooperatives are making it less costly for migrants to send money home through a network of savings and credit cooperatives who are located in both urban as well as rural communities – but where they are in rural communities, they tend to be the sole provider of secure financial services. This allows those that have remained in rural areas to invest in their communities and provides further opportunities for enterprise development and the creation of jobs.
- The cooperative enterprise is one form to allow rural population to have voice in policy matters. Democratically organized, and having economic capacity assists rural communities, sometimes ignored by policy makers to have a stronger voice in the policies that are implemented in rural areas.
- Cooperatives provide a means for addressing many social and economic concerns such as youth retention, community identity/spirit as well as wide range of servicing needs.

Policy Issues

The cooperative form of enterprise provides rural populations an option to organize and improve their livelihoods by providing income and creating jobs. Policy makers must ensure the current policies and administrative practices (registration procedures, taxation policies, accounting standards, capital standards for financial institutions as well as ability to access funding, etc) do not hinder the development and growth of cooperatives. ILO Recommendation 193 on the Promotion of Cooperatives (R.193) provides guidance on cooperative policy and legislation stressing the need for a level playing field for cooperatives and other enterprises. R.193 also stresses the need to create more awareness and understanding on the cooperative form of enterprise to enable people to choose which business model best suits their needs. Inclusion of modules in school curricula at all levels is one way to ensure that young people are introduced to variety of entrepreneurial models. The collection of relevant information documenting the contribution of cooperatives to job creation and general economic well-being is equally suggested in R.193.



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