

Socio-economic impact of cooperatives and mutuels

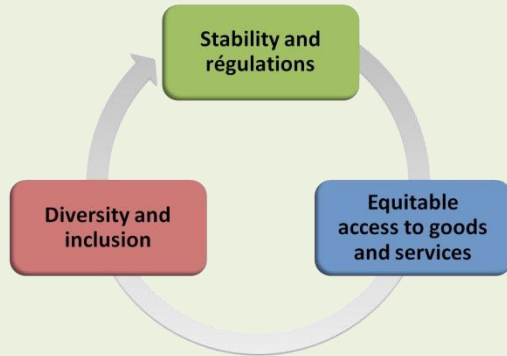
→ For complete references and study : www.usherbrooke.ca/irecus



→ Introduction

Almost 300 hundred years ago, facing major poverty, exclusion and inequalities issues, men and women created and proposed a new way to meet their needs: cooperatives and mutuels (CM). The model, inspired by values of equality, democracy, freedom, equity, solidarity and empowerment, has evolved in its practice and theory, and has had significant impact on development. Still today, this project of innovative organization challenges our understanding of economy and business management.

Three hundred years later, a vast study, led by the *Institut de recherche et d'éducation pour les coopératives et les mutuelles de l'Université de Sherbrooke (IRECUS)* appreciates the accomplishments and the next challenges.



The objectives of the study were the following: 1) to establish a world-scale portrayal of the socio-economic impact of cooperatives and mutuels and their contribution to build a better world; 2) to further the understanding of the successes and challenges of this business model and how cooperative identity plays a role. This study confirms the relevance of the model and explains its contribution to a better world, with three main dynamics, proper to its identity. Effectively, cooperatives and mutuels directly contribute to: 1) assure economic, social and political stabilization and regulation; 2) maintain an equitable access to goods and services; 3) promote economic, social and political diversity and inclusion.

→ Economic, social and political stability and regulation

CM contribute to stability and regulation, thanks to their scope and scale, as well as to the number of persons involved within them. It is 725 million people who are at the same time users and owners of the 300 largest CM and thus have a very special connection with their organization. Also, 3.9 million people have their job secured by businesses promoting values of equality, democracy, freedom, equity, solidarity and empowerment.

These businesses are recognized for their sustainability (40% of Global 300 CM are more than 70 years old) and it has been proved that cooperatives have a higher survival rate than corporations (MDEIE, Québec, 2009; INSEE, France, 2011). The economic stability is also assured by a specific practice of CM: the creation of reserve fund. This is actually the first sustainable development practice elaborated and applied to business management. There is currently \$867.5 billion (all amounts are in USD) safe from speculation.

It comes clear that CM are stability factors when their responses to financial, political or environmental crises are analyzed. In that matter, Japanese cooperatives are exemplary. They have provided immediate and continuous help to victims of the tsunami of March 11th 2011 (Kurimoto). Besides, financial cooperatives and workers or employees cooperatives have faced and survive better to the last financial crisis (CICOP-CECOP, 2012; OIT, 2009). In addition, CM have an influence because of their market shares and because they are considered as benchmark in their sector. For example, 42% of electric distribution of the United States is made by cooperatives. In Québec, funeral cooperatives are responsible of reducing by half the cost of funerals ceremonies (*Fédération des coopératives funéraires du Québec*). Finally, it is interesting to take note that CM are often considered as exemplary employers and businesses (in Canada, 4 of the top 6 of Best corporate citizens are co-ops: Corporate Knights, 2012).



→ Equitable access to goods and services

CM contribute to maintain an equitable access to goods and services in several ways. The first meaningful way is by being active in sectors related to fundamental needs and real (non-speculative) economy. Effectively, the need to being fed, in security and properly sheltered are in the heart of Global 300 CM activities (top 5 sectors: agriculture, insurance, food, financial coops and electricity). This is different from the most frequent sectors of the Global 500 corporations (top 5: banks, oil and gas production, technology and hardware equipment, pharmaceutical and biotechnology products, general retailers).

In addition, CM go further than others, because they meet the needs of populations and territories harder to reach. This is the case notably for utility coops which get to remote regions such as Alaska villages, Maine islands or Nevada desert (NRECA, 2012). Financial cooperatives are also particularly competent in offering services to vulnerable populations (OIT, 2009). Staying in contact with the reality of every region is another way CM make sure to answer the needs of everyone. French top 100 cooperatives prove this by



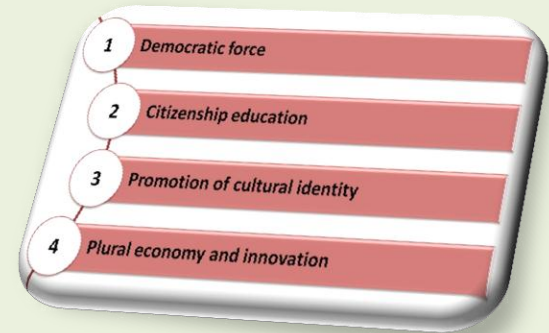
having 75% of their headquarters located in rural area (Coop100, 2010). Equitable access to goods and services is also secured by intercooperation (Agri Confiance and Système U, or international cooperation organizations). The patronage returns give a little sight of how CM give back to their communities. As much as \$66.4 billion are given back annually to members of the Global 300. Concern for community is profound, because CM are actually made from the community itself and are continually involved in it, whether by patronages, direct help or sustainable employment.

Finally, total revenues of the Global 300 CM reach \$1,926 billion. If these CM were a country, they would rank 9th on the list of world largest economies (GDP of Italy is \$2,245 billion, ranking 8th). Global 300 CM revenues are greater than the total world exports of fuels (\$1,808 billion, WTO) and the world exports of automotive products (\$847 billion, WTO). In sum, CM greatly contribute to the world economy, even if they do not get a lot of attention from general public, states or other businesses.

→ Economic, social and political diversity and inclusion

CM represent a democratic force that has an influence on its own members, as well as their community and their sectors. In fact, if the Global 300 CM were a country, it would be the largest democracy in the world. Also, 725 million people can participate in the decision-making process of 300 CM, and thus can use their right to vote, at least once a year.

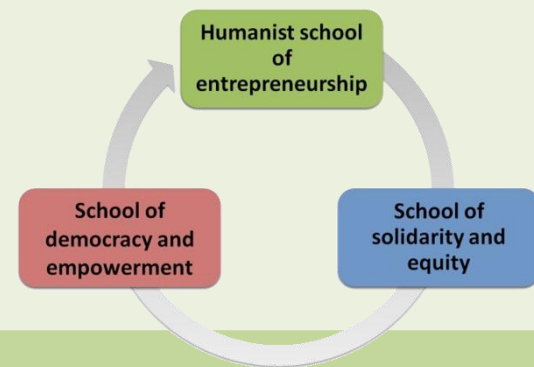
The importance of democratic participation cannot be underestimated, especially for its educative impact. Of course, CM provide information, training and education to their members, but their involvement in the activities of their CM is itself a process of education and inclusion (ONU, 2010, 2011). Besides, this last impact is especially important for countries in development, where CM have a crucial role to play for democratic, empowerment, management, accounting and basic learnings (UN General Secretary Report, 2011). Another example to be highlighted is the Migros Club School, which represents the largest further (adult) education institution in Switzerland (Migros, 2012). However, a cooperative content is generally lacking in national education curricula.



The principle of autonomy and independence allows the CM model to be very diverse and highly adaptable to different political, cultural or sectorial characteristics. It is possible to observe that CM active in first nation communities, such as the *Fédération des coopératives du Nouveau-Québec*, play a determining role in the protection and promotion of their cultural identity (Gouv. Canada, 2006). Also, more and more CM are involved in the artistic sector or aim to protect cultural heritage (hoteldunord.coop). Thanks to their great adaptability and their values of empowerment, CM contribute to regions and territories identity-building. We can ask what would be the Québec province without Desjardins, the Pays basque without Mondragon or rural areas without the CM? This presence and influence ensure a diverse and inclusive economical, social and political life.

→ Influence of cooperative identity on the socio-economic impact of cooperatives and mutuals

If CM can reach those results, it is because they have stayed faithful to their educative nature. They are, fundamentally, humanist schools of entrepreneurship, schools of solidarity and equity, and schools of democracy and empowerment. This educative mission has been inherited from the coop and mutual pioneers and kept alive by its successors.



→ Conclusion

These educative and innovative dynamics lead CM to be **the largest democracy in the world**, one of **the greatest schools of democracy and entrepreneurship** and **one of the largest economies of the world**.



Georges Fauquet (1942) reminds us of the importance of remembering this founding past: "[...] because too often, we observe to which extent a social movement cease being a movement when it cuts the umbilical cord with its utopias, dreams or even illusions." After 300 years of activities, and inspired by people such as P. Bucez, W. King, H. Schulze-Delitzsch and E. Minville, cooperatives and mutuals have shown an exemplary evolution. They have emerged from hard times and have experienced highs and lows. Now that we acknowledge their success, their socio-economic impact and their strength; now that we have many answers to the permanent challenge of **how** to manage our cooperative and mutual businesses; isn't it time to acquire a new framework in order to understand **why** we do so? Then we could have a better sense of what we want for the future and prepare for it.

