

Cooperatives in industrial and service sectors in the Asia-Pacific region

Models, work and employment,
ecosystem and public policies



**International Cooperative Alliance Asia and Pacific &
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Table of contents

List of tables.....	iv
List of figures.....	iv
Abbreviations and acronyms.....	v

Synthesis note

1 Introduction.....	1
2 The scope of target types of the present study.....	1
3 Method.....	2
'Type' and 'model'.....	2
Research process.....	3
4 Proposed CIS models in the Asia-Pacific region.....	5
Worker cooperative A model.....	6
Worker cooperative B model.....	7
Shared service cooperative model.....	8
Mixed model.....	9
Multi-stakeholder cooperative model.....	11
Consumer/user cooperative model and shareholder-based cooperative model.....	11
5 Main trends.....	12
Old sectors to be modernized.....	12
Newly emerging initiatives.....	12
Important role of the cooperative movement and social movements.....	12
Social mission _ from the weakest part of the population to broader community.....	12
Challenges with new forms of work and employment.....	13
Importance of sector specific institutional ecosystems.....	13
6 Work and employment in CIS.....	13
Legal status of workers, social protection and social benefits.....	13
Ways of organizing works.....	15
7 Eco-system.....	16
Institutional eco-systems.....	16
Financial tools.....	19
Education and training.....	21
8 Policy issues and recommendations.....	22
Introduction of appropriate legal framework for CIS with clear definitions.....	22
Specification of worker-members' status.....	23
Close monitor against misuse and abuse of CIS.....	23



Less direct control and more autonomy	24
Reasonable minimum number of founding members	25
Issues related to implementation of public policies	26
Public policies for promoting CIS	27

National reports & Case studies

Republic of Korea	29
Worker cooperative	30
Social cooperative	31
Entrepreneurs' cooperative	32
Multi-stakeholder cooperative	32
Self-sufficiency enterprise	33
Non-cooperative worker-owned enterprise	34
[Case Study] Conversion into a worker cooperative: Happy-Bridge Cooperative	34
[Case Study] Self-sufficiency enterprise and the worker cooperative model	37
[Case Study] Woo-jin Transport	41
Japan	44
Worker cooperative	45
Workers collective	45
[Case Study] Central Workers' Co-operative and Workers' Co-operative CHIBA	47
[Case Study] Central Workers' Co-operative (Center Jigyodan)	47
[Case Study] Workers' Co-operative CHIBA	49
The Philippines	51
Labour service cooperative	52
Worker cooperative	54
[Case Study] Fastrack Multi-purpose Cooperative	54
[Case Study] Union of Legitimate Service Contracting Cooperatives	56
India	58
Industrial cooperative	60
Labour contract cooperative	62
[Case Study] Uralungal Labour Contract Cooperative Society	63
Australia	67
Worker cooperatives	67
Shared service cooperative (producer-owned cooperative)	68
[Case Study] The Co-operative Life	68
[Case Study] Nundah Community Enterprises Cooperative	69



Iran.....	72
[Case Study] Rah-e-Roshd Cooperative Educational Complex	73
Indonesia	76
[Case Study] Kopkun Indonesia	77
[Case Study] Padi Help	78
[Case Study] Koperasi Trisakti Bhakti Pertiwi (KOSAKTI).....	79
Malaysia	81
[Case Study] Ukhwah Malaysia Cooperative	82
Hong Kong, China	84
[Case Study] United Women Worker Cooperative	84
Annexe 1 _ Operational definitions of cooperative models	87
Annexe 2 _ International Standard Industrial Classification of All Economic Activities, (ISIC) Rev.4. Sections level.	96
Annexe 3 _ Financial tools for worker and social cooperatives.....	99
Annexe 4 _ Target types and short descriptions (analysed types coloured in grey).....	103
Annexe 5 _ Research partners.....	110

List of tables

Table 1. Target types by country	3
Table 2. Contents of questionnaires.....	3
Table 3. Proposed CIS models	5
Table 4. Worker cooperative A model - Overview	6
Table 5. Worker cooperative B model - Overview	8
Table 6. Shared service cooperative model - Overview	9
Table 7. Mixed model - Overview	9
Table 8. Multi-stakeholder cooperative model - Overview	11
Table 9. Social protection schemes applied to employees	13
Table 10. Institutional eco-systems of target types.....	17
Table 11. Indivisible reserves	19
Table 12. Financial instruments available for CIS.....	21
Table 13. Requested minimum number of founding members.....	26

List of figures

Figure 1. Organisational change of WT	42
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Abbreviations and acronyms

ACFHIC	All Chinese Federation of Handcraft Industry Cooperatives (China)	KFWC	Korea Federation of Worker Cooperatives (Korea)
BCCM	Business Council of Co-operatives and Mutuals (Australia)	KRW	Korean Won
CETF	Cooperative Educational and Training Fund (Philippines)	LCC _{IN}	Labour contract cooperative (India)
CDA	Cooperative Development Authority (Philippines)	LLP	Limited liability partnership
CICOPA	International Organisation of Industrial and Service Cooperatives	LSC _{PH}	Labour service cooperative (Philippines)
CIS	Cooperative(s) in industrial and service sectors	MSC _{KR}	Multi-stakeholder cooperative (Korea)
CLA	Community Living Association (Australia)	NBLS	National Basic Living Security (Korea)
CNL	Co-operative National Law (Australia)	NCEC	Nundah Community Enterprises Cooperative (Australia)
CUHK	Chinese University of Hong Kong (Hong Kong)	NPO	Non-profit organisation
CWC	Central Workers' Co-operative (Japan)	NTS	National Tax Service (Korea)
DOLE	Department of Labour and Employment (Philippines)	PHP	Philippine Peso
EC _{KR}	Entrepreneurs' cooperative (Korea)	RECE	Rah-e-Roshd Cooperative Educational Complex (Iran)
HBC	Happy-Bridge Cooperative (Korea)	RMU	Relief Measures for the Unemployed (Japan)
HKWWA	Hong Kong Women Workers' Association (Hong Kong)	SBU	Strategic Business Unit (Indonesia)
ICA	International Cooperative Alliance	SCIC	Société coopérative d'intérêt collectif (France)
ICA-AP	International Cooperative Alliance Asia and Pacific	SC _{KR}	Social cooperative (Korea)
ICA CCR	International Cooperative Alliance Committee on Cooperative Research	SEPA 2007	Social Enterprise Promotion Act in 2007 (Korea)
ICCI	Indonesian Consortium for Cooperative Innovation (Indonesia)	SME	Small and medium size enterprise
IC _{IN}	Industrial cooperative (India)	SSC _{AU}	Shared service cooperative (Australia)
ICLS	International Conference of Labour Statisticians	SSE _{KR}	Self-sufficiency enterprise (Korea)
IDES	Institut de Développement de l'Economie Sociale (France)	ULCCS	Uralungal Labour Contract Cooperative Society (India)
INR	Indian Rupee	ULSCC	Union of Legitimate Service Contracting Cooperatives (Philippines)
ISIC	International Standard Industrial Classification of all Economic Activities	USD	US dollar
JCA	Japan Co-operative Alliance (Japan)	UWWC	United Women Worker Cooperative (Hong Kong)
JPY	Japanese Yen	WC _{AU}	Worker and worker-focused social cooperative (Australia)
JSSO	Japan Social Solidarity Organization (Japan)	WCC	Workers' Co-operative CHIBA (Japan)
JWCU	Japan Worker Cooperative Union (Japan)	WC _{JP}	Worker cooperative (Japan)
KASEE	Korea Association of Social Economy Enterprises (Korea)	WC _{KR}	Worker cooperative (Korea)
		WC _{PH}	Worker cooperative (Philippines)
		WL _{JP}	Workers' collective (Japan)
		WNJ	Workers' Collective Network of Japan (Japan)
		WOE _{KR}	Worker-owned and managed enterprise (Korea)
		WT	Woo-jin Transport (Korea)





Synthesis note

1 Introduction

What would be the contribution of cooperatives to work and employment? What is the achievement of cooperatives in developing decent work so far and what will be the challenges in the changing world of work? How can cooperatives provide the younger generation with workplaces and tools for realizing their dreams and ambitions with decent work and better economic conditions? Although most cooperatives may show their advantage in this regard, this study will focus more on the dynamics around certain types of cooperatives. They are generally known with different names, such as worker cooperative, social cooperative, labour (contract) cooperative, artisans' cooperative, self-employed producers' cooperative, enterprise cooperative etc. However, to have a common analytical tool for understanding diversity of these types of cooperatives in the Asia-Pacific region, we need to approach the dynamics in a more analytical way beyond their various appearances.

The present study is the result of a one-year joint research project of the International Cooperative Alliance Asia and Pacific (ICA-AP) and CICOPA, sectoral organisation of the ICA, which represents cooperatives in industrial and service sectors at the global level. The research project was conducted in close collaboration with local partners from different backgrounds (ICA member organisations, research institutes, individual cooperatives and individual researchers). The study was also fed by the previous collaboration between ICA-AP and CICOPA around cooperatives in industrial and service sectors which allowed to conduct field research in India, Sri Lanka and Malaysia.

2 The scope of target types of the present study

Broadly speaking, the main target of the present study is **'cooperatives in industrial and service sectors of which the principal objective is to serve members' employment or business activities'**. This operational definition has two constituting elements which should be defined more clearly, that is, **economic activity** on the one hand and **members' main interest as a characteristic of cooperatives**, on the other.

Firstly, the target types cover cooperatives having economic activities in industrial and service sectors which correspond to International Standard Industrial Classification of all Economic Activities (ISIC) codes from B. Mining and Quarrying to S. Other service activities except O. Public administration and defence; compulsory social security and K. Financial and insurance activities. It means that the target types might cover a large number of sectors which are represented neither by agricultural, forestry and fishery cooperatives nor by financial service cooperatives¹.

Secondly, the target types have cooperatives of which members' main interest² is to create and maintain their work and employment through cooperatives or to facilitate their own production and business activities. According to the classification defined in the Guidelines concerning statistics of cooperatives (hereafter, the Guidelines) adopted by the 20th International Conference of Labour Statisticians (ICLS) in October 2018, whereas the former may be called 'worker cooperative' in a generic sense, the latter may be called 'producer cooperative'. Therefore, in more technical terms, the target types of cooperatives in the present study can be defined as *'worker cooperatives, producer cooperatives or multi-stakeholder cooperatives which work in non-agricultural and non-financial service sectors'*. Of course, this definition does not mean that it would cover the reality in a complete way but has only operational sense for the present study. Indeed, the phenomenon we want to deal with is much broader. In focusing on the core definition above, the present

1 See Annexe 2 for the list of ISIC codes.

2 'Main interest' is defined as the interest for which the members allow the majority of their participation in the cooperative. According to the Guidelines, members' main interest in cooperatives may be different in different types of cooperatives: 'production activity' for producer cooperatives, 'work and employment' for worker cooperatives, 'consumption and usage' for consumer/user cooperatives and 'more than one members' interest' for multi-stakeholder cooperatives.



study also includes organisations which are not legally registered as cooperatives but respect cooperative values and principles and share similar characteristics with the core target types.

At the beginning of the study, we started by calling all target types in the present study '**cooperatives in industrial and service sectors (CIS)**' just as a convention. With this generic term, the call for partners for this study tried to propose potential partners very flexible guidelines which would allow to include various realities in their countries but also with certain level of common points which would allow to have a common horizon. However, the final result of the study confirms that the term of 'cooperatives in industrial and service sectors' is the most relevant for covering various types of cooperatives observed throughout the study. This

term can represent several cooperative models which are specifically constructed in the context of the Asia-Pacific region but also correspond to the internationally accepted concepts and standards.

3 Method

'Type' and 'model'

In this study, we use the terms of 'type' and 'model' in a distinguished way. Whereas a '**type**' represents a concept used in practices and perceived as such by the public in a given society, we use the term of '**model**' in order to indicate more analytically elaborated concepts which can be understood against historically constructed and internationally accepted ideal models.

Different criteria used to classify cooperative types

This study identified four different criteria used to classify different cooperative types: economic activities, characteristics of members' work, specific purposes and others.

- **Economic activities** _ Among 39 identified cooperative types, 20 types are defined according to their economic activities, such as transportation, mining, tailoring, weaving, construction, industrial (and handicraft), and service including labour service.
- **Characteristics of members' work** _ Ten types are defined according to different characteristics of members' work. Cooperatives with the main objective of creation and maintenance of members' employment are called 'worker cooperative' or 'labour (contract) cooperative' (8 types). Entrepreneurs' cooperative in Korea and shared service cooperative in Australia show characteristics of the shared service cooperative model in which working members are the self-employed and independent workers. SME cooperatives in Korea and Japan might be classified into this category.
- **Specific purposes** _ Three cooperative types are defined with their specific social purposes: social cooperative and self-sufficiency enterprise in Korea and elderly's cooperative in Japan.
- **Others** _ Three types represent specificities related to governance structure: multi-stakeholder cooperative in Korea and non-cooperative worker-owned and managed enterprise in Korea and India. Information on three other cooperative types were not obtained during the period of the project: cooperatives represented by All Chinese Federation of Handicraft Industry Cooperatives, Self-reliance cooperative and self-employee cooperative in Sri Lanka.

From the beginning, as a hypothesis, we used several cooperative models, such as 'worker cooperative', 'labour cooperative', 'social cooperative', 'shared service cooperative', 'shared service cooperative-enterprise cooperative', 'multi-stakeholder cooperative', 'multi-purpose cooperative', 'employee shareholding cooperative' and 'employee-ownership'. Each model having an analytical definition based on

the literature on cooperatives³ was used as an ideal model against which the result of empirical research was compared and analysed. After analysing relationship between the research results and the ideal models, the hypothetical models were modified and adjusted for being more context-based models which might be used as common concepts on CIS in the Asia-Pacific region.

³ Analytical definitions of these models is in Annexe 1.



Research process

The main part of research was carried out from February 2018 to March 2019 through three different stages which used different research methods.

The first stage of the research was dedicated to mobilising local partners who have good knowledge on CIS and are able to produce a good quality of research⁴. In mobilising partners as well as in examining various information sources, the research team tried to identify target types in Asia-Pacific countries. As a result, the study identified 41 cooperative types in 12 Asia-Pacific countries⁵, which are or might be considered as CIS or those similar to them⁶. Among them, short descriptions of 23 cooperative types in five countries (the Philippines, the Republic of Korea (hereafter, Korea), Japan, India (Tamil Nadu and Delhi⁷), Australia) were collected in collaboration with local partners and experts (coloured in grey in Table 2). Additionally, five local partners from four countries (Malaysia, Indonesia, Iran and Hong Kong, China (hereafter, Hong Kong) where CIS are not sufficiently recognized as (an) independent type(s) (except Iran which has a strong presence of CIS with well-defined typology) provided information and case studies (coloured in grey in Table 1).

Table 1. Target types by country

Country	Number of target types
Philippines	4
India	4
Korea	7
Japan	4
Australia	3
Sri Lanka	4
China	1
Vietnam	3
Iran	3
Mongolia	1
Myanmar	5
Bangladesh	2
Total	41

⁴ See Annexe 5 for the list of research partners.

⁵ The full list of 41 cooperative types are in Annexe 4.

⁶ There is a type based on consumer/user cooperative model, namely, elderly's cooperatives in Japan. However, its idea is more related to the multi-stakeholder model and in fact, significant part of members are workers who have consumer-members' status due to the legal status of cooperatives as consumer cooperatives. Because different categories of membership are not officially recognized, in the present study, it is considered as being based on the consumer/user cooperative model. However, it would be interesting to examine further this type from the perspective of the multi-stakeholder cooperative model.

⁷ Considering that there are different cooperative legal frameworks at the state level in India, the present study focused on Tamil Nadu and Delhi. Short descriptions were made with the cases in Tamil Nadu and in-depth analysis was conducted with the cases in Delhi.

Country	Number of target types
Indonesia	Individual cases
Malaysia	
Hong Kong	
Iran	

In the second stage, due to limited resources, an in-depth analysis using questionnaires was carried out only for 14 cooperative types in five countries and for five individual cooperative cases in four countries. For the in-depth analysis, two different questionnaires were constructed based on the analysis of existing information, in reflecting interest of the cooperative movement regarding CIS, particularly about work, employment, ownership and autonomy. Table 2 shows the main contents of two questionnaires.

Table 2. Contents of questionnaires

Context analysis	Main characteristics
<ul style="list-style-type: none"> • Legal aspect • General information • Cooperative movement • Public policy • Social protection and rights at work • Public perception • Eco-system • Innovation 	<ul style="list-style-type: none"> • Membership • Coops designed for employing workers with disadvantages • Capital and ownership structure • Autonomy and monitoring

The in-depth analysis allowed to identify seven CIS models which will be presented in detail in the following sections.

To better understand these cooperatives, during the third stage of the project, local partners contributed with case studies on individual cooperatives of the target types as well as related issues in their countries. For individual cooperative cases, a questionnaire and an instruction were used for getting information in a more structured way.

Different ways of perceiving a type as a collective reality

In 15 countries analysed in the study (including three countries analysed with individual cases), cooperative types are understood as representing a certain collective reality but the ways of perceiving them are different.

Cooperative types defined by legislation (or public policies)

In many Asian countries, cooperative types are defined by cooperative legislation, public policies or administrative documents. In this way, a cooperative type is supposed to represent cooperatives which share common characteristics according to different criteria, even though they are often based on different models.

This is the case of the Philippines, India and Korea among those analysed with questionnaires. Among countries in which we did not conduct the in-depth analysis, Sri Lanka, Iran, Vietnam and Bangladesh have cooperative types defined by legislation, public policies or administrative documents.

Cooperative types defined by cooperative movements

In Japan and China, CIS can be identified through their affiliation to the cooperative movement. In Japan, worker cooperatives and workers' collectives have been initiated and developed by the social movement (in relation with labour movement and cooperative movement) without the specific legal status of cooperatives. Therefore, they use different legal status but have developed very coherent and elaborated models. Elderly's cooperatives which use the legal status of consumer cooperative can also be identified only through their affiliation to Japan Worker Cooperative Union (JWCU), main promoter of this cooperative type. In China, according to obtained information, All Chinese Federation of Handcraft Industry Cooperatives (ACFHIC) represents different forms of enterprises. Therefore, the common ground of these enterprises is above all their affiliation to ACFHIC. In Indonesia, it was reported that individual worker cooperative initiatives and supportive organisations have been gradually organized and created their own network, Indonesian Consortium for Cooperative Innovation (ICCI).

Cooperative types perceived by stakeholders

In Australia, the cooperative legislation does not define any specific types of CIS. These types of cooperatives are not organized yet strongly under the cooperative movement, while having a network among them. However, the internationally accepted concepts are directly used by individual cooperatives and it is very probable that their by-law would be aligned with the model they are pursuing. Business Council of Co-operatives and Mutuals (BCCM), the national apex-organisation is also fully aware of the concepts and use them as references for conceptually grouping empirical cases. Therefore, it might be said that these types exist in stakeholders' perception although they are neither institutionalized nor constructed as a collective reality. A similar situation is found in Hong Kong where a typical form of worker cooperative has been working without specific typology nor strongly organized movement.

Absence of common awareness

In some countries where the cooperative legislation does not define specific cooperative types and also consumer/user cooperative model has been a dominant model, CIS are not sufficiently recognized. Whereas many cooperatives carry out their activities in industrial and service sectors, most of them are still based on consumer/user cooperative model, particularly consumer cooperatives and financial service cooperatives which have economic activities in industrial and service sectors as specific services to their members, sometimes through their subsidiaries. Although some individual CIS cases might be found in the field, they are not understood as such neither by co-operators themselves nor by local experts including the cooperative movement and public authorities in charge of cooperatives. Some cases presented as CIS in certain literature do not correspond to the internationally accepted models but sometimes they were just reinterpreted as possible CIS by local experts who do not have enough knowledge on the internationally accepted models or by foreign experts who do not have enough understanding on concrete realities. This situation is often observed in Malaysia, Indonesia, and Singapore and for some cooperative types in Sri Lanka. For these countries, the present study focused more on individual cooperative cases rather than cooperative types in order to better understand dynamics of CIS.



4 Proposed CIS models in the Asia-Pacific region

14 target types from the Philippines, Korea, Japan and Australia and five individual cases from Indonesia, Malaysia, Iran and Hong Kong were more deeply analysed with questionnaires. The analysis shows that three analytical dimensions are important to define different CIS models: ways that members working in or through cooperatives are paid, characteristics of payment and supervisors of members' work.

The majority of analysed types and cases have a predominant category of members (or one of main categories of members) who work for or via their cooperative. Therefore, members' interest in cooperatives are directly related to their employment or their business activities. Only one exception was the Malaysian case where a predominant category of members are users of financial services provided by

the cooperative⁸. On the other hand, during the study, a specific model was identified mainly in Malaysia and Vietnam. Whereas cooperatives work in industrial and service sectors, their members' interest is neither to create nor maintain their work and employment through cooperatives nor to facilitate their own production and business activities. Members can have membership after contributing to the equity capital and do not have direct economic transaction with their cooperative except getting dividend on their capital at the end of year. Although this model does not correspond to the operational definition initially proposed, it seems important to include the question of "what is members' interest in cooperatives" in the modelisation of CIS in the Asia-Pacific region in order to cover diverse realities.

These four dimensions may be combined in resulting in seven different CIS models. Table 3 shows seven CIS models proposed in the present study and their differentiating dimensions.

Table 3. Proposed CIS models

Is members' interest in cooperative directly related to their employment or their business?	Who pay members' work?	What is the form of payment? (in cooperative financial account)	Who supervise members' work?	Proposed CIS models
Yes, related to their employment	Cooperative	Labour cost of cooperative	Under supervision of cooperative	Worker coop A model
Yes, related to their employment	Cooperative	Expected surplus paid in advance	Under supervision of cooperative	Worker coop B model
Yes, related to their business	Others (clients)	Purchase of goods and services provided by members	Other employers (service users) and/ or no supervision (total autonomy)	Shared service coop model
Yes, related to their employment or their business	Mixture cooperative and/or others (clients)	Mixture labour cost of cooperative and/or purchase of goods and services provided by members	Mixture under supervision of cooperative, other employers (service users) and/or no supervision (total autonomy)	Mixed model
Yes, related to their employment or their business	Structured mixture	Structured mixture	Structured mixture	Multi-stakeholder coop model
No, members' interest is to use goods and services provided by the cooperatives	Not relevant	Not relevant	Not relevant	Consumer/user coop model
No, members' interest is to get dividend on their equity capital	Not relevant	Not relevant	Not relevant	Shareholder-based coop model

⁸ This case is interesting because it shows a typical way of perceiving CIS in some South-East Asian countries (Malaysia, Indonesia, Singapore, Vietnam and to some extent, Sri Lanka).

Worker cooperative A model

Worker cooperative A model can regroup cooperative types in which members work under supervision of their cooperative and paid by their cooperatives in terms of

labour cost in cooperative financial account. Worker-members usually have the same form of employment contract as that used in conventional enterprises, with their cooperatives and they are eligible for all social security system conceived for employees⁹.

Table 4. Worker cooperative A model - Overview

Country	Type	Legal status	N° of coops	N° of members	N° of employees (members and non-members)	Main economic activities
Japan	Worker cooperative (WC _{JP})	Legal statuses according to NPO law or SME cooperative law	About 450 Business units (2017)	About 10,000 worker-members	About 5,000 non-member employees	Care fields for the elderly, children, disabled, poor/needly.
	Workers' collective (WL _{JP})	Legal statuses according to NPO law or SME cooperative law	340 (2017)	8,021 worker-members	No non-member employees	Care businesses (for the elderly, children, disabled, etc), food industry, recycling and some businesses outsourced from Seikatsu Club (consumer cooperatives)
Korea	Worker-owned and managed enterprise (WOE _{KR})	Legal statuses according to Commercial code	No statistics			Transportation
	Self-sufficiency enterprise (SSE _{KR})	Different legal statuses according to Commercial code and Framework act on cooperatives (but mainly regulated by National Basic Living Security Act)	1,334 (2016)	7,811 workers	No data on non-member workers but very few	Cleaning, housing repair, care service, food manufacturing and so on.
Australia	Worker and work-focused social cooperative (WC _{AU})	Legal statuses according to Co-operatives National Law or Corporations Act 2001	20-25 (Estimation)	No data	No data	Aged and disability care, other service industries.
Philippines	Labour service cooperative (LSC _{PH})	Legal status regulated by Cooperative Code of the Philippines under Republic Act 9520 as well as Labour Code of the Philippines	115 (operating coops, 2017)	103,000 worker-members (reporting coops, 2017)	63,600 non-member employees (reporting coops, 2017)	Big number of labour service cooperatives are in the south and into agriculture sector. In the cities, most of the labour service cooperatives are into manufacturing, service sector, and construction.

⁹ However, they do not always apply for it. In Japanese workers' collective, many members work only for several hours per week which do not request to make official employment relationship and their social security is covered by their spouses'.



Country	Type	Legal status	N° of coops	N° of members	N° of employees (members and non-members)	Main economic activities
India (Delhi)	Labour contract cooperative (LCC _{IN})	Cooperative Acts in states (Legal status regulated by Delhi State Cooperative Societies Act 2003 and Delhi State Cooperative Societies Rule 2007)	46,818 (Nationwide, 2016)	2,730,000 worker-members	No data	Construction and forestry

It is interesting that the cooperative types in Japan and Korea are not regulated by cooperative legislation but by other legislation concerning associations or commercial enterprises so that they have to respect the normal rules concerning employment relationship. Indeed, they are all initiated by various social movements inspired from the worker cooperative model, although there was no appropriate legal framework for the model. In Japan, WC_{JP} and WL_{JP} have been organized by themselves (WC_{JP}) or by the consumer cooperative movement (WL_{JP}) and now have been trying to introduce a common legal framework for covering both types. Whereas WOE_{KR} were not so many, they have been converted into cooperatives after the enactment of the Framework act 2012 on cooperatives. SSE_{KR} was originally designed following the worker cooperative model in Europe but also obliged to use commercial enterprise forms before the Framework act 2012. However, in using commercial enterprise forms and their normal employment relationship, many SSE_{KR} have become accustomed to them and mainly for that reason, they are not sufficiently motivated to be converted into the cooperative form even after the Framework act 2012. WC_{AU} can be also understood as a bottom-up approach initiated by individual cooperatives themselves which are inspired by the worker cooperative model and use either the Cooperatives National Law or the Corporation Law 2001.

However, LSC_{PH} has a profile very different from others. This cooperative type was specifically designed in considering the specific situation of worker-members who are dispatched in other companies. To protect worker-members, LSC_{PH} is fully regulated not only by the Cooperative code but also by the Labour code. This is different from Worker cooperatives (WC_{PH}) which is classified into Worker cooperative B model due

to the fact that worker-members' work relationship is considered as cooperative relationship among members which is not regulated by the labour laws. In this regard, WC_{PH} are contrasted with LCC_{IN}. LCC_{IN} has a specificity that although worker-members do not have the employment contract with their cooperative, as worker-members, they can access all social protection and rights at work allowed to employees with employment contract. Therefore, they are considered as the Worker cooperative A model.

This model may have sub-models, such as employee-owned enterprise model which has non-cooperative form as a main distinguishing feature (for WOE_{KR} as well as participatory enterprise in India) and labour service cooperative model which has a specific way of organizing work as a main distinguishing feature¹⁰ (LSC_{PH}).

Worker cooperative B model

Worker cooperative B model can regroup cooperative types in which members work under supervision of their cooperative and paid by their cooperatives in terms of advancement of expected surplus in cooperative financial account, which is the distinguishing point from worker cooperative A model. Worker-members do not have any employment contract with their cooperatives but their relationship is more defined based on their cooperative relationship among members. For this reason, worker-members are often considered as self-employed persons so that they are not eligible for the social security system conceived for employees but can access individually the one conceived for the self-employed. This model is very often found in Latin American countries and consider cooperatives as more members' association rather than legal entities separated from members.

¹⁰ Worker cooperatives in some economic activities, such as care services, home cleaning etc. may have similar features due to their specific ways of organizing works.



Table 5. Worker cooperative B model - Overview

Country	Type	Legal status	N° of coops	N° of members	N° of employees (member or non-member)	Main economic activities
Philippines	Worker cooperative (WC _{PH})	Legal status regulated by Cooperative Code of the Philippines under Republic Act 9520	28 (2017)	16,200 (2017)	5,200 (2017)	Provision of services and production. In most cases, they are also engaged in providing credit.

* Source – Cooperative Development Authority website

Among analysed types, WC_{PH} is the only case of this model which is defined by the Cooperative code. One individual case from Indonesia shows the same characteristics but in a different context. This case does not have a specific legal form yet and in particular, it cannot use cooperative form due to the difficulty in meeting the minimum number of founding members (20 persons in Indonesia). Therefore, work relationship of worker-members is not regulated formally but rely more on informal cooperative relationship among members. This case might be reclassified when it will have a formal legal status. But it shows that how informal forms of CIS initiatives might work.

It should be noted that both worker cooperative A and B models correspond to the model defined by the World Declaration on Worker Cooperative as well as to the statistical definition in the Guidelines. According to the latter, it is defined that "in a worker cooperative, members share an interest in the work which is provided by or ensured through the cooperative. The members are individual workers (worker-members) whose jobs are directly assured through their cooperative". The main difference between A and B models is about which aspect of the cooperative model is more focused; as a legal entity separated from members or as members' voluntary association. This difference makes an important distinction in terms of worker-members' social protection and rights at work. Particularly, without sufficient public social security systems for worker-members in B model, there is always a risk that worker-members would not be protected properly. On the contrary, it is also true that too strict labour regulation might reduce cooperative members' autonomy and independency on their own work and employment. This debate on

the tension between the universal social protection and rights at work, on the one hand, and cooperatives' autonomy, on the other, has a very long history and is still ongoing. The present study does not have any specific position on it but suggests a more pragmatic approach which focuses on identifying, through stakeholders' participation, what are the real problems and what would be appropriate and possible solutions in concrete situations? In this regard, the case of LCC_{IN} is very interesting because, although their worker-members do not have employment contract with the cooperative, broader legal environments have obliged cooperatives to provide the same level of social protection and rights at work as those with employment contract to their members.

Shared service cooperative model

Shared service cooperative model can regroup cooperative types in which members work under supervision of their own clients or by themselves and paid either directly by their clients or by cooperatives in terms of trade between members and their cooperatives (purchase of goods and services provided by members) in cooperative financial account. Members have their own tax and social security accounts as individual person or legal person without intermediary of their cooperatives. This model is also called as 'producer cooperative', for example, in the Guidelines. According to the Guidelines, it is defined that "in a producer cooperative, the main interest of the members is related to their production activity as enterprises in their own right. The members typically comprise household market enterprises such as small agricultural or craft producers but may also include corporations."



Table 6. Shared service cooperative model - Overview

Country	Type	Legal status	N° of coops	N° of members	N° of employees (member or non-member)	Main economic activities
Korea	Entrepreneurs' cooperative (EC _{KR})	Legal status regulated by the Framework act 2012 on cooperatives	3,283 (2016)	102,313	2,676	Whole sales and retailing represent 26.2 percent.
Australia	Shared service cooperative (SSC _{AU})	Legal statuses according to Co-operatives National Law or Corporations Act 2001	It is estimated that there are 30-40 cooperatives in this category. There are many others that are part of the broader 'enterprise cooperative' sector, which could have a mix of self-employed and small business members. This would include 15-20 taxi cooperatives.			Artists, consultants, doctors, lawyers, teachers, artisan producers (woodwork, textiles etc.), taxi drivers

Among analysed cooperative types, EC_{KR} in Korea and SSC_{AU} in Australia are classified into this model¹¹. In both types, members, also called producer-members, are often freelancers, self-employed workers, small business owners and sometimes SMEs. Cooperatives provide various kinds of services to facilitate members' production activities or businesses but basically do not hire their members as employees. Managers and employees of cooperatives might also be members but this membership is rather symbolic¹².

This model may have a sub-model that is composed of shared service cooperatives mainly based on corporation-members, such as, SMEs or incorporated

businesses. It might be called 'shared service cooperative _ enterprise cooperative'.

Mixed model

Mixed model can regroup cooperative types in which individual cooperatives can be based on the worker cooperative model, the shared service cooperative model or specific situations that members are composed of both worker-members and producer-members. We consider this specific situation not as a permanent model but rather as a temporary situation¹³ caused in the course of the development trajectory of the cooperatives towards one of two models (the worker cooperative model or the shared service cooperative model).

Table 7. Mixed model - Overview

Country	Type	Legal status	N° of coops	N° of members	N° of employees (member or non-member)	Main economic activities
Korea	Worker cooperative (WC _{KR})	Legal status regulated by the Framework act 2012 on cooperatives	215 (2016)	2,946 (2016)	1,470 (2016)	Education represents 19.17 percent and whole sales and retailing represents 15.75 percent.

¹¹ It should be noted that because the present study could not cover all identified types due to the limit of resources, a priority was given to worker cooperative models in putting besides some shared service cooperatives. It is the case of transport cooperative and small scale mining cooperative in the Philippines, cooperatives under 'others' category in India and SME cooperatives in Korea and Japan.

¹² If they can have significant amount of voting right defined in legislation or in their statutes, the cooperative should be reclassified into the multi-stakeholder cooperative model rather than the shared service cooperative model.

¹³ If this specific situation becomes permanent, it should be reclassified according to the questions of whether different membership categories share voting power in a balanced and structured way (in this case, it should be reclassified into the multi-stakeholder cooperative model) or which membership category is predominant (in this case, the predominant member category would decide the cooperative model).

Country	Type	Legal status	N° of coops	N° of members	N° of employees (member or non-member)	Main economic activities
India (Delhi)	Industrial cooperative (IC _{IN})	Cooperative Acts in states (Legal status regulated by Delhi State Cooperative Societies Act 2003 and Delhi State Cooperative Societies Rule 2007)	72,629 (2008)	3,830,134 (2008)	60,611 (2008)	Manufacturing (handloom weaving (about 25,000 coops), handicraft, machinery, clothing etc.)

Among the analysed types, WC_{KR} in Korea and IC_{IN} in India are classified into this model. Although it was designed in aiming at promoting the worker cooperative A model, it is reported that WC_{KR} represents not only cooperatives based on the worker cooperative A model but also those based on the shared service cooperative model which are also called freelancers' cooperatives. This mixture seems to happen 1) because the practices of work organisations in certain economic sectors, such as care services are dominated by part-time work without formal employment contract. Although, ideally, some cases should be classified into EC_{KR} in the process of registration, it happens also 2) due to misunderstanding of cooperative founding members and public officers about cooperative types. Sometimes, it also reflects 3) specific situations where all worker-members cannot be hired by their cooperatives due to their weak business performance. In this case, some members keep their own jobs and join projects conducted by the cooperatives, as contractors. Therefore, to relocate WC_{KR} into the worker cooperative A model which was the original idea, further clarification on cooperative types and strong support for worker cooperatives would be needed.

IC_{IN} has a specific reasoning for explaining this mixture. At the beginning, IC_{IN} was designed for promoting local industrial activities through cooperative forms but without serious consideration of work forms. Therefore, it is individual cooperatives which can decide what are members' legal status. They can be classified into one of two main models, but always under the same title of industrial society.

Divers ways of organising works in CIS confusion in the mixed model

Diversity of ways of organising works should be taken into account seriously, when we talk about CIS, particularly those in the mixed model. Abell and Mahoney showed that the typical model of worker cooperatives based on joint-production was not a norm already in 1980s. In their work on small-scale industrial producer cooperatives in developing countries including India, initially they had been interested in "cooperatives which were engaged in joint-production by the members of the cooperative, that is, a situation where a number of members 'worked together', preferably in one location, and where the relations of joint production were more or less organized along cooperative lines". It corresponds to the worker cooperative model in this study. However, for them, it became clear as the research progressed, that "many industrial cooperatives registered as such were in practice merely marketing and/or buying agencies utilized by a series of small-scale production units, either comprising a single person, a family group, or a number of individual coordinated along traditional commercial lines, that is to say comprising an owner/manager and a number of employees"¹⁴. It is indeed the shared service cooperative model but under the title of "industrial cooperatives" it has been confused with the worker cooperative model.

¹⁴ Abell, Peter and Nicolas Mahoney, 1988, *Small-Scale Industrial Producer Co-operatives in Developing Countries*, Delhi, Oxford University Press



The mixed situation may bring about complicated situations concerning worker-members' legal status and particularly, their social security due to the possibility of misclassifying worker-members who should be considered as having employment contract into the self-employed. One of possible options would be to divide these types according to two main models but for the present situation where they are strongly perceived as one single type through the institutional definition, it seems difficult to implement that option. The other option would be to consider them as reflecting labour market situations in these countries and to understand their contribution and problems in this regard.

Multi-stakeholder cooperative model

Whereas the mixed model regroups heterogeneous cooperatives having different models, **multi-**

stakeholder cooperative model represents a **homogenous group of cooperatives which has multi-stakeholder governance structure as their specificity**. According to the Guidelines, "a multi-stakeholder cooperative is a cooperative which has more than one type of member with significant involvement in the activity of the cooperative and in which: (i) more than one type of member is represented in the governance structure of the cooperative; and (ii) no type of member has a dominant position through a majority of votes in the governing body or an exclusive veto over decisions". It is distinguished from other types of cooperatives which may also have more than one type of member but in which only one type of member is predominant in the governance of the cooperative.

Table 8. Multi-stakeholder cooperative model - Overview

Country	Type	Legal status	N° of coops	N° of members	N° of employees (member or non-member)	Main economic activities
Korea	Social cooperative (SC _{KR})	Legal status regulated by the Framework act 2012 on cooperatives	591 (2016)	75,962 (2016)	3,221 (2016)	Education represents 31.4 percent and health and social welfare services represent 26.4 percent
	Multi-stakeholder cooperative (MSC _{KR})		825 (2016)	116,614 (2016)	1,813 (2016)	Whole sales and retailing (19.8 percent)

Among the analysed types, SC_{KR} and MSC_{KR} are classified into the multi-stakeholder cooperative model. In the Framework act 2012, SC_{KR} is more strictly regulated with a higher level of conditions, such as authorization from related ministries or municipalities, non-profit distribution constraint and compulsory multi-stakeholder governance structure, in order to strengthen the realization of social missions. On the contrary, MSC_{KR} is considered as a more commercially oriented cooperative model. Although multi-stakeholder structure is imposed by definition, these cooperatives sometimes looks very similar to EC_{KR} and WC_{KR} except the fact that there might be different types of members, such as supporters, investors or users. It should be noted that cooperatives in these two types do not always have worker or producer-members as a core

member category but might be driven by consumer/user-members or sometimes investor-member and supporter-members as well.

Consumer/user cooperative model and shareholder-based cooperative model

In the analysed types, there is no types based on the consumer/user cooperative model and the shareholder-based cooperative model. However, it was reported that elderly's cooperatives in Japan have the legal status of consumer cooperative, even though almost one third of members are workers in the cooperatives. It seems more reasonable to formalize the presence of worker-members and their substantial role by developing the multi-stakeholder cooperative model.



In the course of research, it was also observed that industrial and service cooperatives in some South East Asian countries are based on neither the worker cooperative model nor the shared service cooperative model but most of their members only contribute to the capital of the cooperatives, namely, only as shareholders. Members do not have any direct economic transaction with their cooperatives except the capital contribution and reception of dividends. Whereas this model is out of scope of the initial operational definition of CIS in the present study, it is important to note that this model might be found under the titles used for CIS.

5 Main trends

The analysed types and individual cases illustrate some main trends around CIS in the Asia-Pacific region. Not surprisingly, most of these trends are not so different from those observed in other continents.

Old sectors to be modernized

Whereas IC_{IN} and LCC_{IN} have a long history and experienced historical moment of their development in 1950-70, today they seem to be very old and to be located in marginal and outdated industrial sectors, such as handloom weaving. It is stated that many of IC_{IN} will not stand the test of the time to come, and are not prepared to adapt to the future of work mega drivers.

Gocoop¹⁵, an on-line platform aiming at matching supply and demand in the handloom weaving industry is an example of how traditional weavers' cooperatives might be modernized thanks to the technological development. The case of Uralungal Labour Contract Cooperative Society (ULCCS) illustrates how a LCC_{IN} with a certain level of size might diversify their activities in order to explore new business areas, such as IT, tourism, education, skill development and social welfare¹⁶.

Newly emerging initiatives

It is interesting to observe that various kinds of new initiatives based on CIS models across the Asia-Pacific region. In India, it is reported that increasing interest is given to worker-cooperative-model-based IT enterprises. Nilenso¹⁷ is one of the pioneers in this field. However, due to the complexity and constraints

of the legal system, many of them are not registered as cooperatives but choose other forms of enterprises in keeping their way of working based on the worker cooperative model. In Indonesia, the worker cooperative model is recognized as a tool for supporting young people in vulnerable situations. However, Indonesian cases also show difficulties caused by the legal framework which requests too high number of founding members to be registered as a cooperative.

To promote CIS models among young people in emerging economic sectors, it seems important to modernize legal frameworks, to promote CIS models in education and training institutions and to encourage new initiatives to be organized as a movement through networking among themselves. The case of Indonesian Consortium for Cooperative Innovation aiming at promoting new CIS might be a good example in this regard¹⁸.

Important role of the cooperative movement and social movements

In the Asia-Pacific region, it is observed that many types, such as WC_{KR} , SSE_{KR} , WC_{JP} , WL_{JP} , WC_{AU} and initial stage of LCC_{IN} have developed from or with strong support of the cooperative movement and social movements. A case study on Woojin Transportation (WOE_{KR}) shows an interesting example of important support from the trade union movement. Among individual cases, United Women Worker Cooperative (UWWC) in Hong Kong, Kopkun consumer cooperative and KOSATI in Indonesia, and Rah-e-Roshd cooperative in Iran show that new initiatives are emerging from the social movement, even in the situation that institutional recognition of CIS is weak.

Social mission – from the weakest part of the population to broader community

In many countries, it is observed that there is an increasing interest on social-mission-based CIS models. Some CIS types, such as IC_{IN} , LCC_{IN} , SSE_{KR} and some of WC_{AU} and SC_{KR} give more priority to providing jobs to the weakest part of the population. Among individual cases, UWWC in Hong Kong, Pedi Help in Indonesia and Nundah Community Enterprises co-operative in Australia also aim at providing jobs to people in disadvantaged situations, such as women, pedi drivers and people with disability. However, other CIS types have

15 www.gocoop.com

16 See the case study on ULCCS in this report.

17 nilenso.com

18 See the case study on Pedi Help in this report.

explicit and broader social missions. WC_{JP}, WL_{JP}, SSE_{KR} and some of WC_{AU} and SC_{KR} express local development and/or social service provision as their primary mission. It is often related to public social service schemes allowing various kinds of private providers including cooperatives to enter social service provisions. Long-term care service insurance schemes in Japan and Korea are the emblematic ones. An individual case study on Co-operative Life in Australia is also working with the National disability insurance scheme.

Challenges with new forms of work and employment

New forms of work and employment in the changing world of work have become a serious challenge in our era. Although it is difficult to present as successful examples, LSC_{PH} and EC_{KR} show how cooperatives might make certain solutions for providing protection and rights at work to workers and for helping freelancers to be organized. We will examine this issue in the next section in more detail.

Importance of sector specific institutional ecosystems

Given that CIS have a very different nature from those of financial, consumer and agricultural cooperatives, it seems important to have institutional ecosystems considering CIS's specificities. Legal definition or specific public policies allow CIS to be correctly recognized and to get appropriate support. WC_{KR}, SSE_{KR}, SC_{KR}, LSC_{PH}, IC_{IN} and LCC_{IN} have their own legal recognition. WC_{JP} and WL_{JP} have been trying to have such legal recognition which they consider as crucial.

Sectoral organisations complement and strengthen the institutional ecosystems, even in the situation that there is no legal recognition. We will examine this issue in the next section in more detail.

6 Work and employment in CIS

The core common character of cooperatives under the study is that members' key interest with their cooperatives is to "work together". However, beyond this core common character, legal status, related labour issues and ways of organizing work are very different from one type to another, and even from one cooperative to another in the same type.

Legal status of workers, social protection and social benefits

Among the four proposed models, **worker-members in worker cooperative A model and certain worker-members in mixed model and multi-stakeholder cooperative model** have a legal status based on the employment relationship and in most cases, are considered as employees as the same as those in other conventional enterprises. As employees, worker-members in these models are eligible for all social protection and social benefits provided to employees in conventional enterprises. Table 10 shows different social protection schemes in five analysed countries. According to the table, Korea and Japan have more complete social protection schemes. In the Asia-Pacific region, it seems that the unemployment allowance is not yet generalized as part of the social protection system.

Table 9. Social protection schemes applied to employees

	Korea	Japan	Philippines	Australia	India	Hong Kong	Iran	Indonesia
Occupational health and safety (accident at work) insurance	0	0	0	0	0	0	0	0
Pension (employee provident fund)	0	0	0	0	0	0	0	
Eligibility of unemployment benefit	0	0			0		0	
Health insurance	0	0	0	Through universal system	0		0	0

	Korea	Japan	Philippines	Australia	India	Hong Kong	Iran	Indonesia
Sick leaves	0	0	0	Through universal system	0	0	0	
Maternity leaves	0	0	0	Through universal system	0	0	0	
Minimum wage	0	0	0	0	0	0	0	0
Others	Long-term care insurance, retirement fund	Long-term care insurance						

Local partners evaluated that their social protection schemes are relatively satisfactory. For example, in Australia, because of the history of trade unionism, there is a fairly robust employment law and benefits for employees. All employees in cooperatives including worker cooperatives are treated equally with other businesses in this system. Trade unions have also won universal social benefits that are not tied to employment, such as universal healthcare. However, there are also concerns about the real implementation of the social protection schemes. For example, in Korea, although the social protection schemes are good for providing basic protection and benefits, the half of employees have irregular situation in which they are not fully covered by the social protection system. An Indonesian partner also expressed a concern about incomplete implementation of minimum wage despite the formal regulation. However, generally speaking, it might be said that the legal status of employee based on the employment relationship provides a certain level of social protection and benefits to workers in the analysed countries. And worker-members in the worker cooperative A model and certain worker-members having the status as employees in the mixed model and the multi-stakeholder cooperative model enjoy the same level of social protection and benefits. Basically, worker-members and non-member employees who work in these cooperative models can join trade unions as well.

It should be noted that in practice, there are some situations where the social protection schemes are not fully applied to worker-members. Although as enterprises, they have to respect all necessary regulations on employment, sometimes SSE_{KR} do not pay attention to them due to their small size, lack of administrative capacity and customs in specific professions. In WC_{JP} and WL_{JP} where most of the workers are part-time workers, worker-members get different level of social protection and benefits as

defined by the Labour Standards Law. A significant part of worker-members in WL_{JP} do not benefit from the social protection and benefits through their work but are covered by their family members.

Worker-members in the worker cooperative B model (WC_{PH}) and producer-members in shared service cooperative model are not eligible for the social protection schemes for employees. In the countries where the social protection schemes for the self-employed are well developed, worker-members and producer-members can find their own solutions individually through the public or private schemes. However, it is clear that cooperatives do not play a role of channel to join the social protection schemes for them.

The Indonesian case shows that the informal situation of the initiative does not allow worker-members to have any proper social protection and right at work. However, it should be noted that this situation is only temporary for the initial stage and that it was caused by the institutional barrier of very high requested number of founding members (20 persons) rather than by their intention.

It is interesting to find that there are several private schemes made by cooperatives themselves to provide better social benefits to their members. Japanese Workers' Cooperative Union (JWCU) has a private mutual benefit system run by Japan Social Solidarity Organization (JSSO), a general incorporated association established by JWCU in 2004. All members of Central Workers' Co-operative (about 7,000) are members of the JSSO, and paying a monthly premium (JPY 1,000 per month), and thus receive benefits. WL_{JP} and SSE_{KR} also have similar kind of mutual insurance schemes inside their movement. In India and Sri Lanka, all kinds of cooperatives have internal solidarity schemes which, from annual surplus, provide members with specific benefits for family events such as marriage and funeral. In the Philippines, most cooperatives

provide additional insurance such as hospitalization, accident and death to compliment the one provided by the public social security system.

For **non-member employees**, although there are cases where non-member employees do not exist in theory, if they exist, they are considered as having the same employee status as those in other conventional enterprises.

Ways of organizing works

One of main issues concerning CIS has been some specific ways of organizing works which make cooperatives exposed to the risk of being instrumentalised by other employers. In some Latin American countries where the worker cooperative B model is dominant, worker cooperatives have been used as an instrument for avoiding employers' responsibility by outsourcing production activities to the cooperatives even in keeping the same workplace and production means of the original enterprises.

In the analysed countries, there is only one worker cooperative B model, namely WC_{PH} . It is reported that there are cases where WC_{PH} are used for disguising real employment relationships. It seems that a recent institutional change could worsen the situation. In the Philippines, the Labour Code defines that the application of law is the same for all, regardless of whether the employer-employee relationship is between the employee and a private company or cooperative. Indeed, in the Department Order No. 18-A issued by the Department of Labour and Employment that regulates the labour service, it is stated that "these rules shall apply to all parties of contracting and subcontracting arrangements where employer-employee relationships exist". Therefore, it shall also apply to cooperatives engaging in contracting and subcontracting arrangements. However, a new Department Order No. 174 defines an illicit form of employment arrangements as "contracting out of job or work through an in-house cooperative which merely supplies workers to principal". Here, in-house cooperatives refer to cooperatives which is managed, or controlled directly or indirectly by the principal (the company that is availing the labour service from the cooperatives) or one where the principal owns/represents any equity or interest, and which operates solely or mainly for the principal. If the cooperative is

classified as in-house, it means that the cooperatives do not have independent business but created by the principal to serve the principal. This is a violation of the regulation since this circumvented the employer-employee relationship. In terms of cooperative, it is also clearly a problematic situation in which the principle of autonomy and independence of cooperative is violated.

Some problematic situations are also found in the mixed models and the shared service cooperative models.

Whereas some cases in the mixed model represent transitional situations where cooperatives cannot fully hire their worker-members due to their current business performance so that some worker-members have to work with independent contractor status, there are also cases where this mixed situation is intentionally kept in reflecting ambiguous situations of worker-members. This is particularly the case of freelancer cooperatives in Korea. Although there is no official type called freelancer cooperatives, freelancers organize their cooperatives and choose cooperative types depending on their perception on their own identity. When they consider themselves as the self-employed, they use EC_{KR} type. When they consider themselves as irregular forms of employees, they use WC_{KR} type. However, there is little difference in their ways of working and structures. This different perception is also found in research works and the public perception. According to a study¹⁹, about 30 percent of EC_{KR} and about 30percent of WC_{KR} in Seoul are practically freelancers' cooperatives.

On the other hand, there might be cases in the shared service cooperative models which should be reoriented towards the worker cooperative model. There is no reported real case yet but in the process of enactment of the Framework act on cooperatives in Korea, there were discussions about the possibility of using cooperative forms for solving problems of specific form of employment statuses, such as truck drivers, private tutors, caddies who work only for one company but are considered as self-employed workers. If we would more closely analyse individual cases of shared service cooperatives in industrial and service sectors, it is very probable to find problematic situations which should be reoriented towards the worker cooperative model to protect worker-members properly. And it is particularly true that shared service cooperatives

¹⁹ Jang, Jong-ick (2017), Cooperatives established according to the Framework Act on cooperatives: Characteristics and policy implication, The Korea Journal of Cooperative Studies, Vol. 35, No. 2

would have more and more power over their producer-members and behave almost like real employers.

Logically, the worker cooperative A model can be the most relevant solution for these problems. In this regard, LSC_{PH} show an interesting approach. In the Philippines, there have been many cooperatives practicing labour services. Their deployed workers are not considered as their employees but their members, and therefore, not subject to the regulation governing employer-employee relationship. Even the obligation to withhold taxes on the earnings of the employees was circumvented. These put the cooperatives practicing labour service in conflict with the Department of Labour and Employment. Union of Legitimate Service Contracting Cooperatives (ULSCC) corrected these practices and educated the cooperative sector on the legal requirements and proper interpretation of employer-employee relationship. With the institutionalization of labour service cooperatives, LSC_{PH} in ULSCC conduct the labour service in a legitimate way by giving employee status of cooperative to their worker-members who are deployed in other enterprises. LSC_{PH} are regulated not only by the Cooperative Code but also by the Labour Code. Therefore, they should make sure that the rights of worker-members as employees are protected and all benefits due them are provided.

It needs to be noted that labour service itself is still controversial because it is possible that its abuse might damage workers' interest in general by weakening organizational power of workers. Therefore, in many countries, trade unions are not in favour of this industry including cooperatives providing labour services. It seems important to reinforce regulation and monitoring of cooperatives in labour services in order to prevent abusing cooperative model and to protect workers' interest in general.

7 Eco-system

Institutional eco-systems

Each of the target types has its own specific institutional eco-system. Except WC_{JP}, WL_{JP} and WOE_{KR}, other types are above all regulated by legal frameworks which

define public authorities in charge of cooperatives including CIS. However, even for target types with their legal frameworks, supportive public schemes which are designed for supporting cooperatives in more structured ways are not always as given. In Korea, WC_{KR} and MSC_{KR} are considered as normal businesses as other conventional enterprises. Therefore, there are no specific public schemes such as tax benefits, even though they can access training, information, consulting services and favourable financial products from support organisations financed by municipalities.

Concerning support public schemes, two different approaches are found. In Korea, SC_{KR}, EC_{KR} and SSE_{KR} can benefit from support public schemes because they are recognized as contributing to specific social missions. In India, IC_{IN} and LCC_{IN} as well as cooperatives in general are considered as contributing to the improvement of well-being of the weakest part of the population. For this reason, they are closed monitored by the public authorities and also accessible to government support including Cooperative bank²⁰. On the contrary, in the Philippines, India, Australia and Iran, specific ways of operating cooperative business are recognized and this recognition allows cooperatives to benefit from tax benefits. It is worth noting that when cooperatives would meet the criteria of SMEs, they can also access all support public schemes for SMEs in general. However, it is reported that due to the ignorance or misunderstanding of administrations, cooperatives are sometimes considered as non-profit organisations, particularly for the case of SC_{KR} so that they are excluded from some tender processes aimed at commercial enterprises.

Some governments have more active policies for promoting cooperatives in general including CIS. In Korea, the Ministry of Strategy and Finance has to make "Cooperative Promotion Multi-annual Plan" which concerns only cooperatives under the Framework Act every three years. In India, "Integrated Cooperative Development Program" is one of the key programmes that concerns several types of cooperatives. Industrial Policy Resolution until 1991 categorically promoted industrial cooperatives.

20 Indian cooperatives are subject to periodic inspection by the Department which is empowered and required under the Cooperative Law to conduct it. The inspectors when carrying out their duties pay particular attention to aspects of the operations. The Department devises a system of classification which covers all these aspects and in addition is based on the cooperative' record of profitability, its record of loan repayment, the proportion of owned funds of the total capital in use and the quality of its record keeping. On the basis of the classification, cooperatives are entitled to deal directly with the Cooperative bank and to receive government share participation. For example, Delhi Cooperative Society Rules 2007 explains conditions of four classes (A, B, C and D) of each cooperative types. To be recognized as higher classes, cooperatives should prove that their membership is composed in accordance with the definition of each cooperative type and that their financial management is properly carried out.

Among the analysed countries, cooperative movement organisations play an important role in supporting CIS. Main support organisations are cooperative federations, unions, networks and also individual cooperatives. They are mainly sectoral organizations, such as Japan Workers' Cooperative Union, Workers Collective Network Japan, Korea Federation of Worker Cooperatives, Korea Federation of Health Social Cooperatives, regional associations of cooperatives in Korea and Union of Legitimate Service Contracting Cooperatives in the Philippines but also apex-organisations, such as Business Council of Cooperatives and Mutuals in Australia. In Indonesia, a consumer cooperative group, Kopkun has been working towards developing new types of cooperatives including worker cooperatives. Kopkun also initiated the Indonesian Consortium for Cooperative Innovation, a cooperative consortium

consisting of 23 cooperatives in Indonesia, which focuses on innovation in cooperative models.

To promote cooperative movements in their role of supporting cooperatives, it seems important that cooperatives could be organized as a collective movement and this would be more facilitated with specific institutional tools which allow to scale up through secondary or tertiary cooperative organisations. Among the analysed target types, except WOE_{KR} , all other types can make secondary or tertiary cooperatives. These cooperatives are called, federation, union, cooperative group or consortium and can play roles of political representation or of business support, or for both. In India, different levels (province, state and federal) of secondary or tertiary cooperatives have been playing an important role in providing primary cooperatives with subsidies, raw material at preferential costs, and marketing and exportation services.

Table 10. Institutional eco-systems of target types

Country	Target type	Public authority in charge	Support public scheme	Support organisations
Korea	WC_{KR} , MSC_{KR}	Ministry of Strategy and Finance		In all Regions and some large cities, there are social economy support centres which are financed by regional or local governments provides training, information and consulting services.
	EC_{KR}		Small and Medium Business Administration has promoted EC_{KR} for supporting cooperativisation of sole proprietors. It provides subsidies for EC_{KR} through Small Business Promotion Corporation.	In addition to support organisations for other types of cooperatives, Small Business Promotion Corporation provides support services.
	SC_{KR}	Ministry of Strategy and Finance, Ministries and Regional governments	In the Framework act on cooperatives, only SC_{KR} have rights of exemption of certain charges from the State and municipalities. SC_{KR} are also considered as non-profit organisations so that they can access to all benefits related to non-profit organisations. They are also more easily accessible to public procurement and to specific support schemes from ministries or municipalities which authorized them.	SC_{KR} can access all the same supports as other cooperatives can benefit. In Seoul, there is a support organisation specialized for SC_{KR} .
	WOE_{KR}	-		
	SSE_{KR}	Ministry of Health and Welfare	SSE_{KR} in some economic sectors are considered as privileged partners by the government and municipalities. They can also benefit from public subsidies for employing disadvantaged workers and priority in the public procurement.	There are 248 Self-sufficiency support centres financed by the Ministry of Health and Welfare and municipalities. There are also Central foundation, Central training centre and regional support centres which support Self-sufficiency centres and SSE_{KR} directly.

Country	Target type	Public authority in charge	Support public scheme	Support organisations
Japan	WC _{JP}	-		Japan Workers' Cooperatives Union, national federation of WC _{JP} is a main support organisation.
	WL _{JP}	-		Worker Collective Network Japan, the national network of WL _{JP} is a main support organisation.
Philippines	LSC _{PH}	Cooperative Development Authority, Department of Labour and Employment	Cooperative Code of the Philippines provides exemption in income tax if the cooperatives are dealing with their members only. Cooperatives dealing with non-members are given income tax exemption provided the reserve and surplus of the cooperatives will not exceed PHP 10 million. Bureau of Internal Revenue Code provides exemption from Value Added Tax (VAT) if the share in capital of all members will not exceed PHP 15 thousand	Cooperative movement organisations and NGOs
	WC _{PH}	Cooperative Development Authority		
India (Delhi)	IC _{IN}	Department of Cooperatives, Ministry of Agriculture and Farmers Welfare	Income Tax Act 1961 allows cooperatives to benefit from income tax deduction. IC _{IN} can benefit from exemption up to INR 50,000 out of profits and gains.	The National Industrial Cooperative Society is a member of the National apex-organisation which is directly supported by the ministry in charge of cooperatives. Additionally, the National Cooperative Development Corporation also helps develop cooperatives including industrial cooperatives. There are several handicraft boards in states that help cooperatives in this specific sector to enjoy subsidies and raw material at preferential costs.
	LCC _{IN}		Income Tax Act 1961 allows cooperatives to benefit from income tax deduction. LCC _{IN} can benefit from exemption of total profits and gains.	There is the National Labour Cooperative Federation which supports the growth of labour cooperatives. The National Cooperative Development Corporation also supports all types of cooperatives including labour cooperatives. A national advisory council on labour cooperatives was constituted in the 20th century to aid the growth of the labour cooperatives. However, there is no data available that can help substantiate their current role.
Australia	WC _{AU} , SSC _{AU}	Co-operatives National Law is regulated in each State and Territory of Australia. The registration and regulation usually are with the Departments responsible for licensing and registrations.	Cooperatives where the members supply the cooperative with products can access some tax benefits. These are mainly used by and intended for agricultural cooperatives. In theory small artisan cooperatives also have access. Some states have specialised schemes for this tax benefit.	There are varying degrees of organisations and consultancies; BCCM, Employee Ownership Australia, Co-operative Bonds, Co-ops NSW, Co-operatives WA, Mercury Centre, BAL Lawyers, TNR Accounts. All of these organisations provide free information and paid consultancy on starting and operating cooperatives, including worker cooperatives. Co-operative Bonds is probably most specialised towards worker cooperatives

Country	Target type	Public authority in charge	Support public scheme	Support organisations
Indonesia		Ministry of Cooperative and Small Medium Enterprise		Kopkun and Kopkun Institute as the incubator for worker cooperative. These organisations provide initial equity, formal and informal trainings and their network to new worker cooperatives.
Hong Kong		Registrar of Society		NGOs and social movement organisations, such as Hong Kong Women Workers' Association initiated and has supported worker cooperative initiatives.

Financial tools

CIS can use different kinds of financial resources, such as members' capital investment, indivisible reserves, financial instruments managed by the cooperative movement, specific financial tools for providing the equity capital mainly to worker cooperatives, financial instruments with public intervention, investor-member and members' loan to their cooperative (see more in detail in Annexe 3).

Indivisible reserves

Indivisible reserves mean reserves to which certain percentage of annual surplus is allocated and which cannot be distributed to members even in the event of liquidation of cooperatives. The role of indivisible reserves in strengthening cooperatives' capital has been emphasized particularly in the success stories of worker cooperatives in France, Italy and Spain. They can also discourage members' behaviour based on short-term

interest because with increasing indivisible reserves, worker-members perceive their cooperative as collective goods beyond individual members' economic interest.

Among the analysed types, SC_{KR} , LSC_{PH} , WC_{PH} , IC_{IN} , LCC_{IN} and WC_{JP} have indivisible reserves which are defined by the legislation (SC_{KR} , LSC_{PH} , WC_{PH} , IC_{IN} and LCC_{IN}) or by practice of the cooperative movement (WC_{JP}). Quite naturally, these types of cooperatives have certain limits in distributing surplus because significant part of surplus should be allocated into the indivisible reserves before being distributed as patronage or dividend. SSE_{KR} have a different method of asset lock, defined by administrative rules of the Ministry of Health and Welfare. SSE_{KR} can receive significant amount of initial capital (in cash and/or in kind) taken over from their preparatory project which were supported by public subsidies. When SSE_{KR} would be liquidated, this capital cannot be distributed to members but should be transferred to other similar projects or to Self-sufficiency funds.

Table 11. Indivisible reserves

Country	Target type	Indivisible reserve defined by the legislation	Indivisible reserve (asset lock) practiced by the cooperative movement or through administrative rules
	SC_{KR}	30 percent of annual surplus should be allocated to the mandatory reserve which cannot be distributed to members in the event of liquidation of cooperatives. In the latter cases, the amount in the reserve should be transferred to the federation, other SC_{KR} , non-profit organisations or public funds.	
Korea	SSE_{KR}		SSE_{KR} can receive significant amount of initial capital (in cash and/or in kind) taken over from their preparatory project which were supported by public subsidies. When SSE_{KR} would be liquidated, this capital cannot be distributed to members but should be transferred to other similar projects or to Self-sufficiency funds.

Country	Target type	Indivisible reserve defined by the legislation	Indivisible reserve (asset lock) practiced by the cooperative movement or through administrative rules
Philippines	LSC _{PH} , WC _{PH}	Not all the surplus can be distributed as dividend. The mandatory reserves must first be deducted to surplus and after they are deducted, the remaining amount can be distributed as dividend. The limit for patronage refund is no more than double of the amount allocated for the interest on share capital. 10 percent of surplus should be allocated to Reserve Fund; 10 percent Educational Fund; 3 percent Community Development Fund; 7 percent Optional Fund. All of the reserves cannot be distributed to members.	
India (Delhi)	IC _{IN} , LCC _{IN}	Compulsory reserve funds are defined by the Delhi State Cooperative Act 2003 Section 56. They are indivisible among members and account for at least 1/4 th or 25 percent of the annual surplus. Section 55 states that cooperatives must contribute a maximum of 5 percent of their profits to the Cooperative Education fund. Section 54 provides that a cooperative may contribute an amount not exceeding 5 percent of the net profit to Charitable fund and for development of cooperatives in general. Section 53 says that no funds can be divided but for the net profit as dividends among members. Section 102 clearly mentions that the surplus assets shall not be divided even during a winding up proceeding of a cooperative.	
Japan	WC _{JP}		Central Workers' Co-operative which covers 90 percent of worker cooperative business units has a system of "reserve fund" and another fund for job creation and training/education. 5 percent of the annual turnover (not the surplus) is accumulated as the former "fund", while a certain amount of the annual surplus is reserved for the latter fund. About 60 percent of the "reserve fund" is accumulated as the "indivisible reserve".

Investment from outside

To increase the equity capital of CIS which are mainly based on small number of members, methods for engaging outside investors have been examined and sometimes implemented in the countries with a strong CIS sector, such as Italy, France and Spain. In the Asia-Pacific region, many analysed target types cannot have investor-members or non-member investors according to the legislation or the cooperative movement's own decision (Korea, Japan, Philippines and Australia).

However, there are some exceptions. WOE_{KR} are basically regulated as conventional enterprises. Therefore, there is no limit to having investors who are not worker-members, even though this is rarely practiced. If there are cases, investors are not profit-pursuing investors but supporters of worker-ownership projects, who do not seek economic

interest from their investment. SSE_{KR} can have various types of investment from municipalities through Self-sufficiency support centres. The initial capital inherited from the preparatory project is often considered as investment from the public sector. There are many cases that Self-sufficiency support centres have a special membership and participate in the governance structures of SSE_{KR}. However, in these cases, the interest of Self-sufficiency support centres is neither to have control power nor to have economic benefit, but to support SSE_{KR}. (This is also the case of Indian cooperatives). Recently, in Korea, an amendment of the Framework act on cooperatives is proposed to allow cooperatives to have external investment within the extent of 40 percent of total members' equity capital.

In India, cooperatives cannot have investor-members but non-member investors, particularly Cooperative

banks and public authorities. In Iran, cooperatives can have both investor-members and non-member investors. Public authorities also can contribute to the capital of cooperatives.

Financial instruments

In theory, cooperatives can access conventional banking systems to get loans but in practice, it is very

difficult for CIS. To address this problem, various kinds of financial instruments have been developed in the public sector as well as in the private sector including the cooperative movement. Table 12 shows different financial instruments developed in the analysed countries. In general, they are not specifically designed for CIS but for all types of cooperatives except the case of SSE_{KR}.

Table 12. Financial instruments available for CIS

Country	Target type	Financial instruments (from public sector)	Financial instruments (from private sector)
Korea	WC _{KR} , SC _{KR} , MSC _{KR}	Social investment fund managed by Seoul city	Social funding based on impact investments
	EC _{KR}	Support funds managed by Small business promotion corporation, Social investment fund managed by Seoul city	Social funding based on impact investments
	SSE _{KR}	Self-sufficiency funds managed by municipalities	
Philippines	LSC _{PH} , WC _{PH}	The government provided loan assistance to cooperatives. There is a government bank that is tasked to provide financial assistance to cooperatives. There are also cooperative banks that can provide loans to cooperatives.	
India	IC _{IN} , LCC _{IN}	Government provides share participation through Cooperative bank. Cooperative bank also makes loans to cooperatives with good conditions.	The cooperative movement itself has an education and training fund that can be accessed by cooperatives from all sectors; additionally, a cooperative start up fund has been created recently with funds to be disbursed by the National Cooperative Development Corporation.
	LCC _{IN}	The tools are essentially Orders released by the various departments responsible for cooperatives in the States in India, and were dated 2013, where all governments allotted special treatment to increase the influence of labour cooperatives in the economy. These orders were also to extend the rate preference and price preference up to 10 percent over the lowest tendered rates and exempted labour cooperatives from the payment of earnest money and security deposit.	
Australia	WC _{AU} , SSC _{AU}		getmutual.coop provides business planning and disclosure statement templates. It provides guides on cooperative securities and fundraising. There are no dedicated financing institutions for target types of cooperatives.

Education and training

In the analysed countries, there are many education and training institutes and programmes for cooperatives in general, including CIS. There are university education programmes specialized for cooperative management, such as courses in Polytechnic University of the Philippines and in University of Newcastle, Australia, Department of Cooperative management

in Sungkonghoe University, Korea and College of Co-operation, Banking and Management, India.

Support organisations provide different kinds of training programmes to people who want to create cooperatives and/or those who already work in cooperatives. For example, Seoul Cooperative Support Centre organizes training programmes on the creation of cooperative (21 hours) and on follow-up training

after creation (max. 9 hours) as well as short-term training sessions on marketing and accounting. In Australia, BCCM provides information on getmutual.coop, including some specific information on worker cooperatives. Courses are provided from time to time by AIM WA on Co-operatives Strategic Management, by the Australian Institute of Company Directors and by Co-ops NSW. In India, there are many professional training institutes, among others, Vaikunth Mehta National Institute of Cooperative Management and Agricultural Cooperative Staff Training Institute. Sectoral organisations representing CIS also provide various kinds of education and training programmes to their cooperatives. SSE_{KR} have a well-developed support system including Self-sufficiency training centre. The Self-sufficiency training centre organizes various kinds of training programmes not only for SSE_{KR} but also for Self-sufficiency support centres and participants of Self-sufficiency projects which are preparatory projects for creating SSE_{KR}. In Indonesia, Kopkun cooperative group has Kopkun Institute which has organized several trainings building cooperative capacity in Purwokerto and other areas of Indonesia.

8 Policy issues and recommendations

During the research, various issues related to public policy and institutional settings were identified. Although they come from different contexts, the

recommendations for addressing these issues might be considered across countries to promote CIS.

Introduction of appropriate legal framework for CIS with clear definitions

According to different forms of cooperative legal framework, CIS can be differently defined and regulated (see box below). Whilst institutional arrangements for CIS may vary in each country, the experiences and observations of CICOPA show that CIS need to be clearly defined in the legal framework in order to reflect and strengthen their specificities and to deal with accompanying issues. The proposed CIS models in the present study might provide a relevant base for developing new legal framework and for reforming existing ones.

Recommendation *Appropriate legal framework for CIS needs to be introduced 1) by enacting new legislation, 2) by specifying clear definition of cooperative types in existing legal frameworks or 3) by increasing awareness of public officers and the public about cooperative typology. The legal framework should be in line with the international conventions and standards, such as the World Declaration on Worker Cooperatives adopted by the ICA General assembly, the World Standards of Social Cooperative of CICOPA and the Guidelines concerning statistics of cooperatives adopted by the 20th ICLS.*

Legal framework for CIS

Generally speaking, three types of legal frameworks are used for CIS.

Legal framework with specific laws or clauses on CIS

Usually, cooperative legislation defines a general model of cooperative and specifies additional characteristics of cooperative types. CIS are defined with these specifications added to the general model of cooperative. These specificities may be defined and regulated with a separate law, like the case of France (worker cooperative) and Italy (social cooperative), or with specific section(s) in the general law on cooperatives, like Italy (worker cooperative), Spain (worker cooperative), Canada (Quebec) (worker cooperative and social cooperative), Korea (social cooperative) and most Spanish-speaking countries in Central and South America (worker cooperative).

Legal framework based on the general law on cooperatives which can be used for CIS

Without any specification, the general laws on cooperatives can be used for CIS including worker cooperatives. Whereas the legislation does not define them, in order to deal with specific legal issues, particularly concerning the legal status of worker-members and its contradictions with other legislation, such as labour law or enterprise law, it is important for worker cooperatives to be organised as a movement which can represent collective voices on these issues and produce their own rules which might be used by individual cooperatives as a model statute.

However, in many Asian countries where the cooperative system has developed mainly based on the model of the agricultural cooperative, consumer cooperative and financial service cooperative, it is not easy to use the general law for worker cooperatives. One of the main barriers for worker cooperatives is the minimum number of founding members which often requires more than 10 persons.

For social cooperatives, when the general law recognises only mutual interest as the basis of cooperation, there is a need to have specific recognition of the possibility that cooperatives can pursue the general or collective interest beyond their members' interests.

Legal framework without appropriate legislation for CIS

In the countries where there is no clear legislation for cooperatives, or there are only legislations exclusively dedicated to certain types of cooperatives, it is difficult to find an appropriate legal framework for CIS, particularly, worker and social cooperatives. In this case, most characteristics of worker and social cooperative should be defined by initiatives in their statutes or through a charter of federal organisations. This was the situation in Korea before the introduction of the Framework act on cooperatives in 2012 and is still the same situation in Japan where worker cooperatives use different legal statuses (NPO and SME cooperative).

Specification of worker-members' status

The provision of appropriate social protection and rights at work to worker-members and the recognition of worker-members' specific legal status should be clarified in the legislation.

In Spanish-speaking countries, it is the legal status of worker-member (*trabajo asociado*) which is firstly defined in law and worker cooperatives, or sometimes other types of cooperatives, are defined as cooperative types to which the legal status of worker-member may be applied. In other countries, the worker cooperative is firstly defined and worker-members are considered as members working in the worker cooperative. Both methods can provide a legitimate base for recognising the specificity of worker-member which is neither based on the subordination to employers in exchange for job security like employees, nor on total freedom, assuming total risk, like self-employed status, but depends on joint/collective ownership and a democratic governance structure. Without a clear concept of worker-member status as a reference, it is not easy to deal with diverse issues in a consistent way.

The simplest way would be to consider worker-members as having the same legal status as employees. As Indian cases show, if worker-members would be practically recognized as wage-earners according to their ways functioning and can access all social protections and rights at work, employment

contract and legal status as employees itself will not be an absolute necessary condition. This is the case of worker cooperative A model in the present study. However, without detailed specification of worker-members' status, other issues might be raised. For example, in WC_{KR}, when worker-members would be elected as board members, according to the Commercial code, they might be excluded from some of the social protection and social benefits.

Recommendation *Specificities of worker-members' status should be reflected in the legal framework in order to provide them with appropriate level of social protection and rights at work but also to recognize specific ways of working of worker cooperatives. The principle of decent work should be at the centre of specification of worker-members' status.*

Close monitor against misuse and abuse of CIS

As analysed in the present study, there have been various experiences of misusing and abusing CIS. This situation can happen when CIS are considered as instruments for others (other enterprises, individuals and also public authorities) rather than for their members. Public authorities should closely monitor whether CIS would not be used for violating labour regulations or fiscal regimes. Also, unreasonable public policies, such as the recent Department Order No. 174 in the Philippines allowing 'contracting out of job or work through in-house cooperatives', which would

allow and furthermore, encourage misuse and abuse of CIS should be withdrawn.

However, instead of imposing too many prescribed norms, it would be preferable to develop monitoring methods for checking whether CIS are managed in line with the cooperative principles and the principle of decent work, therefore whether their decisions are based on their members' democratic and responsible discussions rather than on personal interest of someone else. A minimum level of monitoring tools, such as submission of annual report and obligation of external audit would be useful²¹. Prevention of converting cooperatives into private enterprises or at least to make it difficult would be another method for discouraging misuse or abuse of CIS²².

As shown in the experiences of the countries with developed CIS sector, it would be preferable that the cooperative movement takes responsibility for self-monitoring and self-regulating of affiliate cooperatives, in collaboration with public authorities. For example, according to the law, the Italian government delegates regular control of individual cooperatives, called 'cooperative revision', to cooperative federal organisations. This regular control of organisational and financial aspects of individual cooperatives allows cooperative federal organisations to monitor their members' activities and to carry out preventive interventions to help them, when necessary. This is also the case in French cooperatives.

Recommendation *Particular attention should be given to CIS in order to prevent violation of labour and tax regulations attempted by other enterprises, individuals or public authorities who instrumentalise CIS. Close*

monitoring is needed with a minimum level of tools, such as the submission of annual report and external audit. It is strongly recommended that the monitoring system would be mandated to the cooperative movement as a self-regulator, but in close collaboration with public authorities.

Less direct control and more autonomy

Public authorities in some Asian countries have a strong paternalist culture towards cooperatives. This comes partly from the experiences of colonial regimes, authoritarian regimes and the planned economy after the independence but also partly from dominant cooperative models, such as financial service cooperatives, agricultural cooperatives and consumer cooperatives which might affect a large number of population's life and economy and therefore, public intervention would be easily justified. For example, in India and Malaysia, important decisions of cooperatives should get agreement from public authorities which often have their equity capital in the cooperatives. Whereas these kinds of interventions might be relevant for financial cooperatives, agricultural cooperatives and consumer cooperatives in order to protect members' interest against weak capacity of cooperative management and potential appropriation of cooperative by managers, they are very irrelevant for CIS which need more entrepreneurial dynamics.

Introduction of a concept of 'self-reliant cooperative' in India which can have total autonomy on condition that they would not receive public equity capital might

Difficulty in being registered as a cooperative _ example of Nilenso

Nilenso is an employee-owned software enterprise based in Bangalore, India. It has 14 worker-members. Their experience of finding appropriate legal status shows that how young entrepreneurs' collectives in new sectors who work more and more at the global level are encountering difficulty in using the cooperative legal form in India. The information was taken from the website of Nilenso (<https://nilenso.com/decisions/bdr004-incorporate-as-llp.html>)

21 In the analysed target types, except Korean cooperative types under the Framework act, the most are already subject to the obligation of submitting annual report and of external audit.

22 Among the analysed target types, practically, Korean cooperative types under the Framework act cannot be converted into shareholder enterprises. Australian corporate law follows other British colonies in making it relatively easy to convert cooperatives and mutuals to shareholder enterprises. However, the Co-operatives National Law requires a 'special postal ballot' (see CNL sections 247 and 248) of all members to be held for big decisions in a cooperative, including conversion to a shareholder enterprise. In India, conversion is not impossible, though it should get the consent of the registrar and it would be mostly conversion into companies with non-profit motives like Section 8 company under the Companies Act, 2013.

"We largely preferred the idea of incorporating a business in India, but India has no legal framework for technology co-operatives or co-operatives conducting overseas business. All possible legal entities were considered:

- Incorporating a true Worker Co-op in Canada and running Nilenso as an Indian subsidiary
- Using an actual Co-operative Society
- Forming a Trust to govern a Pvt. Ltd.
- Using a regular Pvt. Ltd.
- Using a customized LLP (Limited liability partnership)

Each had its problems. A true co-op incorporated in Canada relied on external participation (a second Canadian) and put the core entity in the wrong country altogether. *An Indian Co-operative Society has a minimum member count restriction, cannot hire foreign workers, and cannot sell its product or services outside of India. The current state of Indian corporate law pertaining to Co-operatives is too antiquated to permit co-operative technology companies.* A Trust may have worked but ran the risk of appearing "suspicious" to the income tax department. A Pvt. Ltd. has a strict structure which work only if directors do not change too frequently — a restriction we were not willing to accept. A customized LLP required that we use our LLP agreement to nearly invert the terms of a normal partnership: partners claim no rights to profits whatsoever. Although somewhat awkward, our LLP agreement is legally sound and does a very effective job of describing the worker-owned nature of Nilenso as a corporation. (Therefore,) we opted for a customized LLP... The agreement would be refined every April, upon renewal."

"Our auditors have warned us about an LLP appearing "suspicious" by holding on to too many assets, as capital is paid out to Partners in a standard LLP. We essentially do the opposite of this. The cooperative community has been receptive to our structure, in lieu of current Indian corporate law."

be considered as a step forward to make a more conducive institutional environment for CIS.

Recommendation *Heavy control system on cooperatives should be reformed for respecting cooperatives' autonomy and independence. It is particularly important for CIS not to apply the same level of control for other types of cooperatives with a large membership base and related to key industries. Even in the case of equity capital investment from public authorities, methods for strengthening cooperatives' capacity and responsibility should be developed without strong intervention²³.*

Reasonable minimum number of founding members

Unlike other types of cooperatives which need their membership base to be as large as possible to have stable sources of users/clients, CIS, particularly, worker cooperatives often need to start with a very small number of members in considering their target market

and business plan for the coming years. Therefore, we can observe that in many countries, a higher level of the minimum number of founding members is a critical barrier for establishing worker cooperatives. It is worth noting that in the countries where worker cooperatives are well developed, the minimum number of founding members are very low (two in France, three in Italy and Spain).

In the Asia-Pacific region, Korea, Australia and Singapore have more conducive legal frameworks which define 5 persons for the minimum number of founding members. On the contrary, the Philippines and India (Delhi)²⁴ request 15 persons for the minimum number of founding members, Indonesia 20 persons, and Malaysia 50 persons. In the State of Kerala, India, however, the legislation allows exception for labour contract cooperatives to have 7 persons as the minimum founding members.

²³ See 'Financial tools with public intervention' in Annexe 3.

²⁴ In Delhi, India, different cooperative types have different minimum number of founding members: Urban bank, 3,000 persons, transport cooperative, 50 persons, housing cooperative 60 persons and multipurpose for slum dwellers, 30 persons. ICIN and LCCIN have relatively smaller number of 15 persons.

Table 13. Requested minimum number of founding members

Country	Target types	Legislation	Requested minimum number of founding members
Korea	WC _{KR} , SC _{KR} , EC _{KR} , MSC _{KR}	Framework act on cooperatives	5
	SSE _{KR}	National Basic Living Security Act	2
Japan	WC _{JP} , WL _{JP}	NPO law	10
		SME cooperative law	4
Australia	WC _{AU} , SSC _{AU}	Co-operative National Law	5 (If there are less than 5 members, they may seek approval from the Registrar of Co-operatives)
		Corporation Act	2
Iran			7
Hong Kong			10
Philippines	LSC _{PH} , WC _{PH}	Cooperative Code	15
India (Delhi)	IC _{IN} , LCC _{IN}		15
Indonesia			20
Malaysia		Cooperative Act 1993	50 (For certain types of cooperative, it can be lower)

Recommendation Requested minimum number of founding members should be reduced, if possible, for all types of cooperatives or at least, for CIS. To facilitate start-up of young cooperative entrepreneurs, minimum 3-5 persons of founding members will be desirable.

Issues related to implementation of public policies

A lot of policy issues raised during the present study are more related to the implementation process of public policies. Most of them come from misunderstanding or misinterpretation of cooperative models in relation with other public policies. Some issues are more about slow and complex administration processes which are not specific problems only for cooperatives.

- In Korea, the combination of commercial activity and social mission of SC_{KR} is not always well understood by other ministries in charge of authorisation concerning SC_{KR}'s specific activity fields. It results in slow and complex process of authorisation and difficulties in obtaining specific benefits which can be attributed to SC_{KR}. It has also been reported that there are difficulties in administration and fiscal system when shareholder enterprises would try to be converted into WC_{KR}.
- In the Philippines, the Bureau of Internal Revenue Commissioner in the past administration refused to recognize certain provisions of the Cooperative

Code. There are also conflicting interpretations among regulators in dealing with cooperatives. While the Department of Labour and Industry recognizes cooperatives participation in the labour service sector, the former Bureau of Internal Revenue Commissioner did not consider cooperatives to be authorized in the labour service sector.

- In Australia, WC_{AU} are excluded from the New Enterprise Incentive Scheme. The New Enterprise Incentive Scheme is a program where unemployed people can opt to start a small business and receive unemployment benefits and business education from the government. In this scheme, the small business must be more than 50 percent owned/controlled by the person. This means they cannot form a cooperative with other unemployed people, because each member would own less than 20 percent of the cooperative (minimum found members are 5 persons in Australia) and have only 1 vote.

It is immediately difficult to solve these kinds of situations, given that in many countries, cooperatives are still considered as marginal forms of organisations dedicated to disadvantaged population rather than as an enterprise form in its own right. Therefore, beyond registration and regulation of cooperatives as a specific sector, public authorities in charge of cooperatives need to promote cooperative models as enterprises as

normal as other businesses but with their specificity of member-based democracy and human-centred values, across other ministries as well as towards the public.

Recommendation *Cooperatives including CIS should be fully recognized as enterprises as normal as other businesses but with their specificity of member-based democracy and human-centred values. Public authorities in charge of cooperatives need to promote cooperative models across other ministries and towards the public in order that cooperatives might be easily articulated with other public policies and schemes.*

Public policies for promoting CIS

Based on the experiences and observations on CIS across the world, CICOPA has identified several key public policies aiming at developing and strengthening CIS. Among others, following three public policies might be relevant and applicable in the Asia-Pacific region.

Indivisible reserves

In the development of CIS, particularly, worker and social cooperatives, the role of indivisible reserves, namely reserves that cannot be distributed to members even in the case of liquidation (but are instead used for the development of other cooperatives) is very important. Given the members' limited capacity to directly finance their own cooperatives with equity capital, the possibility of a cooperative achieving growth through its own internal resources is dependent on the possibility to accumulate surpluses that are not distributed to the members. For a long time, cooperatives have used their indivisible reserves as the main instrument to finance their own growth. In addition, indivisible reserves are a strong deterrent against demutualisation (transformation of the cooperative into a conventional business). As a strong facilitating tool, the legislation could fix the minimum percentage of the cooperative's annual surplus going to indivisible reserves and the method of transferring it to the proper destination for the development of other cooperatives in the case of the liquidation of the cooperative.

Mobilisation of unemployment benefits to promote the creation of new jobs through cooperatives

Governments can put in place specific measures enabling the use of unemployment benefits to set up

a cooperative. In Spain, unemployed persons have the option of receiving a certain amount of unemployment benefits as a lump sum, which is called unemployment capitalisation or single unemployment benefit payment (*pago unico*). This provision enables an individual to transfer the unemployment benefit to the capital of a cooperative that they will be joining as a worker. This provision is also used by employees willing to buy out a closing enterprise and to transform it into a worker cooperative. Similarly, in Italy law 223/1991 allows workers to use mobility allowances to facilitate the creation of a cooperative ex nihilo or after the buyout of a closing enterprise.

As mentioned above, a similar kind of public scheme exists in Australia but it cannot be applied to cooperative start-ups.

Institutional tools for facilitating worker buyout

Institutional tools can be introduced for facilitating the creation of worker cooperatives through worker buyout. The Italian Marcora law is obviously the most elaborated form of legal framework for promoting and supporting worker buyout²⁵. The French framework law on the social and solidarity economy, enacted in 2014, provides legal support for facilitating the process of worker buyout. According to the law, employers who plan to close or sell their enterprises should inform employees about their intention in advance so that the employees are able to examine the possibility of buying the enterprise and of converting it into a worker cooperative. The law also introduced a transitory statute to allow workers who buy the share of their enterprises, but are not able to immediately own the majority of the capital (which is the critical condition for being recognised as a worker cooperative in France), to set up a worker cooperative on condition that they will own the majority of the capital within a certain period of time.

Recommendation *It would be desirable that when possible, public authorities try to introduce conducive public policies for CIS. Indivisible reserves, financing cooperative start-up with worker-members' unemployment benefit and promotion of worker buyout might be good examples.*

²⁵ See more in detail about Marcora law and the Italian system in Annexe 3.



National reports & Case studies

- Republic of Korea
- Japan
- The Philippines
- India
- Australia
- Iran
- Indonesia
- Malaysia
- Hong Kong, China

Republic of Korea

In the Republic of Korea²⁶, cooperatives are mainly regulated by two different legal regimes. One is the special law regime in which different cooperative types are regulated by eight different special laws. The other is the Framework Act regime which is based on the Framework Act on cooperatives 2012. CIS are mainly found in the Framework Act regime. Legally, the Framework Act defines only two cooperative types: cooperatives in a generic sense and social cooperatives. However, originally generic cooperatives were supposed to be classified into four different cooperative types, such as worker cooperative, entrepreneurs' cooperative, consumer cooperative, and

multi-stakeholder cooperative. Among the cooperative types in the Framework Act regime, worker cooperative, entrepreneurs' cooperative, multi-stakeholder cooperative, and social cooperative could be considered as CIS. In addition to those in the Framework Act regime, there are self-sufficiency enterprises which might be classified as CIS. There are also a small number of worker-owned enterprises. In the special law regime, there are SME cooperatives regulated by SME cooperative law. However, they are not perceived as cooperatives by SMEs joining them as well as by the general public but as business associations. In the present study, they are not included in the analysis.

Meta type	Cooperative type	N° of coops	Members			Employed persons (members and non-members)	Reference year
			Producer members	Worker members	User members		
Users coop	Forestry coop	142			485,000	2,535	2014 (members 2012)
	Credit union	913			5,748,985	17,505	2015
	Community credit coop	1,372			18,144,264	16,575	2014
	Consumer coop	178			914,069		2013
	Framework act coop (consumer/ user)	127			14,159	205	2016
	TOTAL	2,732			25,306,477	36,820	
Producer coop	Agricultural coop	1,134	2,292,078			80,608	2015 (employees 2011)
	Fishery coop	92	159,308			10,199	2015
	Tobacco leaf producer coop	15					2015
	Framework act coop (entrepreneurs)	3,283	102,313			6,893	2016
	TOTAL	4,524	2,553,699			97,700	
Worker coop	Framework act coop (worker)	215		2,946		1,306	2016
	TOTAL	215		2,946		1,470	

²⁶ This national report was written based on information provided by Korea Federation of Worker Cooperatives, Hwalshin KIM (Sungkonghoe University) and Jeoung-won KIM (social cooperative BEYOND)

Meta type	Cooperative type	N° of coops	Members			Employed persons (members and non-members)	Reference year
			Producer members	Worker members	User members		
Multistakeholder coop	Framework act coop (multi-stakeholder)	825			116,614*	2,741	2016
	Framework act coop (social coop)	591			75,962*	6,535	2016
	TOTAL	1,416			192,576*	9,276	
Enterprise coop	SME coop	936				343	2014
Secondary coop	Framework act coop (coop union)	49				8	2016
	Framework act coop (social coop union)	5				18	2016
	TOTAL	34				26	
Self-sufficiency enterprise		1,334		7,811			2016
GRAND TOTAL		11,191	2,553,699	10,757	25,490,098	145,471	

*Because the information on different categories of members in multi-stakeholder cooperatives and social cooperatives is not available, all members in these cooperatives were classified into the user-member in order to avoid overestimation of employment created by the cooperatives.

Sources: Forestry – Korea Forest Service, 2016, Statistical yearbook of forestry; Credit union and Community credit cooperative – National Federation of Community Credit Cooperatives, 2015, The statistics of community credit cooperative; Consumer – Internal source of National Association of Consumer Cooperatives; Agricultural - Website of National Agriculture Cooperative Federation); Fishery - National Federation of Fisheries Cooperatives, 2015, Fishery coop statistics 2015); Tobacco leaf producer – Website of Korea Tobacco Growers Organization; Framework act cooperatives – Korea Institute for Health and Social Affairs and Ministry of Strategy and Finance, 2017, Cooperative Baseline Study 2017

In terms of the number of cooperatives, CIS represent an important part of cooperatives in Korea (7,184 (64.19 percent)). However, they have 305,646 members which represent 1.09 percent of all cooperative members in Korea²⁷.

Worker cooperative

The origin of WC_{KR} goes back to the late 1980s when pioneer initiatives were organized by social movement activists working in poor urban areas or local trade unions. Most of them disappeared shortly due to the business failure but their experiences motivated the government to introduce the self-sufficiency scheme into the National Basic Living Security (NBLS) Act 2000. However, despite the stable growth of self-sufficiency enterprises, they had to use legal statuses of the partnership of sole

proprietors or corporations because there was no legal status for CIS until the Framework Act 2012 would be introduced. Before the Framework Act, the worker cooperative movement organized by Korea Federation of Worker Cooperatives (KFWC) was mainly based on SSE_{KR}, WOE_{KR}, and individual social movement activists. During the process of enactment, KFWC tried to put the idea of worker cooperative in the Framework Act and as a result, the worker cooperative model could be clearly defined in the legislation although the title of "worker cooperative" was not mentioned. Whereas, after the Framework Act, WC_{KR} are officially recognized as one of the cooperative types, most of them are still very small and economically weak. Currently, KFWC represents only a small number of them (about 20 cooperatives which are relatively stable and large).

²⁷ It should be noted that in Korean data, it is impossible to specify different categories of members in multi-stakeholder cooperatives and social cooperatives and to distinguish members and non-members in employed persons.



N° of cooperatives	215 coops
N° of members	2,946 persons
N° of employed persons (members and non-members)	1,470 persons
Aggregated turnover	USD 61,680,740 (KRW 61,680,740,000)
Main economic activities	Education represents 19.17 percent and wholesales and retailing represent 15.75 percent.
Remark	As of the end of 2016 (The Cooperative Census, Ministry of Strategy and Finance, 2017, 3 rd edition). Census collected information of 215 coops over 438 registered WC _{KR} . It means that 55 percent of registered coops are not active.

The Framework Act of 2012 defines WC_{KR} in an indirect way. Article 44 (Prohibition of Concurrent Office of Executives and Employees) defines that "2) The president, a director, or an employee of a cooperative shall not concurrently serve as its auditor, 3) An executive of a cooperative shall not concurrently work for the cooperative as its employee and 4) Despite the 2) and 3), a person may work for a cooperative concurrently as an executive and an employee, taking into consideration the nature of its business and the composition of members, as prescribed by Presidential Decree". The Presidential Decree Article 10 defines that "according to the Act Article 44.4), if a cooperative would be one of following cases, a person may work for a cooperative concurrently as an executive and an employee. 1) a case in which more than 2/3 of members are employees and more than 2/3 of employees are members, 2) a case that a cooperative has less than 10 members and 3) cases defined in the ministerial rules". In the administrative documents, cooperatives meeting these conditions are considered as WC_{KR}.

However, WC_{KR} are not well known by the general public and have not made a large impact yet. They are often confused with trade unions which have similar terms in Korean (노동자협동조합, *no-dong-ja-hyup-dong-jo-hap* (worker cooperative) and 노동조합, *no-dong-jo-hap* (trade union)).

They have received increasing attention as a new enterprise model which is based on democratic and transparent management, workers' participation, improvement of labour conditions in enterprises as well as at the social level. It is also expected that they might be a good solution for young entrepreneurs who are often situated in precarity.

Social cooperative

In the Framework Act, SC_{KR} is defined as a non-profit organisation with social missions, which is distinguished from generic cooperatives considered as more normal business enterprises. Although SC_{KR} is a new cooperative type introduced by the Framework Act, some SC_{KR} came from existing social enterprise initiatives, for example, health consumer cooperatives. SC_{KR} were conceived for completing the social enterprise models according to the Social Enterprise Promotion Act 2007 which do not clearly address the governance issue. Fast increase of false health cooperatives²⁸ was also an important motivation for developing the social cooperative model. These needs contributed to very strict conditions for being recognized as SC_{KR}, such as non-profit distribution, indivisible reserves, authorization from public authorities and compulsory multi-stakeholder governance structure. Based on these conditions, SC_{KR} can benefit from preferential public procurement and exemption of certain charges.

There are 9 social cooperative federations. Korea Federation of Health Social Cooperatives represents 25 member-cooperatives converted from the consumer cooperative legal status. One other federation is Korea Federation of School Social Cooperatives gathering 29 school social cooperatives.

N° of cooperatives	591 cooperatives
N° of members	75,962 persons
N° of employed persons (members and non-members)	3,221 persons
Aggregated turnover	USD 275,506,840 (KRW 275,506,840,000)

²⁸ In Korea, health consumer cooperative form is the only way that non-doctors can own hospitals or clinics. Therefore, when the model was developed by genuine cooperatives, many businessmen started using it for creating their medical businesses. They make a false list of consumer members and hire doctors. They make profit by renting their building or providing services with unreasonable prices to their false cooperatives. The false health consumer cooperatives have been pointed out as a serious social problem by the government and by the cooperative movement. After the Framework Act, all health cooperatives should be converted into SCKR and it is expected that others remaining with consumer cooperative status would be more strongly controlled.

Main economic activities	Education represents 31.4 percent and health and social welfare services represent 26.4 percent
Remark	As of the end of 2016 (The Cooperative Census, Ministry of Strategy and Finance, 2017, 3 rd edition). Census collected information of 591 coops over 604 registered SC _{KR} . Because they are strictly monitored during their registration process, they show much better stability compared to other cooperative types in the Framework Act regime.

The Framework Act Article 2 (Definitions) defines that the term "social cooperative" means a cooperative that carries out business activities related to the enhancement of rights, interests, and welfare of local residents or provides social services or jobs to disadvantaged people, among cooperatives under sub-paragraph 1, but that is not run for profit.

It is recognized that SC_{KR} contribute to social missions such as the provision of jobs to disadvantaged people and provision of care, health and education services. It is also expected that SC_{KR} might strengthen the public presence of social services and improve their quality. For meeting these expectations, technological development and improvement of workers' labour conditions are further needed.

Entrepreneurs' cooperative

EC_{KR} is a new cooperative type introduced by the Framework Act 2012. It covers various kinds of cooperatives but mainly cooperatives composed of freelancers and those composed of small business owners. Differently from other cooperative types with few direct public grant programmes, Small Business Promotion Corporation has provided a grant programme for promoting cooperatives among small business owners. This is one of the reasons that this type of cooperative represents the biggest part of cooperatives under the Framework Act regime (70 percent). However, the grant programme has been criticized because it has increased the number of EC_{KR} which have a weak business model and less cooperative spirit. There are federations organized according to professions but they are not so active. One of the active federations is Seoul Federation of Education Cooperatives gathering 40 cooperatives of freelancers in the education sector. Its main activity is

to organize common projects for their members. There are also some initiatives for developing "cooperative franchise model" using EC_{KR}.

N° of cooperatives	3,283 cooperatives
N° of members	102,313 persons
N° of employed persons (members and non-members)	2,676 persons
Aggregated turnover	USD 906,648,350 (KRW 906,648,350,000)
Main economic activities	Wholesales and retailing represent 26.2 percent.
Remark	As of the end of 2016 (The Cooperative Census, Ministry of Strategy and Finance, 2017, 3 rd edition). Census collected information of 3,283 coops out of 7,456 registered entrepreneurs' coops. They represent 70 percent of registered cooperatives under the Framework Act.

In the Framework Act, there is no specific definition of EC_{KR}. It was proposed as one of the four cooperative types of the generic cooperative in the first conception of administrative document but in practice, it seems that they are rather defined as a marginal element which is neither worker cooperative, multi-stakeholder cooperative nor consumer cooperative. This way of defining makes it difficult to clarify their common characteristics.

EC_{KR} are considered as a solution for small business owners who suffer from various economic difficulties, particularly hard competition with large enterprises. Also, they might be a good tool for freelancers who suffer from precarious situations. However, in practice, many of them do not have a clear business model but are created for accessing subsidies. Therefore, rather than focusing only on quantitative growth, it needs to support them in order that they could have sufficient size and relevant strategy which would allow small business owners to develop common branding and marketing.

Multi-stakeholder cooperative

MSC_{KR} is a new cooperative type introduced by the Framework Act. Although its definition is rather clear, that is, cooperative with a multi-stakeholder governance structure, it seems that its implementation

is confusing. In practice, MSC_{KR} are often created to avoid the restriction of mutuality. For example, a multi-stakeholder cooperative having 2 worker-members, 5 consumer-members and 3 producer-members can justify that the goods and services of the cooperative would be provided not only to their consumer-members who are regarded as core-clients benefiting from certain membership privileges but also to other non-member clients, which, in theory, are not allowed to other consumer cooperatives. Therefore, it seems far from the idea of multi-stakeholder governance in the social cooperative model, which is conceived for strengthening commitment to their social missions. In this sense, MSC_{KR} are neither organized as a movement nor perceived as a collective reality. Due to this reason, it is difficult to identify their common characteristics except multi-stakeholder structure.

N° of cooperatives	825 cooperatives
N° of members	116,614 persons
N° of employees	1,813 persons
Aggregated turnover	USD 108,680,100 (KRW 108,680,100,000)
Main economic activities	Wholesales and retailing (19.8 percent)
Remark	As of the end of 2016 (The Cooperative Census, Ministry of Strategy and Finance, 2017, 3 rd edition). Census collected information of 825 coops out of 1,732 registered multi-stakeholder coops.

In the Framework Act, there is no specific definition of MSC_{KR}. It was proposed as one of four cooperative types of the generic cooperative in the first conception of the administrative document but in practice, it seems that they produce a confusing model of cooperatives which does not respect the principle of mutuality and does not have social missions as common objectives of different stakeholders either.

Self-sufficiency enterprise

Historically, SSE_{KR} share the same origin with WC_{KR}. When the idea of worker cooperative initiated by social movements and adopted by the government as a pilot project of self-sufficiency support programme in 1996 was integrated into the NBLA Act in 2000, the government designed SSE_{KR} in order that they could play larger role of work integration for the beneficiaries

of NBLA scheme. One of the self-sufficiency programmes in the NBLA scheme is to manage self-sufficiency projects which are entirely financed by the public subsidies and technically supported by local self-sufficiency support centres. The expected results of the self-sufficiency projects in which groups of participants carry out real business activities are SSE_{KR}, worker cooperative-like enterprises. It is expected that SSE_{KR} would be sustainable businesses employing the poor population mainly from those participating in the precedent projects. Although the model came from the idea of worker cooperative, because there was no legislation for worker cooperatives at that time, all types of legal statuses, particularly, a partnership of sole proprietors and corporation have been used and recently cooperative legal statuses according to the Framework Act are used. Most of them are not converted into cooperatives because they are often too small (less than 5 worker-members which is the minimum number of founding members for the Framework Act cooperatives) or they are already too used to their existing legal status. Many SSE_{KR} are economically weak and small and do not have internal management function (strategy, accountancy, marketing, HR etc.). Therefore, they have been strongly dependent on local self-sufficiency support centres. However, in some professions, such as construction, cleaning, recycle and care services, they are organized at the regional and/or national level through 38 regional level and 3 national level SSE_{KR} which are networks of local SSE_{KR}. One example is Korea Housing Welfare Social Cooperative converted from National Association of SSEs in housing repair and construction sector, which gathers 95 local SSE_{KR} (as of 2018). The role of regional and/or national networks is mainly to negotiate with municipalities, the government or large enterprises to have regional or national levels of projects. They also provide training and information to local SSE_{KR}. Recently, Korea Association of Self-sufficiency Enterprises was created but it does not cover enough number of SSE_{KR} yet.

N° of enterprises	1,334 enterprises
N° of members	7,811 worker-members
N° of non-member employees	Scantly distributed data
Aggregated turnover	No data

Main economic activities	Cleaning, housing repair, care service, food manufacturing and so on.
Remark	As of 2016 (White book on self-sufficiency enterprises, Central Foundation of Self-sufficiency, 2016)

SSE_{KR} are not defined with their legal status but defined according to the NBLS Act Article 18 and its rule Article 31. The key condition for being recognized as SSE_{KR} is that more than 1/3 of members are NBLS beneficiaries. To become SSE_{KR}, it should also be able to pay their members more than the minimum allowance of NBLS.

Their contribution to the creation of jobs for the poor has been positively recognized. They have also been pioneers for developing new socially useful services. In this sense, they were the first generation of social enterprise in Korea and stimulated the emergence of concepts of social enterprise and social economy. However, they are often stigmatized as work integration social enterprises only for disadvantaged people who are less skilled and less professional. Purchasing their goods and services are often motivated by philanthropic reasons. Due to the lack of appropriate legal forms, their original model of worker cooperative and members' participation have been weakened. It is also often difficult to illustrate their social mission beyond the job creation for the poor. Therefore, it is discussed how members' participation might be strengthened and how the job creation for the poor might contribute to their local community.

Non-cooperative worker-owned enterprise

In Korea, worker-buyout has received public attention particularly after the economic crisis in the late 1990s. After economic difficulty and risk of bankruptcy, workers tried to take over their enterprises in order to protect their jobs, in mobilizing their unpaid salary (enterprises' debts to their workers). However, many of them finally closed down or if survived, they could not keep workers' participation and democratic management. Since 2000s there have been some exemplary cases that workers or labour unions took

over their enterprises after strong labour conflicts. Some bus companies are well-known examples in this regard. Their participation culture and better work conditions are recognized as their social contribution.

Having the legal status of conventional enterprise, that is, corporation, they were expected to be converted into worker cooperatives after the enactment of the Framework Act. However, due to a legal barrier that enterprises with more debt than capital cannot be converted into a cooperative, it is not easy to realize this expectation. There is a case of worker-owned bus company which had this difficulty in conversion and finally solved it. It seems that other worker-owned enterprises are not interested in the cooperative model yet. These enterprises are connected to one another in the framework of the labour movement but not organized as a movement at its own right. Some worker-owned enterprises join KFWC in view of conversion into worker cooperative legal status.

Case study – Worker cooperative

Conversion into a worker cooperative: Happy-Bridge Cooperative²⁹

Jong-ho WON³⁰ & Seungkwon JANG³¹

In 2013, Happy-Bridge Limited Corporation was converted into a worker cooperative with 67 members. A newly named Happy-Bridge Cooperative (hereafter HBC) was the first case of conversion of a conventional enterprise with good performance³² into a worker cooperative in Korea. Why was a corporation converted into a worker cooperative? What, then, is happening after the conversion?



29 This case study is a summary of authors' paper "Becoming a Co-operative with Self-Organizing Process: The case of Happy-Bridge Co-operative" presented at the ICA CCR and ILO research conference on Cooperatives and the World of Work, 2015, Antalya, Turkey.

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32 Happy-Bridge Limited Corporation was a SME with the annual turnover USD 26 million, net income USD 1.3million in 2012.

From its origin, HBC was not initiated by one entrepreneur or a visionary leader but throughout a series of events in which a group of people were involved. Their first business was to deliver processed ingredients to small restaurants. Since 2004, they have successfully launched their own franchise brands, such as "Hwapyeongdong King Noodle" and "Noodle tree" among others.

According to a newspaper article on HBC, "since the founding period HBC had been away from the ideology of capital and competition, and closer to such keywords as- 'alternative company', 'People-centred enterprises', 'The Company of recognizing the value of work'. In the view of corporate culture, HB has been maintaining de-authoritarian and a horizontal relationship with the consciousness as an economic community. Also, HBC has grown business throughout the history of solidarity and integration." (Hankyoreh 2014) Therefore, HBC has explained its conversion into a worker cooperative as "HBC found well-fitted clothes".



Happy bridge cooperative _ Franchise expo



Happy bridge cooperative _ General Assembly



Happy bridge cooperative _ General Assembly



Happy bridge cooperative Leadership training

The first president of HBC, Song In-chang suggests three reasons why HBC decided to be converted. The first reason was to maintain its vision and mission. As the company has grown sharply, the number of employees has increased, and it has been hard to understand the founding idea of the company. Cooperative was a good solution for matching the mission and organizational structure of the company. The second reason was to improve the productivity and competitiveness of the company. The Franchise industry is labour-intensive that labour cost account for 60 percent of expenses. Founding members have tried to improve productivity and competitiveness by giving a sense of security to employees and inspiring ownership. The third reason was to contribute to the cooperative movement in general, through KFWC in which it had already been a member, in particular.

The first consideration of the founding members of HB Corporation was not a cooperative, but rather a kind of social enterprise which spends part of their revenue for good causes. The cooperative model was considered more like a small community so that they considered that it would not be a realistic model for an SME. When they were considering a conversion into a social enterprise, they discovered the possibility of a cooperative model for successful business after their study visit to Bologna, Italy. However, it was not easy to agree upon when and how the enterprise could be

converted into a cooperative. The increasing interest in cooperatives after the Framework Act became the starting point for conversion. The people who were sceptical in the beginning, later started to agree for the conversion and HB corporation case received public attention even before their conversion. Finally, in 2013, 15 shareholders decided to convert their enterprise into a worker cooperative of 67 members.

However, unexpected practical problems came to the front. A good example of the same was taxation³³. On the other hand, members discovered that the conversion itself did not bring so many changes in their daily work and life and became disappointed. Understanding of cooperative model between management and ordinary members was much more different than expected. After one year of instability apart from the intention of the management team, members began to understand their cooperative in their own ways. Members complained that they were not the main protagonists in the general meeting and members' role has been marginalized while inviting too many external stakeholders. Also, far from the expectations of the management team, members already had ownership and had asked a number of volunteering opportunities for participation. Members made an active representation of realistic problems and requested their rights instead of just following the management team's vision and strategy. The management was embarrassed by the unexpected

³³ Since the Framework Act has just entered into force, the government did not have any institutional preparation for the case of conversion. The National Tax Service (NTS) made very narrow interpretation about the shares conceded from shareholders to employees for free that was considered by NTS as the conventional stock trading. As having only nominal value, possible credit of their capital decreased. In addition, business partners tended to think cooperatives as civil society organizations instead of enterprises. These episodes occurred because stakeholders were not aware of what cooperatives are



Happy bridge cooperative - Meeting

situation, and even opinions among the members were divided. It was difficult to clearly define what the difference between participatory democracy and authority-delegated decision-making was. Although the basic philosophy of cooperatives such as “shared ownership”, “democratic decision-making”, and “voluntary participation” were continuously discussed, it was not enough to resolve their gaps in practices.

Overheated HBC entered into a new phase through participating in the education programs of Mondragon. The management team had the opportunity to participate in the education programmes of Mondragon, but the participation of all members was for the first time. A total of ten intensive education programmes were organised for all workers, as each group consisted of about ten persons. Although most contents were already known in Korea, the programmes provided a turning point for HBC.

HBC experienced a lot of changes particularly in the business and management strategies since the beginning of 2015. Also, HBC implemented new businesses in promoting cooperation among cooperatives. It is continuously changing in order to be reborn as a new form of cooperative.

The conversion case of HBC shows that conversion into a worker cooperative is not a clear-cut change of legal status and organizational structure but a complex

process of organizational changes accompanying a fundamental change in the entire organisation.

As of February 2018, HBC has 121 employees (84 worker-members, 12 associate members in probation period and 25 non-member employees). After converting to a worker cooperative, HBC has continuously grown through the supply chain from production to sales. The total sales of HBC continue to grow from KRW 31.5 billion in 2013, to KRW 64 billion in 2017.

It created HBM Cooperative Management Institute which has been working in partnership with Mondragon University for developing an innovative form of entrepreneurial education, called Mondragon Team Academy. It has also contributed to the development of cooperative education and cooperative start-up incubating.

Case study – Self-sufficiency enterprise

Self-sufficiency enterprise and the worker cooperative model

Jeong-won KIM³⁴

Strictly speaking, the current situation of self-sufficiency enterprises does not correspond to the typical model worker cooperative. Many self-sufficiency enterprises do not consider themselves as worker cooperatives. Although with the Framework

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Self-sufficiency enterprise _ Hopenarami

Act, the worker cooperatives have been better received, they are still marginal. However, the history of worker cooperatives in Korea cannot be told without self-sufficiency enterprises. They still practice worker cooperative-like management and governance, such as members' capital contribution and democratic and participatory governance including one member one vote. Therefore, it is important to examine their

relationship with the worker cooperative movement in order to better understand the main characteristics of self-sufficiency enterprises.

Besides individual experiences by late 1980s, it was the early 1990s when the worker cooperative movement emerged as a collective experience. At that time, the worker cooperative movement developed with two main trends. One was a trend based on labour movement activists and intellectuals and the other was from the inhabitants' movement in the poor urban areas. Self-sufficiency enterprises have been mainly related to the latter. Since the 1970s, community organizers in the poor urban areas have made various collective efforts together with local inhabitants to protect their rights for decent life and housing. The efforts have been based on methods focusing on the self-help of inhabitants by addressing their own problems and development of the community. This approach was led to tentative, in the 1990s, for creating worker cooperative-like initiatives in which local inhabitants own it collectively and work together. These initiatives at the beginning were called "production community enterprise", which received attention as a possible tool based on the cooperative model for addressing the issue of poverty. As a result, the government launched a pilot project of the self-sufficiency programme in which local self-sufficiency support centres financed by public budget



Self-sufficiency enterprise _ Saeromi reform

would organize the poor to create self-sufficiency community enterprises (which would have been called self-sufficiency enterprise since 2012).

From the end of the 1990s, existing worker cooperative initiatives together with newly created self-sufficiency enterprises having a clear orientation of the worker cooperative model tried to promote the model and resulted in the establishment of KFWC. When KFWC was established in 2003, most of the early worker cooperative initiatives already disappeared and therefore, self-sufficiency enterprises represented most of its membership. However, increasing interest in social enterprises particularly from the government, led to the enactment of the Social Enterprise Promotion Act in 2007 (SEPA 2007). This environment also encouraged self-sufficiency enterprises to be certified as social enterprises according to the SEPA 2007. The change of name from KFWC into the Korea Association of Social Economy Enterprises (KASEE) reflected this trend. It also showed that the orientation of self-sufficiency enterprises toward the worker cooperative model was changed into that of the social enterprise concept which does not care much about governance and ownership issues in Korea. With the enactment of the Framework Act, KASEE was again converted into KFWC which adopted the status of a cooperative union according to the Framework Act but as its consequence,

self-sufficiency enterprises did not join it except some cases because, officially, a cooperative union cannot have non-cooperative members. Currently, it seems that self-sufficiency enterprises have become distant from the worker cooperative movement.

What was the root cause of this distance? It is supposed to be two main factors: institutional environment and actors' capacity. The self-sufficiency support scheme which is basically a public assistance scheme for the poor made narrow its target group of the population who do not have enough capacity for working. Staffs in local self-sufficiency support centres have also changed from social movement-oriented community organizers to social workers who do not know about the worker cooperative model and do not even share the original idea of the self-sufficiency enterprise. Therefore, despite growth in the number of self-sufficiency enterprises, those with a clear orientation of the worker cooperative model have been marginalized among self-sufficiency enterprises.

Recently, there is a trend of positioning self-sufficiency enterprises as an independent model in a broader concept of social economy. This is concretely realized through the creation of Korea Association of Self-sufficiency Enterprises in 2018. However, there are still many self-sufficiency enterprises keeping their original vision of the worker cooperative model while not having



Self-sufficiency enterprise _ Nanumfood

the legal status of worker cooperative regulated by the Framework Act. Therefore, beyond their official legal status, it might be said that self-sufficiency enterprises represent a part of the worker cooperative movement in a broader sense. It might be affirmed when we will examine the general characteristics of self-sufficiency enterprises.

- Above all, self-sufficiency enterprises are work integration social enterprises aiming at providing jobs to the poor, particularly beneficiaries of the NBLS scheme. To be recognized as a self-sufficiency enterprise, the critical condition is to employ NBLS beneficiaries for more than 1/3 among all worker-members. There is a tendency that the portion of NBLS beneficiaries would be reduced after the certification because their income would go beyond the qualifying criteria for NBLS beneficiary and because self-sufficiency enterprises tend to hire more skilled workers. However, it is important to emphasize anti-poverty as the core characteristic which defines the identity of self-sufficiency enterprises.
- Self-sufficiency enterprises have been a prototype model as a reference in the process of institutionalization of work-related welfare programmes and of social economy in Korea. Many components of the social economy in a Korean sense are often designed for those excluded from the labour market. Public policies for these organizational forms were designed in referring to the experience of self-sufficiency enterprises. Main target groups of the first generation of micro-credit in Korea were also self-sufficiency enterprises.
- Self-sufficiency enterprises have been playing a significant role in developing various kinds of social service provision in Korea. Particularly, housing repair services for the disadvantaged population and care services for the elderly are sectors where self-sufficiency enterprises are strongly present and well organized through national and/or regional networks, such as Korea Housing Welfare Social cooperative and Korea Care Social cooperative. Cleaning, recycling and food catering for the disadvantaged groups are also sectors where self-sufficiency enterprises have an important presence.
- By implementing the consortium model, self-sufficiency enterprises have tried to overcome disadvantages caused by their small size and weak management capacity. Some networks of self-sufficiency enterprises have developed franchise brands, for example, Do-woo-nu-ri Corp. in the care service sector and Dure village Corp. in car washing.
- Self-sufficiency enterprises often show more sustainability despite their worker-members' weak capacity. Most of them have more than five years of lifespan which is much longer than that of conventional enterprises (3.7 years on average). Of course, support from public authorities must play a critical role in it. However, one of the hypotheses is that their characteristics as the cooperative-like way of working might contribute to better performance of self-sufficiency enterprises.
- Self-sufficiency enterprises are very active in cooperation with the local community. They are active actors in local networks of the social economy or social service provision. Very often, they invite local stakeholder to join their governance structure. Corporate Social Responsibility activities are frequently practiced for the disadvantaged population in their local community. For example, Feel Interior Corp. in Cheonju working in house repair and construction sector has fully financed Cheonju Housing Welfare Centre, a non-profit organization for the disadvantaged population with housing problems.
- Democratic management is considered as one of the core values. Regardless of their legal status, the principle of "one member, one vote" is widely practiced. If the principle would not be practiced, they usually adopt methods for hearing workers' voices sufficiently. There are a few cases of having trade unions. This is not only because self-sufficiency enterprises are small but also because the democratic management and members' participation in the decision-making process are already well practiced. Democratic and participatory management also contribute to better labour conditions of worker-members, which are often decided by worker-members themselves.
- To make a more collaborative and participatory culture, various efforts are put in places, such as capacity-building training, workshop and specific compensation systems.
- Even though self-sufficiency enterprises try to practice regular and full-time employment, there are cases of irregular and part-time employment, particularly in construction, care service and

cleaning service which are sectors based on the market with highly flexible demands.

- Generally, the level of technology used by self-sufficiency enterprises is not so high mainly due to aged and less educated worker-members as well as to the limited amount of capital. Therefore, they are more present in the sectors where high technology would not be needed, for example, care services. Even in the sector with needs of a higher level of technology, they are concentrated in niche markets where a lower level of technology would be enough.

Case study – Worker-owned enterprise

Woo-jin Transport³⁵

Hwalshin KIM³⁶

Woo-jin Transport (WT) located in Cheong-ju city is a bus company managed by about 300 workers. After six months of conflict with the previous owner who had not paid wages and made corruption in the management, in 2005, WT workers got 50 percent of shares and the rights of managing the company for 3 years management. They entrusted this 50 percent of shares to a locally respected man in order to prevent the previous owner from returning to the enterprise. Additionally, they contributed to equity

capital (USD 4,300) per person to strengthen the financial situation. Today, 14 years later, WT workers own 100 percent of shares and they are preparing for conversion into a worker cooperative according to the Framework Act.

The forms of worker participation have changed several times. In the early years of WT, its goal was transparent management. The CEO reported the details of management (revenue and expenditure, the tasks of each department and personnel matters of the company) and renovated the corrupted ways of management of the previous executives. WT's balance sheet switched from deficit to positive result in a year, paid back part of the debt and tried to stabilize the enterprise by purchasing more shares from the previous owner. However, some problems were raised. In the beginning, WT adopted a working method that the CEO discussed the current issues with representatives of work teams and departments monthly and reflected their opinions, but the final decisions were taken by the CEO alone. On the other hand, there was a deep division between bus drivers and employees in the office. Furthermore, some workers claimed their individual ownership of entrusted shares. This first period was called by the CEO as "a nominal self-management".

Woojin Transport _ Inauguration of the 2nd garage station



³⁵ This case study is a summary of author's paper "A worker-owned firm's organizational change from the perspective of organizational learning: The case of Woojin Transport" presented at the ICA CCR and ILO research conference on Cooperatives and the World of Work, 2015, Antalya, Turkey.

³⁶ Doctoral Student, Department of Management of Co-operatives, Sungkonghoe University, Korea and the former Director of Seoul Cooperative Support Centre



In the second period, WT started creating formal decision-making structures for implementing practices of self-management in their management and workplace under the slogan of "all members are workers with equal rights". They revised the existing articles of incorporation into the articles of self-management which mention values, aims, and structures of self-management. The self-management council equivalent to the Board of directors is composed of 15 members of whom 12 members were elected at the general meeting, one delegation from trade union and two department managers. Five other committees were also organized, such as the HR committee, the committee of self-management rules, welfare committee, election committee and the committee of recruitment. Each of these committees is composed

of 5~6 members and administered independently. It took four years for WT to structure a framework for democratic decision-making of members.

WT was not satisfied with these democratic decision-making structures but started developing the idea of "self-management of work". It means that workers take part not only in the management of enterprise (self-management of management) but also in the whole process of work from planning, implementation, evaluation, and distributions of surplus (self-management of the workplace).

The self-government of work has strengthened member's participation. In the initial stage, not so many members joined meetings but today, the participation rate reaches 92.3 percent.

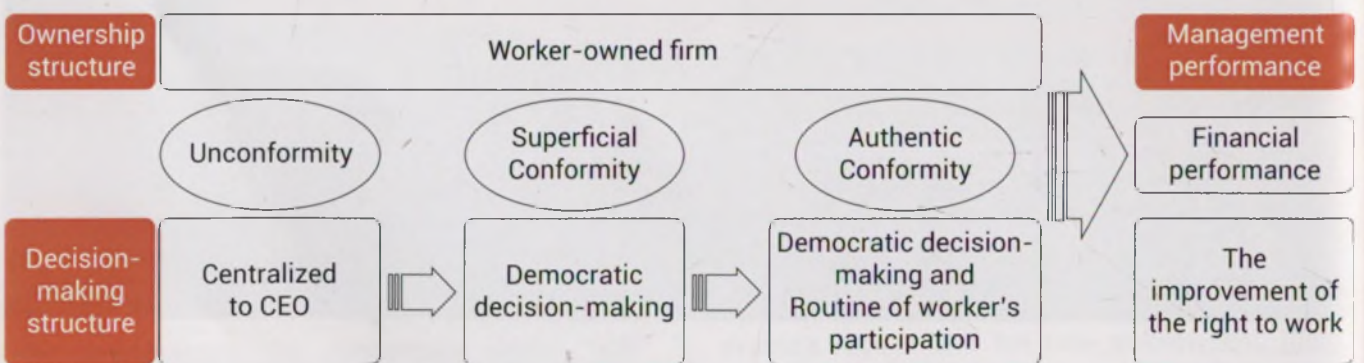


Figure 1. Organisational change of WT



As Figure 1 shows, changes in WT was the process of reinforcing conformity between the ownership structure, as worker-owned enterprise and the decision-making structure put in practice at the management level as well as at the workplace level.

These changes also led to better performance of the enterprise. WT pay a better wage³⁷ to their worker-members. It achieves the highest profit among 6 bus companies in Cheong-ju. After introducing the system of self-government of work, WT ranked the 1st in reduction of the accident rate. In terms of non-financial performances, it is reported that workers do not suffer from unfair treatment at the workplace anymore. WT aims at offering kind and client-friendly services and its effort is fully recognized by citizens. Through their trade union, WT workers also have committed to the activities of solidarity with and advocacy for the rights at work of workers in other enterprises.

The organizational changes of WT have not happened spontaneously, but with continuing effort for collective learning. Changes in the thoughts and practices of individual members was essential. WT workers had to learn new values as worker-owners instead of old values as servants under hierarchy. A lot of education and training programs were created and they have played a role as places where members can learn and share practical aspects related to their work as well as ideological aspects of working together.

In 2018, WT has 324 worker-members and one non-member worker who is a CEO hired from outside, with 3 years of the term. With support from KFWC, it is preparing the conversion into a worker cooperative to keep and furthermore strengthen their self-management model.

³⁷ But it is not so much higher than other workers in bus industry because WT wants to maintain solidarity with other workers as well.

Japan

In Japan³⁸, although there is a significant size of the cooperative sector, CIS have been in a minority and are not even institutionalized yet. Without appropriate legal status, two different cooperative movements have developed CIS: worker cooperative movement organized by Japan Workers' Co-operative Union (JWCU) and workers' collective movement led mainly by Seikatsu Club, one of the consumer cooperative federations. Due to the lack of legal status, these two movements have used different legal statuses mainly, those of NPO or SME cooperative³⁹. Therefore, they cannot be identified with their legal status but mainly through their membership in JWCU or Workers' Collective Network of Japan (WNJ). Recently, JWCU and WNJ have collaborated to have a common legal framework. Japanese cooperative movement represented by a new apex organisation, Japan Co-operative Alliance (JCA) is also very supportive of this initiative.

Since the 1990s JWCU has developed elderly cooperatives for providing services and jobs to elderly persons. Although they use the legal status of a consumer cooperative, they are close to the social cooperative model in which service providers and users are members. However, given that workers' membership is considered as the same as that of user-members without any specific voting power for them, elderly cooperatives are still based on the consumer/user cooperative model rather than the multi-stakeholder cooperative model. Elderly cooperatives are organized in Japan Elderly Persons' Consumer Cooperative Union which belong to JWCU. Considering them as the consumer/user cooperative model, in the present study, they are not deeply analysed. However, it would be meaningful to analyse them from the perspective of a social cooperative in further work.

Meta type	Cooperative type	N° of coops	Members			Employees	Reference year
			Producer members	Worker members	User members		
Users coop	Consumer Cooperatives	568			28,190,000	115,586	2015
	Consumer Cooperatives union	1				1,450	2015
	Credit - Labour bank	13				11,303	2011
	Credit - Shinyokumiai	153			3,935,186	21,147	2016
	Credit - Shinkin bank	265			9,273,887	110,428	2016
	Credit - Shinkin bank (central bank)	1				1,199	2016
	Forestry	631			1,477,931	7,447	2014
	TOTAL	1,632			42,877,004	268,560	
Producer coop	Agriculture (General)	692	4,478,620			210,311	2014
	Agriculture (Special)	681	168,204			6,392	2013

³⁸ This national report is written based on information provided by JWUC and WNJ.

³⁹ One of legal statuses used by the movements is that of SME Cooperative according to the SME Cooperative law. This legal status is usually used for facilitating cooperation among SMEs, which are rarely perceived as a cooperative. It is a similar situation with SME cooperatives in Korea.

Meta type	Cooperative type	N° of coops	Members			Employees	Reference year
			Producer members	Worker members	User members		
	Agriculture (Federations)	90				57,409	2014
	Fishery	946	148,411			11,572	2014
	TOTAL	2,409	4,795,235			285,684	
Worker coop	Worker coop	450*		10,000		5,000	2017
	Workers' collective	340		8,021			2017
	TOTAL	790		18,021		5,000	
Social coop	Elderly coop	22		3,399	52,704		2018
GRAND TOTAL		4,853	4,795,235	21,420	42,929,708	559,244	

*Business units

Sources: Consumer – Japan Consumer Co-operative Union, 2016, Co-op Facts & Figures 2015; Credit - Labour bank, 2011, A guide to Labour Banks, website of Community bank Shinyo Kumiai, Shinkin Central Bank, 2016, Annual Report; Forestry, Agriculture, Fishery – website of the Ministry of Agriculture, Forestry and Fisheries; Worker, Elderly – Japan Workers' Co-operative Union; Workers collective – Workers' collective Network Japan

In terms of the number of cooperatives, CIS represent 16.73 percent (812 cooperatives) of Japanese cooperatives. The number of worker-members is 21,420 which represent only 0.04 percent of total cooperative members in Japan. Although they are still unfamiliar to the general public, at least stakeholders of these CIS recognize well the innovative contribution of their way of working as a worker cooperative.

Worker cooperative

Inherited from the local labour union movement of the unemployed, JWCU was established in 1979. To build a leading organisation, a Central workers' cooperative (CWC), also called Center Jigyodan, was born in 1987 and currently, it represents more than 70 percent of Japanese worker cooperatives throughout its regional unions and local units. Given that there is no legal framework for WC_{JP}, JWCU has been working continuously for obtaining legal status. However, without legal status of cooperatives, JWCU became a member of ICA and CICOPA in 1992 and today is one of the most active members of JCA. Although WC_{JP} have developed their movement and businesses throughout Japan, they are particularly strong in Tokyo and its neighbouring areas. It is partly because there are strong needs for elderly care and childcare, which are their main economic activities, in urban areas for WC_{JP}.

N° of cooperatives	About 450 business units
N° of members	About 10,000 persons
N° of non-member employees	About 5,000 persons
Aggregated turnover	About USD 300,000,000 (JPY 33.5 Billion)
Remark	As of March 2017 (JWCU). JWCU represents 15,000 employees in total but do not have an exact number of members among the employees. It is estimated that almost 70 percent of employees are members. For instance, CWC has about 10,000 employees including 7,000 worker-members.

Workers collective

After the first workers collective established in 1985, Yokohama, WL_{JP} have been developing mainly based on commitments and supports from Seikatsu Club. Majority of worker-members are active consumer-members of Seikatsu Club who organizes WL_{JP} to provide goods and services through the network of consumer cooperatives. Initially, their activities were quasi-volunteering with only part-time and small remuneration which conformed

for house-wives. However, in time, their businesses have become real business activities and more worker-members start working for their jobs rather than only for activism. WL_{JP} are organized in WNJ established in 1995. WL_{JP} have developed mainly in Tokyo and its neighbouring areas where Seikatsu Club has developed.

N° of cooperatives	340 collectives
N° of members	8,021 persons
N° of non-member employees	No non-member employees
Aggregated turnover	About USD 110,770,000 (JPY 12.4 Billion)
Remark	As of March 2017 (WNJ). JWCUC represents 300 WL _{JP} .

Legal circumstances of worker cooperatives and workers' collectives in Japan

Osamu Nakano⁴⁰

Cooperatives in Japan are respectively governed by different laws of their own. There are a dozen or so cooperative laws in Japan; most of them were enacted in the 1940s and 50s, and the newest law on forest owners' cooperative associations was enacted in 1978. Major cooperatives such as agricultural cooperatives, consumer cooperatives, forestry cooperatives, fishery cooperatives, labour banks, credit unions, etc., are governed by their specific laws under the control of different ministries such as the Ministry of Agriculture, Forestry and Fisheries, Ministry of Health, Labour and Welfare, Financial Service Agency and so forth.

However, there is not a law on worker cooperatives and workers' collectives in Japan even today. Worker cooperatives and workers' collectives have thus developed their movements and businesses so far by using other legal statuses such as those of NPO and of SME cooperative, among others. Incidentally, unlike many other countries, Japan does not have any law on social cooperatives, social enterprises, social (solidarity) economy either, nor a general cooperative law.

JWCUC has thus promoted the legalization movement since 2000, together with WNJ, with the object of enacting their own law. This movement, then, is now almost reaching its goal. The draft of the new law, tentatively named "Worker Cooperative Law", was officially announced at the beginning of April 2019. The essential points of the law are as follows.

1. It defines worker cooperatives as those to which their members (workers) make a capital contribution, in which they work together and are democratically involved in the management in following the principle of "one member, one vote".
2. It allows anybody to establish their own worker cooperatives only by meeting the conditions defined in the law. In other words, they do not need to obtain permission from the governmental authorities for the establishment of worker cooperatives in contrast sharply with any other cooperatives in Japan that can be established upon approval from the ministries in charge.
3. Each member makes a working contract with their worker cooperative, strictly speaking, with a person who represents the cooperative _ the representative director _ and they are thus protected by labour laws.
4. At the same time, as stated above, each member is democratically involved in the management of their cooperative through the representative director or members of the board of directors who themselves are elected among members.
5. If there would be a surplus at the end of a fiscal year, it must be firstly reserved for the purpose of the development of the cooperative, including job creation, education/training and so on. If there is still surplus left after this allocation to the reserve funds, they can be distributed to the members according to the amount of their transaction with the cooperative, that is, their amount of work. However, there is no dividend for capital, because worker cooperatives under this law will be recognized as non-profit organizations.

⁴⁰ Board member and responsible for international relationship of JWCUC



6. Finally, the purpose of worker cooperatives will be clearly defined in the law as follows; providing various job opportunities, realizing "decent work" as well as "work-life balance" for all, and then contributing to the realization of vital, sustainable local communities through these activities.

It would be an epoch-making event for the cooperative movement in Japan as well as worker cooperatives and workers' collectives if this law gets enacted in 2019. It will be the new cooperative law in Japan for last 40 years. Thus, indeed, JCA _an apex organization of all cooperative sectors in Japan_ publicly expressed their approval for the new law in April 2019. Moreover, the new law will have a great influence on many other fields including the movement of NPOs, employment for the elderly and disabled as well as various community movements. It is expected that the law will be adopted before the end of June 2019.

Case study – Worker cooperative

Central Workers' Co-operative and Workers' Co-operative CHIBA

Osamu Nakano

Worker cooperatives in Japan Workers' Co-operative Union can be classified into two different categories: Central Workers' Co-operative (CWC) and independent regional worker cooperatives. Whereas CWC alone represents 70 percent of Japanese worker cooperatives, 30 percent are represented by independent regional worker cooperatives. Considering that a lot of characteristics of worker cooperatives in Japan are very similar to one another, this case study presents

CWC and Workers' Co-operative CHIBA (WCC) as one example of independent regional cooperatives.

Central Workers' Co-operative (Center Jigydan)

CWC, also known as *Center Jigydan* is a worker cooperative having 16 regional headquarters, 345 business units/centres, 1,174 business activities (as of 2018) and 10,167 workers (6,880 worker-members and 3,287 non-member employees)⁴¹ (as of February 2019) throughout the country. Its annual turnover is USD 183,690,000 (JPY 20,570,020,000) in 2018. It is a single worker coop directly managed by JWCU, but at the same time, it is often regarded as a sort of consortium of worker cooperatives if business units/centres would



⁴¹ Although CWC is not designed for employing workers with disadvantages, but the recent research reveals that almost 8.5 percent of worker-members have certain (mental or physical) disabilities or difficulties. They have the same kind of employment contract for normal employees.



Worker coop - Cafe run by young people with mental difficulties



Worker coop - Childcare



Worker coop - Community-based Forest Management



Worker coop - Elderly Care Service (A young man with Down's syndrome is working as a care helper)

be considered as primary worker cooperatives. It's headquartered in Tokyo.

In Japan, just after World War II, there were more than ten million unemployed people. The government created "Relief Measures for the Unemployed" (RMU) in 1949 in order to provide daily employment for the jobless as a kind of public assistance as well as a security measure to prevent the unemployed from raising riots. In 1953, Japan Free Workers' Union (*Zen Nihon Jiyū Rōdō Kumiai / ZenNichiJirō*) was established as a nationwide labour union. It organized "free workers", that is, daily workers who worked through the RMU. Since the rapid economic growth in the mid-1950s, the government gradually scaled down the RMU, and finally decided to completely close the door for the new jobless in 1971. Therefore, Japan Free Workers' Union established their own business enterprises called "*Jigyōdan*" throughout Japan in order to create stable jobs for their union members who were middle-aged and elderly. At that time, however, all the business enterprises ("*Jigyōdan*") were not worker cooperatives

yet. CWC was established in 1982 (then reorganized with the current name of CWC in 1987) for developing a typical example of worker cooperative in Japan.

In the 1980s and 1990s, the main business activities of CWC were cleaning/maintenance services (for hospitals, buildings, parks, riversides, etc.), logistics and so forth. In 2000, the Long-term Care System based on the governmental elderly care insurance system was introduced, and CWC has developed their elderly care business activities since then. In 2003, it was decided in Japan that public facilities (community centres, child-care facilities, etc.) would be outsourced from local governments to private enterprises including cooperatives. CWC has then developed their business activities in the field of child-care and operation of community centres. Given that, during the time period from 2000-2010, due to the stagnation in the Japanese economy and neo-liberal policies, Japan suffered from various problems including poverty and inequality, CWC has started developing their business activities in the field of support services for the poor/needed, people with



Worker coop - Food Shop in Department Store

disabilities and youth with various difficulties. In this way, CWC has always developed business activities/services in answering to needs of people's daily life in local communities. Currently, as of 2017, CWC's economic activities are composed of child-care (43 percent of total turnover), care for the elderly and people with disabilities (14 percent), cleaning and maintenance services (11 percent), operation of public facilities (10 percent), support services for the poor/needful and youth with difficulties (8 percent), distribution/transport (5 percent) and other businesses (9 percent).

The minimum amount of capital requested for becoming a member is about USD 450 (JPY 50,000). Currently, the total capital of CWC is about USD 77,050,000 (JPY 8,628,000,000) of which 68 percent is members' equity capital. It does not have any debt. 5 percent of the total turnover is reserved for the reserve fund in view of the development of worker cooperative movement in Japan and CWC's business activities. Although there is no legal restriction, it is written in its bylaw that 60 percent of the reserve fund is considered as an indivisible reserve that cannot be distributed to the members even in the event of a liquidation.

When there would be a surplus at the end of a fiscal year, it is distributed to members according to their transaction with cooperative, that is, their amount of

work. Then, if there is still a remaining surplus, the dividend for capital is paid to members with less than 10 percent of the amount of capital contribution.

In each business unit/centre, everything is decided in all member meetings that is generally held every month. In each regional headquarter, an all manager (of units/centres) meeting is also held every month, and further, a board meeting of CWC is held almost once every two months. Currently, board members are 40 persons including 10 women. The supreme decision-making body is the annual general assembly.

Whereas it is not written explicitly in its bylaw, CWC does not include non-members as participants in its main governance structures. CWC has "supporters" who donate some money to CWC, but they are not regarded as "members" because they do not have voting rights, nor receive a dividend.

Workers' Co-operative CHIBA

WCC was established in 1987 in close collaboration with CWC but independently from the CWC system. It was initiated by 28 founders who were engaged in activities of trade unions, consumer cooperatives and neighbourhood associations in Funabashi City, Chiba Prefecture, and at the beginning, it had only 7 worker-members. In 2018, WCC has 5 offices/business centres and 40 business activities, employing 167 workers



(40 worker-members with a full-time contract, 117 worker-members with part-time contract and 10 non-member employees with part-time contract). Its annual turnover is JPY 478,540,000.

In the first decade (1987-1997), the main business activities of WCC were cleaning / maintenance services for hospitals and logistics, which were outsourced from health and welfare cooperatives and consumer cooperatives. During the second decade (1997-2007), they developed elderly care services in the framework of the Long-term Care System that was launched in 2000. Thereafter WCC has developed their business activities in the field of childcare,



support services for the poor/need and people/children with disabilities.

Currently, as of 2018, their main activities are care/support services for the elderly, disabled and poor/need (50 percent), cleaning, maintenance and transportation services (25 percent), food services (12 percent), logistic services and transport (8 percent) and other businesses (5 percent)

WCC has a General assembly and the Board of Directors are composed of 16 members (10 men and 6 women). The board meeting is held almost every two months. For daily operational decisions, each local office has an all member meeting generally held every month.



The Philippines

In the Philippines⁴², cooperative types are defined by the legislation. Among 26 different cooperative types⁴³, four cooperative types (labour service cooperative, worker cooperative, transport cooperative and small-scale mining cooperative) may be considered as CIS. Whereas labour service cooperatives and worker cooperatives may be classified as the worker cooperative model (A and B models respectively), transport cooperatives and small-scale mining cooperatives are based on the shared service cooperative model. However, it should be noted that multipurpose cooperatives and credit cooperatives representing a significant part

of cooperatives⁴⁴ also carry out activities similar to those of labour service cooperatives or of worker cooperatives. Therefore, for the general public, many of these cooperatives are also perceived as labour service cooperatives or worker cooperatives.

If we consider only official cooperative types, there is a small number of CIS. According to the data of the Cooperative Development Authority (CDA) (as of 2017), there are 340 CIS which represent 2.75 percent of the total number of cooperatives in the Philippines. In terms of membership, they have 142,300 members which represent 1.37 percent of all cooperative members.

Meta type	Cooperative type	Cooperatives	Members			Employees
			Producer members	Worker members	User members	
Users coop	Advocacy	18			600	100
	Consumer	557			57,000	5,100
	Credit	1,568			1,019,500	11,900
	Education	3			2,100	100
	Electronic	13			942,000	2,900
	Health services	28			14,500	2,900
	Housing	48			16,600	200
	Multi-purpose	7,378			7,678,500	351,300
	Service	273			813,000	21,300
	Water services	63			42,100	800
	TOTAL	9,949	0	0	9,854,200	396,600
Producer coop	Agrarian reform	816	272,200			11,400
	Agriculture	142	27,800			800
	Diary	15	700			100
	Fishermen	13	800			0
	Marketing	350	40,100			1,700
	Producers	515	29,600			2,900
	Transport	207	22,800			1,300
	Small scale mining	10	300			0
TOTAL	2,068	394,300	0	0	18,200	

⁴² This national report is written based on information provided by research partner, ULSCC.

⁴³ In 2017, cooperative types used by Cooperative Development Authority are as follows: advocacy, consumer, credit, education, electronic, health services, housing, multi-purpose, service, water services, agrarian reform, agriculture, diary, fishermen, marketing, producers, transport, workers, labour service, small scale mining, cooperative bank, insurance, federation (secondary), federation (tertiary), union (secondary) and union (tertiary).

⁴⁴ As of 2017, among 12,363 reporting cooperatives (those which submitted their annual reports to CDA), the numbers of multi-purpose cooperatives and credit cooperatives are 7,378 and 1,568 which represent 72.36 per cent of all reporting cooperatives.

Meta type	Cooperative type	Cooperatives	Members			Employees
			Producer members	Worker members	User members	
Worker coop	Workers	28		16,200		5,200
	Labour service	95		103,000		63,600
	TOTAL	123	0	119,200	0	68,800
Second-level coop	Coop bank _ secondary	23				1,500
	Insurance _ secondary	4				200
	Federation _ secondary	150				1,600
	Federation _ tertiary	4				0
	Union - tertiary	1				0
	Union _ secondary	41				300
	TOTAL	223	0	0	0	3,600
GRAND TOTAL		12,363	394,300	119,200	9,854,200	487,200

*Information only on cooperatives which reported their activities to the Cooperative Development Authority

Source: Cooperative Development Authority (as of 2017)

It should be noted that since its institutionalization, labour service cooperatives have been growing very quickly as the table below shows. It has also raised issues around the legitimacy of labour service cooperatives.

	2014	2015	2016	2017	2018
N° of coops (operating coops)	2	32	51	115	442
N° of coops (reporting coops)		10	23	95	NA
N° of members (reporting coops)		10,100	12,700	103,000	380,117
N° of employees (reporting coops)		3,800	9,700	63,600	NA

Source: Cooperative Development Authority (from its website for data of 2014 – 2017 and from partners' query for data of 2018)

There is only one sectoral federation in the labour service sector, which is the Union of Legitimate Service Contracting Cooperatives (ULSCC). Other sectoral federations were not reported during the present study period. It is supposed that except ULSCC, CIS are not organized as a movement representing their specificity and part of them are organized in different cooperative unions and federations.

Due to the limit of resources, the present study focused mainly on labour service cooperatives and partly on worker cooperatives. A short description of transport cooperatives and mining cooperatives can be found in Annexe 4.

Labour service cooperative

Different from worker cooperatives, labour service cooperatives are regulated by two different laws: Cooperative Code of the Philippines under Republic Act 9520 and Labour Code of the Philippines. It allows them to protect their worker-members as employees in the same way as for those in conventional enterprises.

Labour service cooperatives as an official cooperative typology should be distinguished from cooperatives engaging in labour service as their economic activity. In the Philippines, the labour service has been even considered as part of the corporate social responsibility of many companies which provided jobs to the local

community through cooperatives. The estimated number of cooperatives engaging in labour service is around 300 but most of them are multi-purpose cooperatives and doing several businesses other than labour service. It seems that labour service practices in the agriculture sector represent an important part of labour services provided by cooperatives. In the urban areas, most of the labour service cooperatives are working in manufacturing, service, and construction.

However, officially recognized labour service cooperatives were 442 with 380,117 members in 2018, according to the CDA. Only a few of them are members of

ULSCC: 19 cooperatives out of 442 of which the number of current members who are total deployed workers is 132,372. While ULSCC has few members, these are some of the biggest labour service cooperatives in the country.

It is interesting that labour service cooperatives have started discussing about the transition from labour services to full outsourcing services. It means that, instead of providing labour services, the cooperatives should learn how to manage and operate certain part of the business and provide outsourcing services to the companies. This trend shows a similarity with certain historical evolutions of worker cooperatives in other countries.

What kind of needs are labour service cooperatives fulfilling?

It is difficult to judge whether labour services are good or bad. It might be very different according to the economic activities and national contexts. It is also important to note that in the same situation, the interests of employers and workers can be very different and even contradictory. In the argument of labour service cooperatives, we can find two different perspectives at the same time.

It seems that, in raising the specific context in the Philippines, labour service cooperatives agree with general perceptions of employers. Our research partner in the Philippines states that "Most of the companies in the Philippines cannot afford to provide regular employment to their workers for various reasons; the fluctuation of business volume, seasonality, political atmosphere that affects the consumer behaviour, and high prices of materials which are mostly imported from other countries. ...Now the question is why employers do not want to provide regular employment to workers. The companies want flexibility in their operations. ...If labour unions will have their way and all workers are to be given regular employment status, the competitiveness of the companies will suffer and the unemployment status will be worse. Instead of producing, companies will just import the same products or instead of producing it in the Philippines, they may opt to produce it in another country. This has actually started to happen." This is a justifying argument of employers and must be strongly criticized by the trade union movement.

However, what labour service cooperatives are really focusing on is the situation of irregular employees which have been continually increasing in this context. In the Philippines, the maximum probationary period is 6 months. If the probationary employee exceeds 6 months of employment, he or she is automatically provided with regular employment status as mandated by law. Before the entry of labour service cooperatives, most private agencies and companies terminate their employment contracts with them before reaching 6 months of employment to avoid giving them regular employment status. Because workers' employment was of short duration, workers are obliged to perpetually look for a job opportunity. They are not growing in their career and can not establish skills in their line of work. They are also not given an opportunity to be promoted as their tenure to the company is always limited to 5 months. Economically, they are deprived of their retirement pay or separation pay, depending on their cases. This unfair labour practice was accepted by the workers because they do not have much choice as it was the prevalent practice at that time.

The practice of private agencies to circumvent the security of tenure by not providing regular employment became attractive to the companies as it contributes to their need to be competitive. While it was a violation, the previous administrations turned a blind eye on it due to pressure from business groups and they also understand the need of the companies to be competitive. The biggest victim of this situation were the workers and no one was really fighting for them to protect their interest.

When the labour service cooperatives went into the industry, it has changed a lot of these practices. Since cooperatives share their surplus with their members-employees, they have no problem complying with the legal requirements that may require additional costs. They provide regular employment status to their deployed workers and allow them to earn tenure. They comply with all the statutory benefits required by the regulation. They ensure due process in employee discipline and is fair to their employees as they are also their members and cooperative co-owners. They do not terminate employment every 5 months and make them productive and assured of jobs for as long as they are doing it right. Separation pay is not avoided but paid. Overall, the benefits to the employees are better employment, stable job, legally compliant employer, protection on their security of tenure, and fair treatment of employees.

Many companies also favour the entry of labour service cooperatives in the industry as it addresses many violations in the legal requirements. They also like the cooperative for being a socially responsible enterprise as it compliments their corporate social responsibility programme. By providing regular employment status, workers are able to improve their skills, retain the good employees and become more productive in their jobs. Overall, engaging labour service cooperatives has proved to be very cost-effective in their operation.

The present study does not have any position on the case of labour service cooperatives in the Philippines but recognizes the importance of discussing and developing the issue further in considering situations in other countries.

Worker cooperative

Worker cooperative is defined by Article 23. (1) (t) of the Cooperative Code as a cooperative "organized by workers, including the self-employed, who are at the same time the members and owners of the enterprise. Its principal purpose is to provide employment and business opportunities to its members and manage it in accordance with cooperative principles".

Workers cooperatives provide an opportunity to poor people to use their skills and time to be productive and gain income. Those who cannot form their own business due to lack of capital can join the cooperative and be part owner of their small business on which they can work together. If the business goes well, it may open the doors for them to be service providers or producers of certain products. And since they are organized, they can better deal with consumers and traders than if they will do it on their individual capacity.

However, according to the information of CDA, there are only 21 worker cooperatives and our research partner reported that most of them are struggling to compete and survive. Certain cooperatives that started as workers' cooperative grew big and ventured into many other businesses. Now they can no longer be

classified as workers cooperatives but multi-purpose cooperatives with many businesses including trading, credit, production, etc.

Case study – Labour service cooperative

Fastrack Multi-purpose Cooperative

Vergel M. Hilario⁴⁵

The Fastrack Multi-purpose Cooperative (Fastrack) is a labour service cooperative⁴⁶ and aims at providing more secured and stable employment to its members. The cooperative was organized in 2005, Quezon City, by a group of young Christian businessmen. It started with minimal capitals and a couple of clients with few



⁴⁵ Management Consultant, ULSCC

⁴⁶ While it is also providing loan to employees, it is not considered as its main objective but as assistance for emergency situation. Fastrack signed an MOU with another cooperative whose main economic activity is to provide loan to its members. Fastrack is encouraging its members to join this cooperative for their need to take loans.



deployed workers. Due to poor management, however, it did not grow and suffered from financial difficulties until 2015. In 2015, the cooperative decided to put professional managers in the operation. Since then, the financial condition of the cooperative improved. Receivables were collected promptly and the cooperative started gaining surplus from which members could enjoy dividends.

Today, it provides jobs to 1,096 employees. There are two types of membership; regular member and associate member. Whereas a regular member can vote and be elected for the governance structure, an associate member cannot vote and cannot be voted upon. However, there is no difference in economic benefits and membership privileges between them. Dividends and patronage refunds are distributed to both regular and associate members based on their share capital contribution and participation in the business activity of the cooperative. The regular member must have paid up capital of at least 1,500 shares and have more than two years of tenure as associate member. The associate member must have paid up capital of at least 375 shares.

Currently, the regular members are 190 and there are 951 associate members. Regular membership is also voluntary and the associate member must apply for approval of his/her regular membership. In the case of Fastrack, most of its members are employees deployed to fast food stores (similar to McDonald's) where the

employee turnover is very high. These are considered temporary jobs for many and most of them do not last more than two years. When they resign from their employment, they also resign from their membership in the cooperative. This is one of the reasons why the number of regular members is less than associate members. This situation is not always the same in other industries. Labour service cooperatives in manufacturing industries have much longer tenure as most employees stays in their job longer. For these cooperatives, regular members should be higher than associate members. The CDA is now looking to mandate that associate members must be made regular upon reaching tenure of two years to prevent monopoly of leadership and corruption in the governance of cooperative.

On top of them, there are 40 members and 5 board members who are not employees. In principle and practice, all employees are members and all members own and contribute share capital.

The cooperative provides employment to members who would not be directly employed by the companies. Since their employment will be under the cooperative, members can work with higher standards of conditions. This became their stepping stone for better job, higher position and increased income.

Fastrack Multi-Purpose Cooperative is an active member of ULSCC.

Supportive initiative

Union of Legitimate Service Contracting Cooperatives

Vergel M. Hilario

The ULSCC⁴⁷ was established in 2014 to represent the cooperatives engaged in labour service in a legitimate way. From initial membership of 5 primary cooperatives, it gathered 31 member-cooperatives by 2017. Then the membership went down to 19 as of 2019.

At the time of its inception, different regulatory bodies had conflicting implementation of their regulatory functions leading to the detriment of cooperatives⁴⁸. Also, the regulatory bodies have limited understanding of cooperative and failed to appreciate the nature of cooperative structure as an enterprise with social mission by its nature.

When the cooperatives started working in the labour service industry, it started on a wrong footing. They took the position that their deployed workers are not their employees but their members and therefore not subject to the regulations governing employer-employee relationship. Even the obligation to withhold taxes on the earnings of the employees was circumvented. These put the cooperatives in labour service industry in conflict with the Department of Labour and Employment (DOLE). ULSCC took the position that employer-employee relationship exists in the labour service cooperatives. It has explained to labour service cooperative community that while as a cooperative it is regulated by CDA, as a cooperative dealing with labour service industry, it should be also under the regulation of DOLE.

In this context, one of ULSCC's main functions was to promote legal compliance and respond to the legal challenges and protect the cooperatives interest



against the wrong application of the law. It represents the labour service cooperatives in both the Senate and House of Representatives to ensure that the voice of the sector is heard in formulating the law.

It also aims at correcting wrong practices and educating the cooperative sector on the legal requirements and proper interpretation of employer-employee relationship. For this purpose, it has been conducting educational campaign and fora in various parts of the country to reach out to those cooperatives that used a wrong model⁴⁹. It is developing a training institute that will help members of Labour Service Cooperatives to be more grounded on the principles of cooperatives, legal compliance and knowledge, social responsibilities and responsible business partners. ULSCC also actively participates in international organization and benchmark with other countries.

A cooperative interested to be a member of ULSCC must secure authority from its Board of Cooperators and must be approved by the General Assembly. There will be an initial evaluation of the cooperative to determine compliance lapses and potential violations. Then the cooperative will be provided with advice to correct them over a period of time. If the cooperative

47 At the beginning, the name of Union was Union of Labour Service Cooperatives. It was changed in 2017 to Union of Legitimate Service Contracting Cooperatives to avoid confusion that it seems a labour union rather than a cooperative union.

48 At the time of its creation, the main challenge facing the cooperatives was the mandate of the Department of Labour and Employment for the labour service cooperatives to stop collecting share capital through payroll deduction and return those that were already collected, which if done will kill the cooperatives. ULSCC was also successful in its suit against the Department of Labour and Employment when it challenged its order for the cooperatives to return the share capital contributions already collected from its members. In the Memorandum of Agreement, the Department of Labour and Employment agreed to consider the share capital collected from the cooperative members are deemed returned without withdrawing and actually returning the collected shared capital. However, the agreement applies only to the members of the ULSCC. Cooperatives that are not members of ULSCC are still obliged to follow the mandate.

The other legal issue at that time was the move of Bureau of Internal Revenue to withhold the renewal of tax exemption of cooperatives in labour service. The legitimacy of the move, not to issue or renew tax exemption, was questionable since under the Cooperative Code of the Philippines, there are specific grounds wherein it should be granted and that was totally ignored.

49 ULSCC, with the help of CDA, has conducted annual congresses for cooperatives engaged in labour service since its inception. It invited representatives from various regulatory bodies to clarify and explain their policies as well as dialogue with cooperatives on various issues and concerns. Also invited are representatives from legislative bodies and law makers to discuss and update the sector on pending bills and developments. ULSCC collaborated with other cooperative organizations in other countries to provide insights and share development of cooperatives in their respective countries. Part of the effort was to inform the labour service cooperatives on other opportunities. For these it invited non-cooperative organizations that are also involved in social enterprise and community development.





ULSCC _ 5th Labour service cooperative Congress



ULSCC _ Benchmarking with community cooperative

follows the advice and shows willingness to comply with the regulations, the membership will be accepted by the Union. Cooperatives that will not adapt to the recommendations will not be approved of their membership applications.

When ULSCC was founded, five members who organized it contributed PHP 100,000 each (total PHP 500,000) to give initial funding. To sustain its operation, member-cooperatives pay PHP 10,000 membership fee and contribute monthly dues amounting to PHP 2.00 per deployed member. Annually, the member-cooperatives are obliged to provide 50 percent of its Cooperative

Educational and Training Fund (CETF). If the member-cooperatives have multiple union membership, then the 50 percent will be shared among them at the discretion of the member-cooperatives. Minimum annual contribution from CETF is PHP 50,000 per year. CETF is one of the mandatory reserves required by law (10 percent of the surplus) and it can no longer be used for any other purpose by the cooperative.

The General Assembly is the highest decision-making instance in ULSCC and there is also a Board of Directors composed of 5 members (4 men and 1 woman).

Tension with labour unions

In the Philippines, the Supreme Court decided that labour unions cannot be formed inside the cooperatives. The Supreme Court believes that cooperative members being the owner cannot bargain with themselves. Therefore, labour unions want cooperatives to stop engaging in labour service primarily because workers cannot form their labour union and even if they could, there is very little to bargain inside the cooperative. Currently, labour unions are raising various issues such as security of tenure, payment of statutory benefits, separation pay, and minimum wage against the labour service arrangement.

The argument of labour service cooperatives vis-à-vis labour unions is that "labour groups confuse the issues between circumventing the security of tenure and contractual arrangement. While limiting the employment to five months is a violation, contractual arrangement is allowed by law. However, due to lack of familiarity, the contractual arrangement was taken as a violation similar to that of circumventing the security of tenure. Now the labour groups want to prohibit contractual arrangement altogether and make all workers regular employees of the company. It should be noted that if the workers are provided with regular employment with the contractor (in the case of labour service cooperatives, the cooperative is the one providing regular employment), all the mandatory benefits are provided to the contractual workers. In other words, they are no different from the employees of the company where they are deployed. They are protected by the same labour law and subject to the same rules that govern employer-employee relationship."

ULSCC insists that a labour cooperative is a union in itself. There is no reason for the labour cooperatives to deny any of these economic benefits to their employees because any surplus at the end of the year will be provided to members anyway. The cooperatives are founded for the benefits of their members. Therefore, what the labour unions want are what the cooperatives are already doing. These are present in management, profit sharing, protection of members, and fairness in dealing with labour group.

India

In India⁵⁰, CIS can be identified with cooperative types officially recognized in the legislation⁵¹ mainly at the state-level as well as at the federal-level (for multi-state cooperatives working across two or more states). Whereas each state uses different cooperative typology,

three common categories can be considered as CIS: industrial cooperative, labour contract cooperative and others. If we see CIS types, for example, in Tamil Nadu and Delhi, these three categories use different terms and include different sub-types.

	Tamil Nadu (Tamil Nadu Co-operative Society Rules 1988)	Delhi (Delhi Co-operative Societies Rules 2007)
Industrial cooperative	Industrial society <ul style="list-style-type: none"> Artisans industrial society Technicians industrial society Producers' industrial society Industrial service society 	Resource cooperative society ⁵² <ul style="list-style-type: none"> Industrial producers cooperative society Industrial service cooperative society Handloom cooperative society Leather cooperative society Household industrial cooperative society
Labour contract cooperative	Labour contract society	Resource cooperative society <ul style="list-style-type: none"> Labour and construction cooperative society
Others	Miscellaneous society <ul style="list-style-type: none"> Barbers society Indian medical practitioners pharmacy Printing press Salt workers society Washermen society Writers society Weavers society	Resource cooperative society <ul style="list-style-type: none"> Transport cooperative society Security service cooperative society Tourism cooperative society Health care cooperative society Wastes and energy conservation cooperative society Water harvesting cooperative society Environment protection cooperative society Cultural cooperative society

It is also reported that there are some non-cooperative *de facto* CIS which have emerged in emerging sectors, such as IT industry, by young entrepreneurs who could not find appropriate provisions in the current cooperative legislation or/and if they did, weren't encouraged by experts to pursue the same. Instead, they chose to formulate "cooperative-friendly" by-laws and related self-regulations under the Indian Companies Act 2013. We call them 'participatory enterprise' in the present study as convention.

The table below which has aggregated information from different Indian states provides information only on industrial cooperatives, weavers' cooperatives, labour contract and construction cooperatives, forest labour cooperative and transport cooperatives. It does not provide information on 'others', that seem difficult to be placed in a common type at the national level. According to the table, whereas, in terms of number of cooperatives, CIS represent 20.22 per cent of all cooperatives, their membership represents 2.81 per cent out of all membership of the Indian cooperatives.

50 This national report is written based on the information provided by research partner, Professor C. Pitchai (Professor, Gandhigram Rural Institute, Deemed University, Tamil Nadu) and Santosh P. Kumar, Legislation Coordinator, International Cooperative Alliance.

51 There is a research paper which uses a different approach. In their work "What Works for Workers' Cooperatives? An Empirical Research on Success & Failure of Indian Workers' Cooperatives", Vrajlal Sapovadia and Akash Patel identified worker cooperatives in India by selecting individual cases having different legal statuses beyond the cooperative legislation but putting workers (worker-members) at the centre of functioning. Although it shows a good illustration of individual worker cooperative-like experiences in India, they were not examined from the perspective of cooperative types. So, some examples are not CIS but micro-financing organisation, trade-union, enterprise and association which show similar dynamics with CIS.

52 Resource cooperative society is a cooperative type used in Delhi Co-operative Societies Rules 2007. Besides CIS above mentioned, it includes also various sub-types of cooperatives, such as urban thrift and credit cooperative, agricultural credit cooperative, agricultural non-credit cooperative, multipurpose cooperative, urban cooperative bank, Delhi cooperative housing finance corporation, Delhi State co-operative bank, cooperative land mortgage bank, and thrift, retirement and other ancillary benefits cooperative. It is at the same level as other types such as producers cooperative society, consumers cooperative society, cooperative housing society, processing cooperative society, marketing cooperative society, joint farming cooperative society, collective farming cooperative society, cooperative union and multi-purpose cooperative society.

Meta type	Cooperative type	N° of coops	Members			Employees
			Producer-members	Worker or producer-members	User members	
Users coop	Primary Agricultural Cooperative Societies (PACS)	94,647			126,419,140	215,848
	Primary Agricultural and Rural Development Banks	728			9,900,050	10,603
	Primary Urban Cooperative Banks	1,674			17,204,149	80,565
	Employees Credit Societies	50,942			27,626,891	N.A.
	Consumer Cooperatives	21,014			6,454,387	44,188
	Student Cooperatives	8,299			14,312,099	N.A.
	Housing Cooperatives (Primary)	100,000			7,000,000	87,232
	Irrigation Cooperatives	17,066			1,132,519	13,187
	Electricity Cooperatives	59			956,520	4,560
	Hospital Cooperatives	221			155,978	1,308
	TOTAL	294,650			211,161,733	457,491
Producer coop	Marketing Cooperatives	7,202	6,105,898			38,950
	Agri-Processing Cooperatives	800	336,338			31,887
	Dairy Cooperatives	140,766	14,190,338			116,640
	Women Cooperatives	11,615	1,028,934			14,673
	Farming Cooperatives	6,902	362,283			3,890
	Fisheries Cooperatives	15,526	2,091,219			27,765
	Poultry Cooperatives	4,233	433,224			N.A.
	Sugar Cooperatives	318	5,822,000			59,811
	Spinning Mills	172	771,192			69,331
	Tree Growers Cooperatives	534	67,963			N.A.
	TOTAL	188,068	31,209,389			362,947
Cooperatives in industrial and service sectors	Transport Cooperatives	8,095		150,288		6,999
	Industrial Cooperatives	47,426		2,020,873		30,432
	Weavers Cooperatives	25,174		1,830,134		30,179
	Labour Contract & Construction Cooperatives	39,857		2,571,559		165,487
	Forest Labour Cooperatives	2,789		423,135		17,834
	TOTAL	123,341		6,995,989	0	250,931
Secondary coop	Central level cooperatives	3,571				101,571
	State level cooperatives	390				42,696
	TOTAL	3,961				144,267
GRAND TOTAL	610,020	31,209,389	6,995,989	211,161,733	1,215,636	

Source: National Cooperative Union of India, 2012

Basically, industrial cooperatives and cooperatives in 'others' category can be based on either the worker cooperative A model or the shared service cooperative model. They can have sub-types representing different models, such as industrial production cooperatives based on the worker cooperative model and industrial service cooperatives based on the shared service cooperative model. Also, individual cooperatives in these types can decide their functioning and define the relationship with their members. Therefore, according to the models proposed in the present study, these types can be considered as being based on the mixed model. On the contrary, Labour contract cooperatives and participatory enterprises are a typical worker cooperative model.

It should be noted that in India, worker-members do not have employment contract with their cooperative but only have membership inscription. However, as workers, they can profit from social protection and rights at work as much as allowed to employees through the labour law. This has been reaffirmed by decisions by courts of law in India at the state and national level.

Industrial cooperative

Although Industrial cooperatives are differently defined in different states, the definition in Tamil Nadu Co-operative Societies Rules 1988 is apt to be cited as a general definition. According to the Tamil Nadu Rules, "industrial cooperative" means a society which has as its principal object the production of articles or finished goods through or with the help of its members or the provision of service facilities to its members who are artisans, technicians or small producers who are its members and includes any society which has as its principal object the provision of facilities for the operation of an industrial society (Tamil Nadu Co-operative Societies Rules 1988, Art. 14 (i)).

Each state has different sub-classifications of industrial cooperatives but in general, there are two main sub-types: industrial production cooperative and industrial service cooperative. The former is also called 'workshop society' in Tamil Nadu, in which worker-members are supplied with necessary inputs like raw materials, tools, methods etc. They carry out production either at their houses or in the premises of common workshop of the cooperatives, for wages. The cooperatives make necessary arrangements for marketing of finished goods. Therefore, they are very similar to the worker cooperative model. On the contrary, industrial service

cooperative does not undertake production activities but assists in production processes indirectly. Their services generally consist of supply of raw materials, machinery, tools and equipment, technical advice, transport, marketing, information, training and education. In this sense, they can be considered as being based on the shared service cooperative model.

However, according to different state legislations, industrial cooperatives have often different sub-types. For example, in Tamil Nadu, they have sub-types based on different qualification of members, such as artisans industrial cooperatives, technicians industrial cooperatives and producers industrial cooperatives. In Delhi, industrial production cooperative is mentioned together with "Handloom Cooperative, Leather Industrial Cooperative, Industrial, Women Industrial Cooperative-" in Delhi Co-operative Societies Rules 2007. (Handloom) weavers' cooperatives are often considered as a kind of industrial cooperative but in considering their industrial and cultural importance, they are separately dealt with in the legislation in Delhi.

Industrial cooperatives are concentrated in Maharashtra, almost 50 percent of total in the country, followed by Bihar, Andhra Pradesh, Madhya Pradesh, Delhi, Karnataka, in that order.

N° of cooperatives*	72,629 cooperatives
N° of members**	3,830,134 persons
N° of employed persons (non-members)**	60,611 persons
Aggregated turnover	No data
Main economic activities	Manufacturing (handloom weaving (about 25,000 coops), handicraft, machinery, clothing etc.)
Remark	As of 10th September, 2008 (Indian Cooperative Movement A statistical profile, 14th Edition, National Cooperative Union of India, 2016).

* Includes industrial cooperatives from handloom and non-handloom sectors as well as the multi-state industrial cooperatives

** Does not include multistate cooperatives

Industrial cooperatives have been organized with the twin objectives of social and economic upliftment of the people living below the poverty line. The most important social objective is to safeguard the interest



of the poorest section against exploitative trends and to pave the way for dispersal of wealth and to provide gainful employment to the economically weaker sections, such as rural artisans, workers and labourers.

Although recognized under the law in early 20th century, industrial cooperatives developed in the late 1950s and thereafter got momentum in 1960s. They saw their peak in 1970s with several industrial cooperatives

which sprang up and took over sick industries, established by promoters led by the philosophy of trade unions. Women based industrial cooperatives have been able to alleviate the social conditions of women entrepreneurs especially between the period of 1960-1990. Subsidies and orders were provided through state and provincial level federations with strong support from the government.

Why and how were industrial cooperatives initiated and developed?

In their book "Small-Scale Industrial Producer Co-operatives in Developing Countries", Abell and Mahoney describe the context and initial development stage of industrial cooperatives⁵³.

"The first statutory provisions for non-credit cooperatives were made in India in 1912, and although some industrial cooperatives were formed shortly afterwards, there was no real growth in the number of this kind of cooperative until after independence and the period of the Second Plan (1956-61). The promotion of industrial cooperatives was associated from the outset with two fundamental priorities in governmental policy, both of which were contained in a declaration made by the national government in 1949, emphasizing the importance of expanding industrial production as well as the need to ensure equitable distribution of the wealth generated by this expansion. By the time of the Second Plan in 1956, and with the steady movement towards a more centrally-planned and controlled economy, a policy resolution declared that industrialization should be accelerated, that special emphasis should be given to heavy industry, that a more important role should be played in industry by the public sector, and that the cooperative sector should also be expanded, particularly in the small-scale sectors and the rural areas. It was stated that village and small-scale industries were expected to help increase employment and lead to local resource mobilization, and it was expected that there would be a gradual conversion of private enterprises into cooperative forms. In the Third Plan, it was stated that 30 per cent of small-scale industries should come into the cooperative sector and an even more ambitious target of 50 per cent was set in the Fourth Plan. Neither of these targets was ever achieved."

However, due to this historical background, they have been also looked at as enterprises that have the backing and security of the government and that have enjoyed preferential treatment at times. Today, almost all of the industrial cooperatives are very old and seem difficult to stand the test of the time to come, and unprepared to adapt to the future of work mega drivers. Importantly, though the industrial cooperatives have encompassed many cooperative business ideas, only a limited number of sectors are touched upon by these cooperatives thus far.

More forms of worker-owned cooperatives need to be included to satisfy the aspirations of new age entrepreneurs, or alternatively, the scope of reinserting the various typologies imagined by prospective members must be kept open. The current laws seem too complex for economically and socially disadvantaged workers, as well as too elaborate and containing too much legalese for young entrepreneurs to opt. The

information about and facilitation in the creation of, the worker-owned cooperatives must be made easier.

It is recommended that the government should develop public policy to support the proliferation of such cooperatives and to promote education and training in skill development institutions for helping students form their cooperatives. Especially as skill development is a major policy initiative in India, industrial cooperatives can make India a major manufacturing hub for the benefits and elements of joint production and collective bargaining.

The National Federation of Industrial Cooperative Limited is registered under the Multistate Cooperative Act, 2002 and is a national federation of industrial cooperatives. Besides this, there are several handicraft boards in states that help cooperatives in this specific sector to enjoy subsidies and raw material at preferential costs.

⁵³ Abell, Peter and Nicolas Mahoney, 1988, *Small-Scale Industrial Producer Co-operatives in Developing Countries*, Delhi, Oxford University Press

Labour contract cooperative

Labour contract cooperative⁵⁴ is a typical type of the worker cooperative model in India. Although they have different definitions and terms in different states, according to the definition in Tamil Nadu Co-operative Societies Rules 1988, it is defined as a cooperative “which has its principal object, the securing and provisions of employment to its members by executing works with the help of its members or through them”. This cooperative type was initiated and promoted to help the poor sections of the working class. It has been expected that labour contract cooperatives can play a role in transitioning informal economy to formal economy, skilling workers and reducing poverty among others. Indeed, many labour contract cooperatives have brought these workers out of poverty and accorded them decent livelihoods.

Although some pioneer labour contract cooperatives emerged by getting inspired from social philosophers and social reformists at the beginning of 20th century, it is since the 1930s and particularly after Independence that they developed significantly. The first five-year plans of India regarded labour contract cooperatives as a vital instrument and form of organization for economic development. In 1974, the Government of India created a body called Advisory Board on Labour Cooperatives that was later known as the National Advisory Council on Labour Cooperatives in 1986. The Board pushed for the inclusion of unskilled workers and exemption from payment of Income tax and the deposit of earnest money.

Statistical data from the national apex/union reveals the concentration of labour contract cooperatives is in states that are heavily populated and have had a tradition and history of strong cooperative movements. e.g. Maharashtra (12,139 coops), Haryana (though not densely populated, has 5,980 cooperatives), Bihar and Andhra Pradesh (around 5,000 cooperatives). Surprisingly, the thinly populated Sikkim in North East India has 2,697 labour contract cooperatives. On the contrary, Madhya Pradesh which is territorially a very large and highly populated state has only 581 labour

contract cooperatives (with significant portion of forestry labour contract cooperatives). Delhi has 133 cooperatives and Kerala has 128 cooperatives.

N° of cooperatives	46,818 cooperatives
N° of members	2,730,000 persons
N° of employed persons (members and non-members)	No data
Aggregated turnover	USD 322.7 million (INR 22500 million)
Main economic activities	Agriculture, construction and forestry industry
Remark	As of 2016 for the number of cooperatives and members. As of 2015 for the aggregated turnover (National Labour Cooperative Federation)

Labour contract cooperatives, though were well appreciated after the Independence and following years, have seldom seen a policy pushed by recent governments. It seems that the national umbrella body representing labour cooperatives, despite having the will, lacks the necessary resources to defend the movement in the 21st century in the way it could. Due to the changing world of work and technology, the effectiveness of such cooperatives is certainly on the decline. Furthermore, there is very little or no awareness about these cooperatives among the public at large, and even if they do (have relatively more awareness), consider them corrupt and self-serving. This is largely due to inefficient management, waning interest of the government in cooperatives and most importantly because of the ignorance on cooperatives in general among people in India⁵⁵. The labour contract cooperative model itself needs to be redefined and made attractive for youth, especially rural and migrating youth to explore. It would be only when schemes are launched and are linked with those of public authorities and local governments that stakeholders of this type of cooperative would see maximum use and benefit from it. The case of ULCCS in Kerala shows how it has been possible.

54 In its title, “labour contract” does not mean the employment relationship but that the cooperative might work as a contractor of construction and public works. To avoid confusion with the contract labour provided by labour service industry, some states do not use the term “contract” but just call them “labour cooperatives”.

55 There is also a problem of capturing of the cooperatives by private contractors. It is reported that there are significant proportion of LCCIN are benami organisations of private contractors trying to take advantage of the preferences given to the labour contract cooperatives in the awarding of public works. The private contractors use the name of cooperative to secure contracts and then carry them out independently so that the work executed does not enter the accounts of the cooperative.

Case study – Labour contract cooperative

Uralungal Labour Contract Cooperative Society⁵⁶

Uralungal Labour Contract Cooperative Society (ULCCS) is a labour contract cooperative located in Kerala, with almost 100 years of history. It is the oldest labour contract cooperative in Kerala and the biggest in India. As of 2019, it has 9,185 workers among which 2,885 worker-members (31.4%)⁵⁷. From humble beginnings with 14 members working in construction, it has been in the forefront of construction and infrastructure development in Kerala and has evolved into a “diversified complex cooperative system” with more than 9,000 workers and members, in areas such as information technology, tourism, social welfare, education and skill development.

ULCCS was established in 1925 by a group of social reformers who struggled against upper caste discrimination and superstitions. The primary objective of the cooperative is to service the interest of its members, the workers of the cooperative, through securing and rewarding, well remunerated works. It was thus striving

to bypass the intermediary profit-seeking contractors in public work projects. After initial difficulties and relative stabilization before Independence, the cooperative has experienced constant growth but its worker-members remained always around 200 until the beginning of 2000s. Since 1996, the People's Plan Campaign of the Kerala government, which was the most radical attempt in India for realizing the ideal of democratic decentralisation has promoted various kinds of public works at the grass-root level which, in turn, boosted the growth of the cooperative as well as the increase of number of labour contract cooperatives in Kerala.

The success of ULCCS can be explained by very high level of commitment of its leaders, unique work culture and adoption of new technology, which has resulted in high quality of work.

For most of the board members, their engagement in the cooperative is more a social commitment than simply a source of livelihood. Board members meet every day evening to monitor and discuss about conducted and planned works. They are not privileged positions but



ULCCS Head office at Vatakara Calicut

⁵⁶ This case study was written based on the contribution of T. P. Sethumadhavan, UL Education, information on the website of ULCCS and a book on ULCCS (T.M. Thomas Isaac and Michelle Williams, 2017, “Building Alternatives – The story of India’s oldest construction workers’ cooperative”, New Delhi: LeftWord).

⁵⁷ It should be noted that there are two different worker-membership categories: A class members who have full-fledged rights as member and C class members who enjoy all the benefits that the A class members are due, other than voting rights. The C class membership was introduced in 2001 when the cooperative suffered from having new members because of rapidly increasing construction works and in consequence, of increasing portion of temporary and migrant workers. Most of C class members are migrant workers from other states, who do not want to remain in Kerala long-term. In 2014, A class members are 616 and C class members are 785 workers.



ULCCS Indian Institute Of Infrastructure and Construction Chavara Kollam

the deep commitment to egalitarianism is reflected in the system of remuneration and the relationship between the board members and worker-members.

The most important factor that fuelled the rapid development was the diligence in project management which the cooperative pursued every opportunity for

contracts from different government departments. The cooperative's reputation for high quality work and reliability of on-time delivery earned it widespread official and social respect. The most important source for contracts was the Public Works Department, which qualified ULCCS with an A class contractor's license.



ULCCS Indian Institute Of Infrastructure and Construction Chavara Kollam



ULCCS Sargaalaya Craft Village at Iringal Calicut

Besides contracts with public authorities, it also has contracts with schools and other cooperatives.

As time went by ULCCS realized that they should stop restricting themselves to infrastructural works and that they should diversify to other fields to remain contemporary. It has developed subsidiaries, such as

UL Cyber Park, UL Technology Solutions, Sargaalaya Craft Village and ULCCS Charitable and Welfare Foundation which has UL Care and UL Education as its wings. Workers in these subsidiaries are not worker-members of the cooperative yet. However, the cooperative considers the jobs in these subsidiaries as being for their children's generation.



ULCCS UL CYBERPARK at Calicut



ULCCS UL CYBERPARK at Calicut

- With Cyber Park, ULCCS aims to provide IT professionals of Kerala a job of global standard on their native soil. This structure is expected to generate 40,000 jobs in the field of Information Technology. The cyber park buildings itself illustrates the excellence and time-bound way of construction that ULCCS carries out.
- The idea behind UL Technology Solutions was to give educated youth contemporary job opportunities demanded by the changing times. Started in 2012, it gives sufficient software solutions to the government, public and private enterprises by synchronizing satellite and GPS technologies. Recently it has spread itself also to Banking, E-Governance and Healthcare.
- By undertaking the management and construction of the Sargaalaya Craft Village, a project of the State Government of Kerala, ULCCS provides support to the hands behind those handcrafted wonders in an attempt to rejuvenate the traditional handicraft sector in the state. Situated on 20 acres of land located near Vadakara, Sargaalaya Craft Village provides a platform for tourists from across the world to visit and understand the tradition behind each handicraft trade in Kerala. It also provides accommodation facilities for the tourists.
- Registered as a not-for-profit organization, ULCCS Foundation intervenes in different aspects of the society and ensures the flow of aid to relevant needs. ULCCS Foundation now focuses on providing support to the cause of old age people and offers palliative care. It also has substantial plans to support the education of students belonging to the lower strata of the society.
- ULCCS tries to provide major thrust to education through UL Education. UL Education envisages promoting education at school, higher secondary, under graduate and graduate level. Key domains of UL education include education, skill development and entrepreneurship. It is planning to develop education programmes at the global level with the help of UL Technology Solutions.

Australia

In Australia⁵⁸, there is no specific legislation for CIS but they register under the Co-operatives National Law or Corporations Act 2001 as other types of cooperatives. If registered as a company under the Corporations Act, then the status as a cooperative will depend on the constitution/articles of the organisation.

Although there is no legal cooperative typology, Business Council of Co-operatives and Mutuals (BCCM), the apex-organisation of the cooperative movement has its own typology based on members' interest with the cooperative: customer-owned cooperative, worker-owned cooperative, producer-owned cooperative and multi-stakeholder cooperative. Therefore, in Australia, worker-owned cooperatives and some of the producer-owned cooperatives and multi-stakeholder cooperatives which work in industrial and service sectors may be considered as CIS.

Each year the BCCM collaborates with Professor Tim Mazzarol at the University of Western Australia to map the size of the Australian cooperative and mutual economy. Each year Professor Mazzarol publishes a report on Australia's Leading Co-operative and Mutual Enterprises.

The mapping does not currently cover cooperatives by membership type, rather by industry or sector. It shows there are 1998 cooperatives and mutuals in Australia across all industries and membership structures. However, it is difficult to identify CIS only with economic activities.

	Active	Inactive	Total
Cooperatives	1,644	433	2,077
Mutual enterprises	270	26	296
Member Owned Super Funds	40	4	44
Friendly Societies	44	6	50
TOTAL	1,998	469	2,467

Source: Mazzarol, T. (2018) *Australia's Leading Co-operative and Mutual Enterprises in 2018*, CEMI Discussion Paper Series, DP 1801, Centre for Entrepreneurial Management and Innovation

⁵⁸ This national report is written based on information from BCCM.

According to the BCCM, of this number, this includes at least 20 worker cooperatives, but a comprehensive study has not been completed.

Worker cooperatives

BCCM suggest the key features of Australian worker cooperatives are: the purpose is job creation; the main or only membership group is the employees of the cooperative; adherence to cooperative principles (evidenced by registration or constitution).

There has never been a large worker cooperative movement in Australia. In the late 19th century, there were attempts to develop worker cooperatives (and hybrids) in coal mining and other enterprises. In the early 1900s, the Australia trade union movement formed the Australian Labour Party and settled on a strategy of industrial bargaining and political reforms for workers. Since then, worker cooperatives were side-lined in the mainstream labour movement. In the 1980s, there was some government investment into worker cooperative development programs, focused on turning around failing businesses through conversion to worker ownership. These programs were not successful in developing sustainable worker cooperatives and perhaps damaged the reputation of the cooperative model in some circles.

More recently there has been more grassroots interest in worker cooperatives. Earthworker Co-operative, The Co-operative Life, Redgum Cleaning Co-operative, Nundah Community Enterprises co-operative, Galactic Co-operative, and others are all relatively new cooperatives. A few are supported by trade unions (or, by trade unionists) but many are not linked to social movements. Unions, environmentalists, and others are perhaps more willing to consider the merits of worker cooperatives than at other times, but recognition of the sector is still low generally. The small number of worker cooperatives are relatively young. Many are in sectors such as care and cleaning, where employment conditions are poor. They present a good model for those sectors that are better for workers and consumers.

According to our research partner, worker cooperatives in Australia use almost exclusively the Co-operatives National Law⁵⁹.

getmutual.coop which is an initiative of the BCCM provides information for starting any type of cooperative and has information specifically on worker cooperatives. Employee Ownership Australia also provides information and guidance.

Work-focused social cooperatives may or may not be majority employee-member controlled. For example, Nundah Community Enterprises Co-operative exists to create employment for people with disability. People with disabilities employed by the cooperative are members, but the membership is also open to people in the community who support the cooperative's socio-economic mission. The cooperative could theoretically be majority worker-controlled or community-controlled at any particular time under its rules.

Australia also has at least one labour hire cooperative. This type is different as the cooperative provides a service of finding employment with a third party for the worker, not entering into labour relations with the worker. The members are users of this service.

Shared service cooperative (producer-owned cooperative)

Shared service cooperatives also called enterprise cooperatives in the directory of BCCM are cooperatives of which members are self-employed persons, enterprises and contractors (who are individual workers, but not considered employees under Australian law). Alongside many of them in agriculture, fishing, retail and other sectors where the members are generally small businesses, there are some shared service cooperatives where the members are generally self-employed or contractors.

The potential trend towards casualisation (the 'gig economy', more workers outside of formal employment relations and law) and the potential growth of platform cooperatives may mean there is growth in shared services cooperatives for the self-employed, contractors and freelancers.

Taxi cooperatives would be another possible example, but often the member will hold multiple taxi licenses and be running a small business with those licenses (employing/contracting 2 or 3 people to drive taxis with their license), rather than being a sole proprietor.

Case study – Worker cooperative

The Co-operative Life

Anthony Taylor⁶⁰

The Co-operative Life is the largest worker cooperative in Australia. It was founded in 2013 by care workers who were not satisfied with their working condition and began to research alternatives. Care work is a growing industry in Australia. A significant policy change affecting the care services sector in Australia in recent years is the move to consumer budgets and marketisation. Care workers are suffering from poor wages, poor labour conditions, and a lack of training and education opportunities. The workers feel isolated and have low morale. As in many other countries, the workforce in the care services sector is gendered and includes many recent migrant workers. This has an impact on the quality of care delivered. It was the motivation of founders who researched alternatives to the mainstream in the care industry and discovered Sunderland Home Care Associates, an employee-owned care enterprise in the UK. In 2011, the current CEO Robyn Kaczmarek sought expressions of interest to investigate the formation of a worker cooperative. A steering committee was formed and went on to form the cooperative in 2013.

The cooperative was initially not-for-profit (non-distributing). By 2015 the cooperative had 18 employees of which 8 had been onboarded as members. The cooperative provided care services in Sydney. In 2017, the cooperative converted to a for-profit (distributing) structure to allow members to benefit from dividends on shares. In 2018, the cooperative expanded into the New England region of New South Wales, taking over a failed care services business. This expanded the number of employees, who will progressively be onboarded as members. Currently, it has 77 employees, of which 25 are members. In 2019, the cooperative is investigating returning to a not-for-profit (non-distributing) structure

59 The research partner reported that there is one worker cooperative registered under the Corporations Act as a not-for-profit company (a company limited by guarantee). In this case, there was a lack of proper advice about cooperatives from the accountants and lawyers advising the group. This enterprise may not fully meet the definition of a cooperative.

60 Policy Officer, Business Council of Co-operatives and Mutuals, Australia



because it has grown to the point where it must pay payroll tax and it is perceived the costs of paying this taxation outweigh the benefits of being able to pay dividends to members.

Currently, among care services delivered by the cooperative, National Disability Insurance Scheme services represent 66.6 percent followed by other services (24.4 percent) and aged care services (4.4 percent).

The Co-operative Life has two classes of membership: employee members and capital members. To become an employee member, a person has to successfully complete a probationary period of work for a minimum of 6 months comprising an average of 10 hours per month, either as an employee or contractor for the cooperative⁶¹. In order for an employee member to establish and maintain an active membership of the cooperative, the member must work for the cooperative for a minimum of 10 hours each calendar month, and attend a minimum of 2 care worker team meetings or 2 business development meetings each calendar year. A capital member is a person who is not an employee member but is able to contribute to the activities of the cooperative. However, although the rules of the cooperative allow it, the cooperative does not have any capital member as of 2019. The rules of the cooperative require majority of board are employee members (not capital members). Given that the principle of "one member one vote" is applied across classes of members in a general meeting, the cooperative is not a multi-stakeholder cooperative in which different membership categories have adjusted voting power for a balanced power relationship among

them. Indeed, the cooperative is a typical model of worker cooperative, where the focus is on providing members with employment.

Only members may participate in a general meeting of the cooperative. The board must have a majority of members but can include others in minority. The current board is composed of 5 worker-members (2 men who are less than 35 years old and 3 women of which one is less than 35 years old).

The cooperative is not a member of the BCCM but has an informal relationship with it. The Co-operative Life is expected to become a model for worker cooperatives in care services in different parts of Australia.

Case study – Work-focused social cooperative

Nundah Community Enterprises Cooperative⁶²

Anthony Taylor

Nundah Community Enterprises Cooperative (NCEC) is a work-focused social cooperative for people with a disability in Nundah, a suburb of Brisbane. NCEC successfully generates most of its income from trade, not from government subsidies or grants, creating more than 20 jobs.

NCEC was initiated by a local community organisation, the Community Living Association (CLA). CLA first identified the need for a new approach to providing employment opportunities for people with learning difficulties in the north-east Brisbane region. In particular, CLA constituents wanted to find work that could provide a sense of purpose, identity, and dignity through employment, whilst also providing increased financial independence.

A worker cooperative was a natural decision for CLA and the founders of NCEC. The CLA invited local organisations, constituents of CLA and community members to come together for a formation meeting at the Nundah Community Centre. They discussed their common challenges, helped develop a shared understanding of the problems and encouraged small steps of action. In late 1998, NCEC started on a shoestring: a few hundred dollars in membership fees, donated space, administrative support from CLA, and a couple of borrowed lawn mowers. The original

⁶¹ However, when they would become members, they have to be employees of the cooperative.

⁶² For more detailed analysis on NCEC, please see the following article. Peter Westoby & Lynda Shevellar (2019), The possibility of cooperatives: a vital contributor in creating meaningful work for people with disabilities, *Disability & Society*



Nundah Community Enterprises Co-operative

proposition was of a 'jobs club' to generate a range of opportunities for people with learning difficulties to undertake odd jobs such as garden maintenance as paid work. CLA provided assistance through funding a coordinator position out of its own reserves for one year and servicing several small start-up loans. In-kind support was provided by Forester's Community Finance, housing the parks and maintenance crew in its offices. A range of small grants and donations were provided by local community organisations. The relationship with CLA was symbiotic; CLA's constituents were given preference for membership and employment opportunities in NCEC in return for CLA's contribution.

A key turning point was the decision by the Brisbane City Council to contract with NCEC for maintenance of three small city parks. This gave the cooperative a steady contract of meaningful work, along with an excellent source of revenue and a profile in the community. Prior to establishing a social procurement contract with NCEC, all the parks in the Council area were maintained by a large multi-national contractor. While NCEC could not compete against such a large provider, a local asset manager took the time to explore the opportunity. Together with the Council CEO, they championed the cause for contracting

NCEC. Acting as a pilot, the contract successfully demonstrated the value of NCEC to the Council, who then amended its procurement practices to allow for social considerations in its selection process.

Once NCEC was established and operating, CLA identified a large number of constituents who were unable to undertake the work required in the parks and maintenance and who were interested in pursuing opportunities in hospitality. This became the next growth. Espresso Train Café and Catering was opened in 2005 to provide employment opportunities to a broader set of worker members.

Now, the cooperative continues to operate these two main enterprises (park maintenance and hospitality) which, in 2017, represent 24 percent and 66 percent of annual turnover respectively. The remaining 10 percent is composed of grants, member subscriptions, and donations.

One of the specificities of NCEC is that members do not contribute to share capital but pay an annual subscription fee. NCEC is a non-trading (non-for-profit) cooperative⁶³ without shares and cannot distribute surpluses to members in any way, according

63 Queensland where NCEC is located is the only Australian state which does not adopt the Co-operatives National Law. However, the Queensland Co-operative Act 1997 is still similar to Co-operatives National Law. Key differences are: * refers to cooperatives as either "trading" or "non-trading" rather than distributing or non-distributing * does not give cooperatives access to Co-operative Capital Units and * all cooperatives must be audited. Co-operative National Law allows small cooperative to be exempted from audits.

to the Co-operatives Act 1997 (Qld)⁶⁴. Surpluses are reinvested in achieving the objects and activities of the cooperative.

Members are either those who pay the subscription fee and are employed by the cooperative (worker-members) or individual supporters of the cooperative's objects who pay only the subscription fee (supporter-members), though these classes are not delimited in the rules of the cooperative⁶⁵.

NCEC had an initial membership of 16 individuals and 5 community organisation members. Currently, there are 36 members, consisting of 29 worker-members, 6 supporter-members and 1 organisation-member (CLA).

The majority of members are worker-members with an intellectual or cognitive disability. They are generally classified as casual employees in the Australian employment system but have stable work with the cooperative. On top of that, most participants acknowledge that they have an increased sense of belonging, happiness, and confidence in comparison to past experiences of work. The cooperative culture encourages members to have a say, values workers for who they are and supports their autonomy. The supporters are often parents of those employed.

The most specific characteristic of this cooperative is that it aims at providing employment to people with an intellectual or cognitive disability. This disability does not refer to a legal definition but is well understood in practice. The target group of workers are not just beneficiaries but should be worker-members of the cooperative. Although there is no specific legal status of the social cooperative in Australia, this cooperative can be defined as a typical work-focused social cooperative in practice. The cooperative has also sought to support local refugee communities in enterprise development.

Like all Australian cooperatives, the general meeting and the board of directors are the two main governance structures in NCEC.



Since the majority of members are worker-members with an intellectual or cognitive disability, these members have a significant majority voice in decisions made (on one member one vote basis) at general meetings.

Australian cooperatives legislation requires that the majority of a cooperative board are active members of the cooperative, but cooperative rules may specify further conditions for how the board is structured. NCEC requires that 5 members should be elected as directors, but allows for independents to be appointed. Although it is not written in the NCEC rules, the cooperative has always ensured in practice that members with a disability are represented on the board. Currently, the board consists of 1 representative of Community Living Association, 3 supporter-members (parents/guardians), and 3 employee-members with a disability. The board structure reflects a culture of guardian/family involvement in the disability sector.

Whereas all members (employees or supporters) have the same voting rights in general meetings, on the board of directors, they have a balanced voice. In this sense, it may be stated that the cooperative is, in practice, based on the multi-stakeholder cooperative model. NCEC has acknowledged it may need to review its rules in the future to better reflect and protect its practical commitment to multi-stakeholder governance.

⁶⁴ In the case of a non-trading cooperative, on liquidation any funds must be given to a similar non-trading organisation. The rules of each cooperative may set a particular procedure for this (e.g. specifying one organisation or requiring members to vote on where the funds are given). However, cooperatives may democratically decide to change from being non-profit to those which can distribute surpluses. The funds could then be distributed to members. The legislation has some requirements to ensure former members who have recently left a cooperative receive a portion of the distribution. A cooperative's rules would be formulated to set out the distribution on liquidation. Most of the time, it is based on patronage over the past 3 or 5 years. Occasionally it will be based on share-holding.

⁶⁵ Cooperatives in Australia must have 'active membership' rules. These are designed to ensure members are people who are substantively involved in the economic activities of the cooperative as producers or consumers. However, active membership requirements can be drafted to allow a class of investor-members if this is desired. The 'supporter' members in this cooperative who only pay a subscription are in some ways analogous to an investor-member. They do not, however, get a financial return.

Iran

Iran has a strong cooperative sector with 92,000 active cooperatives having about 14,000,000 members (as of 2018)⁶⁶. Cooperatives can be classified by different criteria⁶⁷ and various types are defined accordingly. Among these cooperative types, CIS can be identified as cooperative types defined by the classification based on economic activity, such as mining, manufacturing, hand-woven carpet, construction, service, and transportation. However, in the current classification systems, it is not possible to classify based on different types of members' interest with their cooperatives,

which might allow identifying whether members are producer-members (including those are enterprises) or worker-members. For example, it is observed that many manufacturing cooperatives are those of enterprises in the same industry which play the role of professional associations. There are also cooperatives based on the worker cooperative model, such as Rah-e-Roshd cooperative (see below). Therefore, with the current classification system, although CIS can be identified with their economic activities, to understand their models, it needs to develop appropriate methods.

Meta type	Cooperative type	N° of coops	Members		Employees or employed
			Producer or worker members	User members	
Users coop	Housing cooperatives	11,494		1,700,672	280,518
	Cooperatives supplying consumers requirements	4,939		5,687,273	172,579
	Credit cooperatives	852		424,598	32,682
	TOTAL	17,285		7,812,543	485,779
Producer coop (including enterprise coop) or worker coop	Agricultural cooperatives_Ministry of coops, labour and social welfare	16,394	220,123		138,064
	Agricultural cooperatives_Central organization of rural cooperatives	2,040	1,092,032		
	Cooperatives supplying producers requirements	1,640	243,825		35,671
	Service cooperatives	20,506	490,999		258,486
	Transportation cooperatives	2,168	179,107		54,899
	Hand-woven carpet cooperatives	1,189	20,909		28,007
	Mining	944	44,829		10,158
	Manufacturing	12,178	23,689		124,122
TOTAL	57,059	2,315,513		649,407	
Secondary coop	Different types of cooperatives unions	594			7,330
GRAND TOTAL		74,938	2,315,513	7,812,543	1,142,516

Source: Ministry of Cooperative, Labour & Social Welfare, 2015, Selected tables on cooperatives statistics in Iran

66 Iran Chamber of Cooperatives, 2018, Introduction document.

67 According to a document of Department of Statistics, Ministry of Cooperative, Labour and Social Welfare, there are six different ways of classifying cooperatives. Firstly, according to legal status, cooperatives are classified into three different legal status: cooperative society (or conventional cooperative), public joint stock cooperative and national inclusive cooperative. Secondly, cooperatives are classified in three groups in terms of activity: producer cooperative (agricultural, industrial, service, transport, housing, credit, construction and civil works), distribution cooperative (producer supply, consumer supply, hand-made carpet, distribution businesses supply) and producer-distributor. Thirdly, they are also divided into two classes in terms of membership: public cooperative of which membership is open to all and private cooperative of which membership is exclusively open to special groups such as workers, employees, farmers, university students, physicians, veterans, women, border residents etc. Fourthly, they fall into three groups based on their situation: functioning (operative with annual financial performance), defunct (no financial performance for more than one year) and under-establishment (financial performance but not yet operational). Fifthly, cooperatives are divided into those under the authority of the Ministry of Cooperatives, Labour and Social Welfare and rural cooperatives which are empowered by the Minister of Agricultural Jihad and organized in Central Organization for Rural Cooperatives. Finally, there are Edalat (justice) share cooperatives which aim at transferring shares of state-owned enterprises to low-income groups in order to promote economic justice.

As of 2014, CIS are 38,625 which represent 51.54 percent of the total number of cooperatives. In terms of cooperative members, they have 1,003,358 members representing 9.9 percent of the total number of cooperative members in Iran. Due to the lack of information, it is difficult to know to what extent the number of employees (or employed) overlaps with that of members.

Case study – Worker cooperative

Rah-e-Roshd Cooperative Educational Complex

Anahita Eslahpazir⁶⁸, Farshid Yousefimoqhadam⁶⁹ and Semiramis Shahesmaili⁷⁰

Rah-e-Roshd located in Teheran, Iran is a cooperative in the education and culture sector. The cooperative, which back in the mid-80s started by some teachers as a small kindergarten, has evolved into a robust organization while continuing to adhere to its cooperative principles and values.

Rah-e-Roshd was formed in 1985 as a non-cooperative pre-primary school centre although its origin, which was based on a common educational aspiration, and internal rules were all cooperative-inspired. Eleven years later, in 1996, it was reborn as a registered cooperative and developed further to include primary school level. Today, providing all levels of primary, middle and high school education for both boys and girls categories. Rah-e-Roshd Cooperative Educational Complex (RECE) is composed of five educational centres under Rah-e-Roshd and three sister cooperatives.

Rah-e-Roshd is an innovation in the education system even at the national level. Although the Iranian Constitution recognizes the national economy as being composed of three sectors of Governmental, Cooperative, and Private, it is Governmental and Private sectors that have all the control over the education system. RCEC is a unique school in Iran in terms of being structured and run on a cooperative basis. Although there are also 6 or 7 other cooperative schools which work as a cooperative, RCEC is recognized thereof as the most prominent.

In Rah-e-Roshd, education and training policies are chosen and steered by a professional and futuristic

Board of Trustees, of which most members are faculty members in universities. Rah-e-Roshd, recognizing the sublime status of human resources in education, has constantly endeavoured to bring together competent professionals who frame theory and practice into creativity.

The defining character of the cooperative is caring for children's development as well as their education. Therefore, its mission is to nurture them into knowledgeable and conscious people who are socially responsible and globally loyal to humanistic values. While ensuring to meet up-to-par quality standards, Rah-e-Roshd is especially concerned with the following:

- Hands-on and heuristic approach to learning
- Having the right attitudes and life skills picked up by students in the education process
- Good command of a foreign language as a key conduit to the global culture and knowledge
- Assisting education with the latest technology and providing on-line sources



Rah-e Roshd cooperative



Rah-e Roshd cooperative

68 CEO, Rah-e Roshd Cooperative Educational Complex

69 Worker-member, Barg-e Noo Cooperative

70 Worker-member, Rah-e Roshd Cooperative



Rah-e Roshd cooperative

Although Rah-e-Roshd was founded by teachers and educators, it is still being developed by diligent students who have made their cooperative school withstand the test of time and continue into a well-grounded tree of trust and cooperation which reaches far beyond its conventional context. It is wished that by learning about the cooperative structure and its functions, students would come back to the school

to take up a job and be able to think of starting up a cooperative business of their own.

Rah-e-Roshd has developed three sister worker cooperatives which are related to its activities: Barg-e Noo cooperative in research and education activity and Hamyaran Atiye cooperative providing catering services to all education centres of Rah-e-Roshd and



Rah-e Roshd cooperative



Bargenoo cooperative

Noavaran-e Asr-e Ertebatat in IT activity. Given Rah-e-Roshd's mission in human resource training, it is imperative today to help develop students' cooperatives with the aim of disseminating cooperative values, philosophy, and rules among them whereby they would learn to start and run their own cooperatives. As students are not legally able to register a real cooperative, there need to be some efforts made to acclimatize legal context for this while Rah-e-Roshd is doing its best to familiarize students both in theory and practice with the cooperative philosophy.

Rah-e-Roshd can be clearly classified into the worker cooperative A model in which the majority of members are workers with employee status, that is, teachers and educators. Members' main interest in joining the

cooperative is to get a stable job. However, in Iran where cooperatives are often categorized by their economic activities rather than members' interest with their cooperatives, it is mostly recognized as an education cooperative which falls within the service cooperative category. However, one of its major innovations is that its teachers are worker-members, which has ensured their sense of belonging and identity to the school, hence constantly improving education quality. Today, together with three sister cooperatives, there are 189 worker-members and 377 non-member employees. The number of students is around 2,400.

One of the specificities of the cooperative is that all five board members are women. Four of them are worker-members and another one is a non-worker member.



Hamyarane atiye cooperative



Hamyarane atiye cooperative

Indonesia

Whereas Indonesia⁷¹ has its long tradition of cooperation called *gotong royong* (co-operation), the first modern form of cooperative was the Bank for Civil Servants (now Bank BRI), a savings and loan cooperative established in Purwokerto, Java island, in 1896. The cooperative movement had ups and down during the colonization period and has developed since independence. In the Indonesian Constitution, cooperatives have a special place, because it has been

confirmed as a pillar of the national economy. Today, the numbers of cooperatives are around 200,000 and members are around 40 million spreading from Aceh to Papua. The Law No. 25/1992 dictated the cooperative types, such as producer cooperatives, consumer cooperatives, marketing cooperatives, savings and loan cooperatives, and services cooperatives. The table below shows the number of cooperatives according to types in 2016

Producer Coops	Consumer Coops	Marketing Coops	Services Coops	Savings and Credits Coops
27,179 (17,98 %)	94,332 (62,40 %)	3,091 (2,04 %)	3,025 (2 %)	23,551 (15,58 %)

Source: www.depkop.go.id

Given that most of the cooperative types can also have saving and loan units, the total of savings and credits cooperatives and units are 79,543 or 52.62 percent. It means that savings and loans or savings and credits become major activities of cooperatives in Indonesia. Whereas the producer cooperatives are mainly agriculture and dairy cooperatives, the consumer cooperatives are usually established by organized consumer groups in industry (factory) area, government institutions, and universities often through unions.

In Indonesia, CIS are not specifically identified in the official cooperative typology. There are CIS based on the shared service cooperative model, for example, in transportation. LSP2I reported a cooperative in Anambas Islands, in which members are paramedics working in their own clinics. However, it is difficult to have more exact information on CIS based on the shared service cooperative model.

The worker cooperative model is not well known in Indonesia and there have been very few experiences. It is not recognized in the official cooperative typology so that if there were any experiences, they had to be identified with other cooperative types, such as consumer cooperatives or saving and credit cooperatives. However, it should be noted that recently the worker cooperative model has received increasing attention from some cooperative

movement initiatives as an important tool for creating new jobs for the youth and disadvantaged groups as well as for realizing the democratic model of the economy in communities.

In the present study, two Indonesian research partners, LSP2I and Kopkun Institute provided information on supportive initiatives for promoting worker cooperatives: KOSAKTI and Kopkun. Their information shows that the supportive initiatives are very fascinated by the idea of worker cooperative model but the result is not yet sufficiently satisfactory. One of the reasons for the difficulty is the minimum number of founding members to be registered as a cooperative. In Indonesia, it is requested to have 20 founding members to be registered cooperative but these initiatives claim that it should be lower at least for worker cooperatives. From the provided information, experimental initiatives of worker cooperatives seem to suffer from economic difficulties due to the lack of business and management skills of members. However, a broader movement such as Indonesian Consortium for Cooperative Innovation (ICCI) which gathers 23 cooperatives engaged in the promotion of innovative forms of cooperative might contribute to developing a more enabling environment for new cooperative models including worker cooperatives. Clearer conceptualization of the worker cooperative model and its official recognition might be one of the important points to be realized.

⁷¹ This national report was written based on information provided by LSP2I and Kopkun Institute

Case study - Supportive initiative

Kopkun Indonesia
Herliana⁷²

Kopkun Indonesia (Kopkun) is a consumer cooperative located in Purwokerto, Central Java. It has several different activities, such as retail shops (Kopkun Swalayan), saving and loan (Kopkun Simpan Pinjam) and R&D (Kopkun Institute). In addition to running a business, this cooperative is active in campaigning cooperative spirit in the community. One of the campaigns is *Purwokerto Co-operative City* movement. Covering these activities, it is also called Kopkun Group.

Kopkun was initiated in 2006 by a cooperative youth movement on campus consisting of students and alumni of University of Jenderal Soedirman. The motivation of forming Kopkun was to establish a good cooperative based on the community. At the moment of creation, campus cooperatives in Indonesia did not work like real cooperatives but were considered as Student Activity Units in which membership is not voluntary and open, but mandatory for all campus residents. Kopkun was

formed as a campus cooperative at the beginning but some years later, it was reoriented into a community-based consumer cooperative. Since 2016, Kopkun has managed Kopkun Institute as an institution for study, training and incubation of new initiatives. Through Kopkun Institute, Kopkun has supported the creation of new cooperatives, particularly worker cooperatives, including *Pedi Help* (see below). Currently, the number of consumer-members is 1,486 and there are around 110 employees who are also consumer-members.

Kopkun has contributed to the development of the worker cooperative model through its own incubating initiatives (15 new models of cooperatives, such as worker cooperative, start-up cooperative, platform cooperative, etc.) as well as through a nation-wide initiative, ICCI which focuses on the innovation of cooperative models. Kopkun is one of its initiators as well as a leading organization⁷³. ICCI is working to develop a cooperative innovation ecosystem in Indonesia. Kopkun Institute and ICCI are also contributing to putting cooperative innovation as a national agenda in the Indonesia Middle Term Development Plan 2019-2024.



Kopkun Indonesia



⁷² Chairman, Kopkun Indonesia

⁷³ Two board members of Kopkun Institute then formed ICCI.

Case study - Worker cooperative initiative

Pedi Help

Aef Nandi Setiawan⁷⁴

Pedi Help is an initiative initiated by Kopkun in 2017, for supporting workers in informal sectors such as pedicab drivers, construction workers, and massage workers.

Pedicab drivers are part of the bottom of the pyramid in Indonesia. They are poor, less skilled and uneducated. And their income has been more and more threatened by online-based transportation services such as Gojek, Grab and Uber. Therefore, it requires the involvement of third parties to create a model of social empowerment. Kopkun which has empowered the community of pedicab drivers for years initiated three initiatives based on the worker cooperative model for pedicab workers: Pedi Help (cleaning and other household services), Pedi Solution (start-up service marketplace) and Adaide Creative (creative services). Among these initiatives, the purpose of Pedi Help is to increase the income of pedicab drivers through cleaning services. Cleaning services were chosen because pedicab drivers have assets in the form of manpower, basic cleaning equipment, and basic cleaning ability. They are also local residents who understand the location of prospective customers. Thus, it does not require much time and skill to transfer to pedicab drivers. In addition to cleaning services (40 percent of turnover), construction service (25 percent) and gardening/



Pedi Help

landscaping services (15 percent) were added together with other services (20 percent).

As of 2018, there are 15 worker-members. Among them, five members are full-time workers and 10 members are part-time workers who join the cooperative based on projects. Because the minimum number of founding members requested to be registered as a cooperative is 20 people, this initiative is not yet registered as a cooperative but remain an informal initiative. Due to this reason, it makes it difficult to provide appropriate legal status to worker-members who are currently working as independent workers. Under the current situation, they are paid per project. For each project, 80-90 percent of income is paid to workers and 10-20 percent is commissioned to the initiative. However, it is expected that when the number of members would reach 20 persons and therefore it could be registered as a formal cooperative, this situation will be formalized accordingly. Concretely, the five full-time employees would be the first target to have formal employee status.

Instead of having two separate governance structures, such as annual general meeting and board of directors, Pedi Help has only one structure of board meeting in which all 15 members and 2 outside persons are members. One of the specific characteristics of the



Pedi Help

74 Junior researcher, Kopkun Institute

cooperative is that among those members, 7 members are the youth with age less than 35 years old.

It is important to emphasize that Kopkun and Kopkun Institute have been playing a significant role as incubators from the beginning. They have been providing initial equity capital, formal and informal training as well as networking. Together with Kopkun, Pedi Help has been involved in several events to introduce new models of cooperatives in Indonesia, such as worker cooperative, start-up/platform cooperative, community cooperative, etc. These events were very well received by the youth. It also obtained an investment from an angel investor on the occasion of an event conducted by Ministry of Co-operative, Kopkun Institute and ICCI.

Case study - Supportive initiative

Koperasi Trisakti Bhakti Pertiwi (KOSAKTI)
Heira Hardiyanti⁷⁵ and Bimo Ario Suryandaru⁷⁶

Koperasi Trisakti Bhakti Pertiwi (KOSAKTI) is a cooperative established and registered in 2015 by activists from various NGOs in order to develop their community development activities in a more sustainable way. After several experimentations of

developing economic activities of the cooperative (publication, delivery of organic rice to members and co-working space) which were not successful, since 2018, KOSAKTI works as a “business provider (half-incubator and half-animator)” for businesses and community activities run by its members. As a business provider, KOSAKTI provides education on economic democracy, incubation for small and medium business start-ups and animation for private enterprises who want to transform into a worker cooperative. It also provides business consultancy by facilitating member to member services and crowdfunding investment from members' participation. Currently, there are 16 Strategic Business Units (SBUs) supported by KOSAKTI. 34 members are trying to make their economic activities through these SBUs. Their activities are, among others, fair-trading with farmers and producers, cafeteria, co-working space, business consulting, training and education, research and publishing. One of the SBUs is the first Film Cooperative in Indonesia.

The headquarter is located in Jakarta but members' activities are carried out across Indonesia. The cooperative has around 120 members who are mostly social activists including even senators but some of them are also professionals and business



⁷⁵ Researcher, LSP2I

⁷⁶ CEO, KOSAKTI

KOSAKTI - KENES Joint Event



owners. Among them, 73 members do not have any direct economic activity with the cooperative but are supporters who contribute with their capital. Others are those who try to develop their own economic activities in using the business support services provided by the cooperative. There are one member and one non-member employee who work on regular

basis and five members who work for the cooperative from time to time. The cooperative is financed mainly by membership fee and some service fees on the trade with members. The cooperative itself is not a CIS but it might be considered as a cooperative mainly composed of supporters of the social mission, that is, promoting the democratic economy movement.



KOSAKTI - Cooperatives Scrum Meeting

Malaysia

In Malaysia⁷⁷, whereas the Act 502 Co-operative Societies Act 1993 does not define any cooperative typology, officially used cooperative typologies are based on "function" which corresponds to economic activities and "target group" which are main member groups benefiting from the cooperative⁷⁸. In the cooperative types by function, we can find cooperatives in transport, industry, and construction which looks like CIS. However, based on the field research conducted in November 2017, it is supposed that most members in these cooperatives are neither producers nor workers but people who have shares in the cooperative. Most of them are not directly related to the activities of their cooperatives. Main businesses are managed by core

members who are usually CEO or board members and employees who are not members. Their economic activities target the general public as clients and the main benefit of members is dividend on their equity capital. It is sure that some cooperatives in transport and services might have producer-members and are based on the shared service cooperative. However, it seems that most members of cooperatives in industry and construction are just shareholders.

Therefore, although individual cases should be examined case by case, most CIS in Malaysia according to their function might be considered as the shareholder-member based cooperative model.

Cooperative type by function	N° of coops	Members		
		Producer-members	User-members	Members
Banking	2		971,613	
Credit	590		1,317,256	
Housing	286		156,879	
Consumer/user - adult	2,877		565,685	
Consumer/user - school	2,361		2,020,843	
Services	3,372		1,029,426	
TOTAL	9,488		6,061,702	
Agriculture - adult	2,886	738,351		
Agriculture - school	5	449		
Transport	479	147,233		
TOTAL	3,370	886,033		
Industry	332			19,806
Construction	238			98,681
TOTAL	570			118,487
GRAND TOTAL	13,428	886,033	6,061,702	118,487

On the other hand, it seems that the way of defining function according to their economic activities also make a certain level of conceptual confusion. People inside and outside the cooperative understand their

cooperative with more visible business activities, although it is clearly consumer cooperative or credit cooperative. The sense of "we" makes it unclear to distinguish members and non-members but to consider

⁷⁷ This national report is written based on information obtained from a field research conducted in November, 2017 with support of ANGKASA.

⁷⁸ According to Malaysia Co-operative Statistics 2016 published by Malaysia Co-operative Societies Commission, there are 93 different target groups. The biggest groups in terms of number of cooperatives are 'other publics (3,574 coops)', 'schools (2,058 coops)', 'families (1,071 coops)', 'residents (911 coops)' and 'entrepreneurs (487 coops)'.

all people related to the cooperative as having a certain sense of belonging⁷⁹. This situation is well illustrated with the case of Ukhwah Malaysia cooperative below.

Case study – Multi-purpose cooperative (shareholder-member-based)

Ukhwah Malaysia Cooperative

Based on the information provided by Dr. Mustapa Kamal bin Maulut⁸⁰

Ukhwah Malaysia cooperative is a cooperative established in 1998. While having initially started with a snack canteen, it has developed various business activities and was ranked 13th best cooperative in Malaysia in 2017. The cooperative conducts mainly financial services called the i-Financing (Islamic Entrepreneur Scheme for Coop Member) (71 percent of turnover in 2016) but also various kinds of commercial businesses, such as sales and rent of properties (25 percent) and direct business (restaurant and pawn shop). Its businesses are conducted across Malaysia (Headquarter in Kuala Lumpur and four regional offices) as well as in foreign countries (property management with homestays in London and Melbourne). Currently, the main activity of the cooperative is providing financial

services. However, given that all of the 70,000 members are not consumer/user-members of the financial services, it is also difficult to classify this cooperative as a financial service cooperative. Indeed, membership is not strictly defined by members' transaction with the cooperative but rather by the contribution of capital. To become a member, it is only required to put the capital share of MYR 100 each. At the end of the year, the member will get dividend on their capital. Therefore, it is a case of a multi-purpose cooperative based on shareholder-membership (see Annexe 1).

This case shows that without a clear definition of CIS, different activities of non-CIS might be understood in relation with the industrial and service sector.

- The objective written in its statute of Ukhwah Malaysia cooperative is "to increase the economic interests of its members in accordance with the principles of the cooperative". Therefore, there is no concrete definition of its activities and members' interests. This allows the cooperative to carry out various business activities which are not necessarily related to members' involvement, such as management of properties. Without specifying members' interest (for example, as a worker, consumer/user or producer), it is possible to have members who are only shareholders.



⁷⁹ During the field research, it was observed that in a cooperative expo, a cooperative promotes its business of travel agency and all staffs explain proudly about their business. However, it was a credit cooperative of local public officers and many staffs had difficulty in explaining the relationship between their jobs and the nature of cooperative, although they all said "We are a cooperative working in tourism".

⁸⁰ Chairman, Ukhwah Malaysia Cooperative



UKHWAH Board members

- The i-Financing scheme, the main activity of the cooperative refers to a financial product offered to members who need to borrow money from the cooperative as capital to run business, for example, to purchase a taxi vehicle. It is an important difference between CIS and financial service cooperatives that whereas the former addresses common issues of members who carry out the same or similar kind of economic activities, the latter deal with members' financial needs as the main common interest. CIS can have financial services for strengthening their main activities but not as the main activity. If financial services become the main common activity, the cooperative would need to be requalified as a financial service cooperative.
- The cooperative has 60 employees who are also members of the cooperative. Their membership is not defined as worker-members but just as the same as other members by having shares. Their status is not specified compared to other members and therefore, they do not have any specific power in the governance structure. In this sense, this case is not multi-stakeholder cooperative.
- In Malaysia, due to the unclear qualification of different membership categories, board members who are members and work for their cooperative are often considered as the core member group of cooperative while many other are just shareholders. It is one of the reasons that a qualifying question for CIS "Do the predominant category of members works for their cooperative?" is often misunderstood.

The case of Ukhwah Malaysia cooperative provides information on its board members. The cooperative has currently 9 board members (4 men and 5 women). Board members are not categorized as employees. They attend meetings to discuss policies and direction of cooperative business. During their duties, they receive allowance and facilities of which the amount and limit are approved in the Annual General Meeting.

Ukhwah cooperative has been contributing to the welfare of members and staffs. Its CSR intention is well appreciated. The general public perceives the cooperative as helping the people and strengthening the lower and middle-income group of people who are the majority of members by allowing them a loan for entrepreneurial activity and dividend distribution on capital.



UKHWAH Restaurant business

Hong Kong, China

In Hong Kong⁸¹, cooperatives are regulated by the Co-operative Societies Ordinance (Cap. 33). The Ordinance defines only a general cooperative model and does not specify cooperative types. Therefore, CIS can be created with the Ordinance but it is difficult to identify them specifically through their legal status.

The research partner in Hong Kong, Centre for Social Innovation Studies of the Chinese University of Hong Kong made a contribution with a case of worker cooperative United Women Worker Cooperative (UWWC) which was initiated by the Hong Kong Women Workers' Association (HKWWA) and in turn, inspired the social movement in Hong Kong to start cooperatives and cooperative-like projects. Results vary with these different projects, but one thing is in common: these attempts would be difficult without UWWC's precedence. Moreover, UWWC also contributes to the development of civil society in Hong Kong by promoting the idea of workers' co-management and independence from employers. As a form of the pilot project, the cooperative raised the awareness of the broader sense of "social economy" for the public. UWWC maintained a good relationship with the local cooperative movement in the 2000s during the heyday of cooperatives in Hong Kong. These cooperatives were organised as an alliance informally, to advocate policies and conduct research on the social economy. Yet after 2010, some cooperatives closed down due to various operational reasons, and the local cooperative movement declined rapidly.

One of the most pressing issues for cooperatives in Hong Kong is people. While the business environment of cooperatives is very arduous, the expansion of cooperatives is strongly constrained by the recruitment of new members and the lack of motivation from civil society actors, such as NGOs to set up cooperatives. Some NGOs even called off the experiment of cooperatives recently and shifted their focus to social enterprises that fit the government's political agenda. Consequently, cooperatives are less commonly found in civil society.

One should note that though social enterprises are one of the most important initiatives for poverty alleviation in Hong Kong, the option of cooperative is often ignored

as it is widely regarded as being 'too complicated' to operate. Moreover, as the Hong Kong government does not provide official support to cooperatives, the cooperative has to bear disproportionate operational costs, such as insurance. This is also reflected in the unfavourable conditions for running small and medium-sized enterprises in general in Hong Kong. The cooperative is paying the same tax rate as the large enterprises in Hong Kong and insurance companies do not offer favourable terms for working with small businesses like cooperatives.

Case study – Worker cooperative

United Women Worker Cooperative

Mei Lin WU⁸²

Since Hong Kong returned to China from Britain in 1997 and with the Asian Financial Crisis soon afterward, the society faced many political and economic challenges. Among various vulnerable social groups, middle-aged women faced age discrimination when finding a job, or were offered less income because of their age. In answering these challenges, UWWC was founded in 2001 to run a snack store at the Chinese University of Hong Kong (CUHK), with strong support provided by the Student Union on the cooperative movement. Despite the fact that the management of the CUHK had no idea about what a cooperative is, the student union with a more progressive background insisted to open a small tuck shop as a cooperative in the university campus. On the other hand, the cooperative was directly initiated and set up by HKWWA which provides training and assistance to organize activities. After two years of operation, the cooperative was registered with the independent legal status of a cooperative.

The main activity of the cooperative is to sell snacks, drinks and fair trade products in the small tuck shop located in the university campus. There are ten women worker-members who have a formal employee status and one part-time account who is not a member. Some students from the Concerning Grassroot Group of the university also help the cooperative with the business during the night and receive some allowances.

81 This national report is written based on the information provided by research partner, Centre for Social Innovation Studies of the Chinese University of Hong Kong and Mei Lin WU, Hong Kong Women Workers' Association

82 Executive Director, Hong Kong Women Workers' Association



UWWC needs to bid the business contract at CUHK once every 3 years because the snack store is under 3 years operation contract. The bidding process has always been challenging as there are many private firms and social enterprises competing for the contract. The survival of UWWC depends on its volume of turnover and on its relationship with the university, and most importantly, the support from students, as the students organised campaigns and solicited support for the university.

The most remarkable event of UWWC was the contract renewal in 2012. Although the university chancellor supported the ideas of social enterprise, he planned to replace the cooperative with other social enterprises operated by the social welfare organisation funded by the government, focusing on the creation of short-term employment opportunities for vulnerable groups instead of the democratisation of business and sustainable job creation. The underpinning logic





for open bidding for such social enterprises was that disadvantaged groups should compete on the basis of their 'deservingness'. Therefore, UWWC and its members were deemed as less eligible to benefit from the university because they had been employed by the cooperative for about ten years.

A professor in sociology, who was a supporter of cooperatives, and was appointed as a member of the executive committee of the building where UWWC was located, disagreed with the chancellor's sole priority for creating more employment. He insisted that the criteria for bidding should also put the rationale of social enterprises and the engagement of workers into consideration, and spoke in favour of the UWWC to win the bidding. The professor played a key role in the contract renewal of the cooperative.

It is important to emphasize that UWWC is not based only on economic interest but also on strong social values and relationship with society. There are four key principles guiding UWWC: labour and economic democracy; self-determination and co-management

of workers; respecting the values of economic alternatives against the mainstream capitalist market economy; and finally, solidarity with the community. UWWC was also involved in and supported the Umbrella Movement in 2014.

On the other hand, the work created by UWWC is regarded as a new form of democratic production and management that has been perpetually marginalised and demonised in capitalist Hong Kong. The cooperative's work broke the stereotype that worker cooperative is always inefficient, and grassroots workers are incapable to organise economic activities and own their business.

It is stated that the contributions of the cooperative to the innovation of Hong Kong society are: participation in the labour movement; advocacy for labour policies including labour protection and retirement pension for casual workers; sharing experiences with other women groups, for encouraging and supporting workers to form worker cooperatives.

Annexe 1 – Operational definitions of cooperative models

The following operational definitions of various cooperative models in industrial and service sectors are not definitive ones except worker cooperative and social cooperative models which are based on the international standards proposed by the international cooperative movement. Except these two models, other definitions are constructed based on a series of works concerning statistics on cooperatives and the research team's general knowledge.

All cooperative models should be aligned with the ICA cooperative definition, values and principles as basic conditions. Therefore, these conditions are not included in each operational definition but supposed as given.

Worker cooperative

The worker cooperative model represents cooperatives based on worker ownership, one of three basic labour relationships besides self-employed and conventional wage earners. The World Declaration on Worker Cooperatives approved by the ICA General Assembly in Cartagena, Colombia, in 2005, provides a standard on the worker cooperative model at the international level. Considering the standard, the worker cooperative model may be operationally defined as having the following characteristics:

- The main category of members are workers (called worker-members) who own the cooperative in which they work and control its activities;
- 1) The majority of workers are members and the majority of members are workers. (unlike the multi-stakeholder cooperative model);
 - 2) The prime objective of this cooperative model is 'creating and maintaining sustainable jobs and generating wealth for their worker-members';
 - 3) Members share common interest in reliable work and a fair wage for the short term, and safe, respectful and gainful employment for the long term;

4) Principally, worker-members have employment contracts or similar kinds of formal engagement by which worker-members' work is defined as being performed under the control of the cooperative, regardless of the members' legal status, which is often different in different institutional settings (employee, self-employed, specific status for worker-member). Therefore, cooperatives are required to respect the regulations concerning social protection and rights at the workplace of all workers (members or not) in the case that worker-members are considered as employees, or to try to offer an appropriate level of social protection and rights at the workplace of worker-members in the case that worker-members are not considered as having an employment relationship with their cooperative;

- 5) Through their cooperative, worker-members have to control their own means of production in order to preserve their autonomy and independence (unlike the labour cooperative model);
- 6) In financial terms, it is the cooperative which issue invoices to clients and pays the wage/salary to worker-members. It is often possible that the cooperative contributes to worker's social protection contributions as an employer (unlike the shared service cooperative model)
- 7) In many cases, worker-members are paid, on the one hand, a fixed amount based on time worked, distributed over the year before the settlement of account, which is considered either as a wage or a salary, or as advanced payment of an expected surplus, according to the applied legal regimes⁸³, and on the other hand, an amount adjusted as the remainder of the surplus to be paid, after the settlement of account. The remainder of the surplus to be paid to worker-members is calculated based on their contribution with their work, rather than the dividend on invested capital.

⁸³ In many Spanish-speaking countries, the concept of '*anticipo*' is used to emphasise the characteristics of worker-members as the self-employed. *Anticipo* means the advance payment to worker-members, executed on a regular basis during a business year, which is calculated by anticipating the total amount of annual profits expected. However, as a scheme jointly established by pooling income from all activities conducted through the cooperative, the *anticipo* is also a way to guarantee a certain level of job security and income so that it may be considered as a kind of wage or salary.

Like other conventional enterprises, worker cooperatives work in various sectors, with diverse sizes and scales, as shown by the two contrasting cases of SACMI and Four Star Video cooperative.

Worker cooperatives can be a traditional form of industrial enterprises which are of a significant size and operate on a global business scale like SACMI, Italy. SACMI is an Italian worker cooperative located in Imola in the Emilia-Romagna region. Established by nine young mechanics and blacksmiths in 1919, it has become one of the biggest worker cooperatives in Italy. It is a key player in ceramic plant engineering and in machinery for the beverage and packaging, food processing and plastic industries. Today, the number of worker-members and employees is over 4,300⁸⁴. The cooperative, which now has the form of a group with 80 subsidiaries in Italy and abroad, generates revenue of over 1.4 billion EUR and in 2017 had a net worth of 660 million EUR (SACMI Annual report 2017).

At the other end of the scale, worker cooperatives can also be very small enterprises in the service sector which work mainly with local clients. Four Star Video cooperative is a video store run by four worker-members, located in Madison, Wisconsin, in the US. It was originally a privately-owned store created in 1985, but when the owner decided to move on to other business, the workers bought the store by mobilising crowd-funding from the public and their local clients. It offers video rental services to local people, particularly university students. During the conversion process, it was strongly supported by local cooperatives and now it is part of Madison Worker Cooperatives, a city-wide network of worker cooperatives.

Labour cooperative

The labour cooperative model represents cooperatives in which worker-members have an employment contract with their cooperative, but work in other workplaces under the control of other employers. There is no standard definition of labour cooperative, but based on empirical cases, it may be operationally defined as having the following characteristics:

- 1) The main category of members are workers who have an employment contract with their cooperative but work in other workplaces under the control of other employers. If members are employers who use the workforce provided by the cooperative, they are shared service cooperatives of those employers (enterprises). If members are both workers and employers who share relatively balanced voting power in the governance structure, then this might be a multi-stakeholder cooperative;
- 2) The prime objective of this cooperative model may be the same as that of the worker cooperative model: creating and maintaining sustainable jobs and generating wealth for their worker-members;
- 3) Members share a common interest in reliable work and a fair wage for the short term, and safe, respectful and gainful employment for the long term;
- 4) Unlike worker cooperatives, the economic activity of the labour cooperative model is limited to one economic activity, namely, N. Administrative and support service activities _ 78. Employment activities. When a cooperative is specialised in certain professions, such as care services and cleaning, if the cooperative gives instructions for the worker-members' work and monitors them, then it is acting as a worker cooperative carrying out a specific business. But if the cooperative deals solely with the placement of worker-members and the worker-members' work is directed by their clients, then it would be referred to as a labour cooperative with 78. Employment activities.
- 5) In financial terms, it is the cooperative which issues invoices to clients and pays the wage/salary to worker-members. If members are paid directly by clients and pay only commission or fees to the cooperative, it is a shared service cooperative of working members.
- 6) Unlike the worker cooperative model, worker-members do not have their own means of production hence they are very dependent on other enterprises.

⁸⁴ Out of 4,300 workers, only around 400 workers are members. This is an exceptional case which does not correspond to one point in the operational definition, that is, 'majority of worker-members among workers'. It is a result of its very strict pre-conditions for membership and some controversy exists about this. In this sense, the operational definition needs to be considered as a standard which the model should aim to achieve.

Labour cooperatives have developed in some South Asian countries and, under the 'worker cooperative' (*cooperativa de trabajo/cooperativa de trabalho*) denomination, in Latin America as well. The expected effect of labour cooperatives on employment is the creation of jobs and a distribution of available labour demand that is as regular as possible, so that workers' employment opportunities are as steady as possible through the year. It has also been argued that if workers are able to form a cooperative and bid for a contract directly, they could ensure transparency and exclude the possible exploitation by private contractors. This model has also been used in industrialised countries as a way of helping unemployed people to be trained and to find a job in other enterprises. However, there have always been concerns about this model, which can be easily abused and can lead to the deterioration of workers' labour conditions

In the Philippines, labour service cooperatives are specifically defined in the legislation as cooperatives providing their workers to other enterprises. Members of these cooperatives are workers who are placed in other enterprises. Unlike worker-members of worker cooperatives in the Philippines, worker-members in labour service cooperatives have an employment relationship with their cooperative and the cooperatives are subject to the regulations of the Department of Labour that ensures the welfare and protection of employees. Although there are critics of these labour service cooperatives, ULSCC which brings together 19 labour service cooperatives employing 132,000 worker-members, continues to strive to provide proof of the advantages of labour service cooperatives which work in a legitimate way.

In India, the 'labour contract cooperative' type of cooperative does not necessarily mean cooperatives providing labour intermediary activities. Labour contract cooperatives often carry out construction and civil engineering projects ordered by public authorities and, by doing so, they can provide labour contracts to manual workers. However, in providing relatively stable jobs to their members in the cooperatives, they are more similar to the worker cooperative model than the labour cooperative model described above. The ULCCS located in the state of Kerala is the biggest Indian labour contract cooperative employing 2,788 workers of which 1,401 worker-members in 2014.

Employee-ownership

The concept of employee-ownership is often used for covering both worker cooperatives and non-cooperative employee ownership enterprises. However, in the case of non-cooperative employee ownership enterprises, it is difficult to define common characteristics, except the fact that a significant part

of the shares is owned by employees. They might be controlled directly by employees, but there are also many cases in which the management is entrusted to third parties, often in the form of 'trustees'. Usually, in non-cooperative employee ownership enterprises, voting rights are distributed according to the number of shares, rather than the principle of one person one vote.

In many countries, non-cooperative employee ownership enterprises exist individually as anecdotal cases. However, in Spain, this model is institutionalised in the form of a labour enterprise (*sociedad laboral, SAL*). To be registered as a labour enterprise, the majority of shares (over 51 percent) must be owned by its permanent employees and no single owner may own more than one-third of the shares. Unlike worker cooperatives, it is possible to use non-employee capital. Providing stable employment for their worker-owners, who control the management bodies of the enterprise, they may be created as labour enterprises or conventional enterprises may be converted into this form. As of June 2018, there were 9,034 labour enterprises employing 62,420 workers in Spain.

In the UK, 331 non-cooperative employee-ownership enterprises are organised in the Employee Ownership Association.

Shared service cooperative

The shared service cooperative model means producer cooperatives in general. However, to avoid any confusion with producer cooperatives in the primary sector, such as agricultural cooperatives and fishery cooperatives, we use the term 'shared service cooperative' here. Basically, the shared service cooperative model may be defined as cooperatives which provide members with shared services for promoting their production or business activities performed on their own account, rather than in cooperatives. The shared service cooperative model in industrial and service sectors is also called 'artisans' cooperative', 'freelancer cooperative', 'independent producer/worker cooperative' according to the identity of the producer-members.

- 1) The main category of members are owner-operators (called producer-members) who work for themselves and are also called 'self-employed persons', such as freelancers, sole proprietors (with or without their own employees), as well as corporations;
- 2) The prime objective of this cooperative model is promoting and supporting members' production or business activities.

- 3) Members share common short-term interests in covering production costs and long-term interests in reduced risk, sustainable source of income and market development.
- 4) In terms of the functioning of the cooperative, the economic activities of cooperatives might be limited to certain kinds of services provided to members, such as collective purchasing, processing, marketing, management of assets (production means) etc. In this regard, they are also classified as 'service cooperatives' in many countries;
- 5) Producer-members' remuneration is directly and entirely dependent on the profit or loss made by themselves by way of a commercial transaction for goods produced or services provided. They do not receive a wage or salary in return for time worked.
- 6) Producer-members can take their part of surplus. The surplus to be distributed to producer-members is calculated based on their transaction with their cooperatives, rather than as a dividend on invested capital.

Taxi cooperatives might be a good example for explaining the difference between the worker cooperative model and the shared service cooperative model. If the drivers in a taxi cooperative hand over their clients' fares to the cooperative and are then paid wages by the cooperative, this is a worker cooperative. But if the drivers are paid directly by clients and pay fees to the cooperative for the services (car rental, radio service, maintenances, branding etc.) provided by the cooperative, then this is a shared service cooperative. However, this distinction is not always clear, and the legal status of drivers might vary according to the institutional arrangements regardless, of their cooperative model.

Shared service cooperative – Enterprise cooperative

Among shared service cooperatives, we might separately identify cooperatives whose members are enterprises rather than individual self-employed persons, freelancers or sole proprietors (with or without their own employees). They are called 'enterprise cooperatives' and their members are called 'enterprise-members'. It is particularly the case of SME's cooperatives in the present study. It will be named 'shared service cooperative _ enterprise cooperative' in order to emphasise the same functioning as that of shared service cooperative model but specify their characteristics of being composed of enterprises.

Multi-stakeholder cooperative

A Multi-stakeholder cooperative is a cooperative with different categories of stakeholder groups sharing a common interest in the success of the enterprise. This model is most often used as a tool for community and social development because it allows the active involvement of diverse community stakeholders. This is also why many such cooperatives are social cooperatives. The various membership groups are designated in the cooperative's bye-laws and they can include individuals from different groups such as consumers, producers, or workers. They can also include incorporated organisations such as non-profits, other cooperatives, businesses or municipalities.



- 1) The various categories of stakeholders (types of members) should be institutionally or statutorily defined. For example, when workers of a consumer cooperative are members of the latter just because they are consumers (not because they are workers), these workers cannot be counted as a distinct category of stakeholder from the consumers⁸⁵.
- 2) All types of members institutionally or statutorily defined are represented in the governing bodies of the cooperative, each with a significant ratio of

power without having a dominating position either, so as to ensure that the governing bodies represent the various interests. In this sense, it is different from cooperatives based on a dominant member category with some minor member categories, such as worker cooperatives with a secondary category of financial service user-members, who do not have complete rights and duties as full members, or consumer cooperatives with employee-members, which allow the employees' voice to be heard, but without significant voting rights.

Multi-stakeholder cooperatives have been legally recognised in Canada (Quebec) and France. In France, they take the name of Collective Interest Cooperative Societies (*société coopérative d'intérêt collectif*, SCIC) and were introduced by law in 2001. According to this law, at least 3 categories of members must be represented, such as: 1) workers (or producers); 2) users; 3) other physical or legal persons (e.g. associations, volunteers, public authorities etc.). Public authorities can hold up to 50 percent of the capital. As in any other cooperative, governance is based on the principle of 'one person one vote', but there can be weighted voting ratios between the various types of stakeholders.

SCIC produce all types of goods and services which meet the collective needs of a community with the best possible mobilisation of its economic and social resources, bringing together various stakeholders, chief among them being the employees, to implement local development projects. Today, France has 692 SCIC (2018).

In Spain, worker-members can be found not only in worker cooperatives, but also in other types of cooperatives such as consumer cooperatives. Eroski, the biggest consumer cooperative in the Basque Country and a member of the Mondragon Group, associates two types of members, namely consumers and workers. It has 33,816 workers, and of which, 10,017 are worker-members. There are almost 6 million consumer-members across the country (Eroski website, *Datos destacados* 2017). At the General Assembly, worker and consumer members hold the same share of voting rights (50 percent each). The Mondragon group has other types of multi-stakeholder cooperatives, such as the group's bank, Caja Laboral, in which two types of stakeholders share the voting rights according to specific proportions: the workers and the other cooperatives of the group.

Social cooperative

Social cooperatives, whose purpose is the production of goods and services of general interest, have been developing on a vast scale since the 1970s as a response to citizen's needs, notably in the provision of social services or in the reintegration of disadvantaged and marginalised workers (persons with disabilities, long-term unemployed, former prisoners, addicts, etc.) or both. Social cooperatives first emerged in Italy, but today they can be found in various EU countries as well as on other continents (Japan, Korea, Uruguay), and are often regulated by specific national laws.

Most of them are owned totally or at least partly by their workers (and thus also place the emphasis on the generation of sustainable jobs like worker cooperatives), while offering the possibility, or even making it compulsory (according to different national laws), to involve other types of members (service users, public authorities, volunteers, etc.).

Usually, the social cooperative model shares the same structures as that of the multi-stakeholder cooperative model and sometimes that of the worker cooperative model. However, according to the World Standards of Social cooperative approved at the CICOPA General

⁸⁵ This is the reason why elderly's cooperatives in Japan are considered as based on the consumer/user cooperative model, although they have a significant number of workers as consumer-members.

Assembly in 2011, it has the following distinguishing characteristics :

- 1) Explicit general interest mission: 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. Work integration, which is a key mission of many social cooperatives, should be considered as a service of general interest to all intents and purposes, regardless of the types of goods or services which they produce.
- 2) Non-state character: in keeping with the 4th cooperative principle (autonomy and independence), social cooperatives are non-state entities. As such, they should be substantially independent from the public sector and other entities, regardless of the forms and amounts of aid which they might receive, the partnership agreements with state authorities which they could enter into and even the representation of state authorities which might exist within their membership.
- 3) Substantial representation of worker members: worker members should be represented at every possible level of the governance structure of a social cooperative. The representation of worker members should be higher than one third of the votes in every governance structure. In the case of work integration social cooperatives, at least 51 percent of the members (disadvantaged workers and other workers alike) should be workers. In both cases, at least 51 percent of workers should be members. In addition, all the standards of the World Declaration on Worker Cooperatives should apply to worker-members.
- 4) Non or limited distribution of surplus: whereas cooperatives may use part of their surplus to benefit members in proportion to their transactions with the cooperative (3rd cooperative principle), social cooperatives practise limited distribution, or non-distribution of surplus. However, this way of applying the 3rd cooperative principle should be adapted to each specific context.

When worker cooperatives or multi-stakeholder cooperatives have these characteristics, they may be classified as belonging to the social cooperative model.

There are many cooperative types which might be considered as social cooperative across the world in terms of their objective (collective or general interest), as well as their economic activities (social and health services, education, work integration, local development etc.). This makes the question of what exactly constitutes a social cooperative a controversial issue. This was a major reason behind CICOPA's adoption of the World Standards of Social Cooperatives in 2011. However, it is obvious that Italian social cooperatives are the original source of the contemporary concept of social cooperative, providing prototypes and best practices and still representing the majority of social cooperatives in the world.

Italian social cooperatives were originally initiated in 1970s by various groups of people, such as social activists, social workers, church and community leaders, who identified the increasing social needs unmet by the existing social welfare systems. Originally started as volunteer activities, these initiatives often used cooperative forms to establish formal contracts with local governments which discovered the social utility of these new initiatives. After remarkable development during the 1980s, a new legislation was enacted in 1991 to recognise the specific characteristics of these initiatives, which have been known as social cooperatives since then. The Italian social cooperatives were a breakthrough event in the modern cooperative movement, which is strongly based on the idea of the promotion of members' mutual interests. It is worth noting that the 7th cooperative principle, 'concern for community' was introduced in 1995, with the experience of the Italian social cooperatives having a strong influence on its introduction. The law 381/1991 on social cooperatives officially allows for a type of cooperative explicitly aimed at "pursuing the general interests of the community in the promotion of humankind and the social integration of the citizens". It also institutionalises some specific characteristics, such as multi-stakeholder governance structure, principle of non-profit or if any, very limited distribution of profit and favourable policy measures.

The law 381/1991 defined two types of social cooperatives (type A and B). For the most part, type A social cooperatives provide social, health and educational services through the management of sheltered homes, crèches, day care centres, community facilities, health centres, home help and services provided to disadvantaged or socially marginalised persons. Type B social cooperatives provide employment opportunities for disadvantaged persons who are excluded from the labour market for various reasons.

Social cooperatives are represented by three national federations, namely, Federsolidarietà, Legacoop Sociali and AGCI Solidarietà, which are CICOPA members. According to the EURICSE, the number of social cooperatives (2014) is 12,319 (type A _ 6,478, type B _ 3,232, mixed type A and B _ 1,261, no info _ 1,348) and that of jobs is 402,610 persons (type A - 267,380, type B - 73,845, mixed type A and B - 26,172, no info _ 35,213).

Following the example set by the Italian social cooperatives, many other countries have introduced the social cooperative model and new legislation on it: Canada (Quebec), Portugal, Spain, France, Poland, Uruguay and Korea. Some traditional cooperatives for specific disadvantaged groups were reinterpreted as social cooperatives, for example, worker cooperatives for people with disabilities in the Czech Republic, Slovakia and Bulgaria. Without a specific legal framework, the Japanese worker cooperative movement has strategically developed the social cooperative model, particularly in the form of elderly's cooperatives.

Multi-purpose cooperative

Multi-purpose cooperatives are usually based on the consumer/user cooperative model and provide various kinds of services to their members. In many Asian countries, the cooperative legislation does not clearly define member categories or cooperative types but considers members just as shareholders of the cooperatives. Certain multi-purpose cooperatives may have a mission of providing jobs to their members, even

though the members are not specifically classified as being worker-members. Although multi-purpose cooperatives seem similar to the multi-stakeholder cooperative model, the lack of a classification of member categories and, as a consequence, the absence of a proportional and balanced distribution of power in governance structures among different member categories, means that a distinction can be made between the multi-purpose cooperative model and the multi-stakeholder cooperative model.

In Sri Lanka, the Sri Lanka Industrial Co-operative Federation represents production units producing mattress and coir products which are sold through consumer cooperatives, called 'multi-purpose cooperatives'. These production units are not cooperatives themselves but are part of the network of multi-purpose cooperatives. Workers in these units do not have a sense of cooperative membership at their workplaces, but they are considered as part of a broader network managed by multi-purpose cooperatives.

Shareholder-based cooperative

Whereas multi-purpose cooperative members are supposed to participate in different kinds of goods and services provided by their cooperatives with different interest, members in shareholder-based cooperatives do not have direct economic transaction with their cooperatives except the capital contribution and dividend from that contribution. In some countries, such as Malaysia and Vietnam, cooperatives in industrial and service sectors might be initiated

by core entrepreneurs who invite their friends and family members to be members in order to meet the minimum number of founding members requested by the legislation. Shareholder-members (or investor-members) might join to support entrepreneurs' businesses or to get dividend which is usually better than bank interest. Basically, in this cooperative model, membership is not related to work and employment in the cooperatives. Therefore, it was not included in the present study.

It needs to be noted that similar model of cooperatives is sometimes considered as social cooperatives because principal members are supporters of initiatives focusing on general or collective interest of their community. However, many of them have limited or non-distribution of profit constraints and controlled by multi-stakeholder governance structures to ensure their social missions.

New models for independent producers and freelancers

Recently, new cooperative models have appeared as a response to the significant increase in new forms of work, particularly for independent producers and

freelancers. Some of these new models allow members who usually work individually for their own projects to have a legal status as employees, access to various back-office services and, in particular, a sense of working together. Since the members do not work together in their cooperatives, but individually with their own clients, the model is not the same as the worker cooperative model. Although the legal role of the cooperative as an intermediary between members and their clients seems similar to that of the labour cooperative model, this model clearly focuses on strengthening individual members' autonomy rather than job-placement at all costs, which is the main role of labour cooperatives.

A prime example of these models is the 'business and employment cooperative' (*coopérative d'activité et d'emploi*) in France. Business and employment cooperatives were originally designed as a specific form of worker cooperative with the aim of providing people who plan to develop their own business projects with full-fledged rights and protection as employees for a test period (6-18 months), as well as access to various back-office services. Having been granted legal recognition through the 2014 law on the social and solidarity economy, they have now been recognised as a particular form of cooperative, not only for persons who create their own business, but also for those who have completed their test period and have their own business and clients, like most freelancers, by allowing them to have full-fledged rights and protection as employees and also as members of cooperatives. For this purpose, a new status of 'employee-entrepreneur' (*entrepreneur-salarié*), which reflects the specificities of independent workers and applies only to business and employment cooperatives, has been introduced in the French labour code. This legal status is characterised by a higher level of rights and protection compared to similar legal statuses introduced for flexible work forms, such as auto-entrepreneurs and umbrella companies (*portage salarial*).

Another example is SMart Belgium, which was converted into a cooperative in 2016. Established in 1998 as non-profit association specialised in offering contract management services, insurance services, legal and consulting services, information and training, co-work spaces and mutual financial tools mainly to artists, it has more recently opened itself to freelancers and people working in the so-called sharing economy. SMart Belgium has organised a process for converting itself into a multi-stakeholder cooperative (workers, clients, partners, service providers etc.). This is possible due to the capacity of SMart Belgium to combine a variety of institutional tools, such as the well-designed employment and social security system in Belgium, and special legal treatment for artists and certain professions. Unlike the French business and employment cooperatives, which now have a specific legal status for employee-entrepreneurs, without there being a distinction between employee-entrepreneur-members and permanent staff members, in SMart Belgium all workers, namely both independent workers using the services provided (85,000 users since 1998 and 20,000 users in 2016 of which over 11,000 are members of SMart Belgium, as of July, 2017) and the permanent staff (165 persons), have the same legal status as employees, but correspond to distinct member categories in order to balance votes in the governance structure, which results de facto in a multi-stakeholder cooperative form.

Employee shareholding cooperative

An employee shareholding cooperative is a cooperative providing a specific service – acquisition and management of the shares of the companies by which members are employed. In this cooperative model, members are employees employed by a private enterprise, who own a share of their enterprise through the shareholding cooperative. The cooperative does not conduct its own economic activity, but plays a role as a kind of financial tool. The number of shares owned by employees through the cooperative does not determine whether or not a cooperative qualifies

as an employee shareholding cooperative. Nor is the ownership of shares necessarily directly related to the control of power in governance structures.

The difference between the employee-owned enterprise model and the employee shareholding cooperative model is that the former focuses both on employees' ownership and substantial control of their workplace, while the latter is a tool for helping employees to have shares in their workplace, which is not necessarily related to control, but usually aims at providing financial benefits to employees and representing their interests in the enterprise.

In Canada (Quebec), this cooperative model has its own legal status called 'worker-shareholding cooperative' (*coopérative de travailleurs actionnaire*). A worker-shareholding cooperative brings together employees of an enterprises in order to collectively own the shares of the enterprise. The objective of this type of cooperative is to represent the interests of the members (employees of the enterprise) in the enterprise. It is the legal status which gives a cooperative form to the ESOP model developed in the US.

Annexe 2 – International Standard Industrial Classification of All Economic Activities, (ISIC) Rev.4. Sections level.

Detailed structure and explanatory notes on the sections and their divisions are available on the website of the Statistical Division of the United Nations⁸⁶. Sectors in the scope of this present study are coloured in grey.

Basically not included in the scope of study but may be included as individual cases	A. Agriculture, forestry and fishing
	01 - Crop and animal production, hunting and related service activities
	02 - Forestry and logging
In the scope of study	03 - Fishing and aquaculture
	B. Mining and quarrying
	04 - Mining of coal and lignite
	05 - Extraction of crude petroleum and natural gas
	06 - Mining of metal ores
	07 - Other mining and quarrying
	08 - Mining support service activities
	C. Manufacturing
	09 - Manufacture of food products
	10 - Manufacture of beverages
	11 - Manufacture of tobacco products
	12 - Manufacture of textiles
	13 - Manufacture of wearing apparel
	14 - Manufacture of leather and related products
	15 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials
	16 - Manufacture of paper and paper products
	17 - Printing and reproduction of recorded media
	18 - Manufacture of coke and refined petroleum products
	19 - Manufacture of chemicals and chemical products
	20 - Manufacture of basic pharmaceutical products and pharmaceutical preparations
	21 - Manufacture of rubber and plastics products
	22 - Manufacture of other non-metallic mineral products
	23 - Manufacture of basic metals
	24 - Manufacture of fabricated metal products, except machinery and equipment
	25 - Manufacture of computer, electronic and optical products
	26 - Manufacture of electrical equipment
	27 - Manufacture of machinery and equipment n.e.c.
	28 - Manufacture of motor vehicles, trailers and semi-trailers
	29 - Manufacture of other transport equipment
	30 - Manufacture of furniture
	31 - Other manufacturing
	32 - Repair and installation of machinery and equipment

⁸⁶ <https://unstats.un.org/unsd/cr/registry/regcst.asp?Cl=27&Lg=1&Top=1>

	D. Electricity, gas, steam and air conditioning supply
	33 - Electricity, gas, steam and air conditioning supply
	E. Water supply; sewerage, waste management and remediation activities
	34 - Water collection, treatment and supply
	35 - Sewerage
	36 - Waste collection, treatment and disposal activities; materials recovery
	37 - Remediation activities and other waste management services
	F. Construction
	38 - Construction of buildings
	39 - Civil engineering
	40 - Specialized construction activities
	G. Wholesale and retail trade; repair of motor vehicles and motorcycles
	41 - Wholesale and retail trade and repair of motor vehicles and motorcycles
	42 - Wholesale trade, except of motor vehicles and motorcycles
	43 - Retail trade, except of motor vehicles and motorcycles
	H. Transportation and storage
	44 - Land transport and transport via pipelines
	45 - Water transport
	46 - Air transport
	47 - Warehousing and support activities for transportation
	48 - Postal and courier activities
	I. Accommodation and food service activities
	49 - Accommodation
	50 - Food and beverage service activities
	J. Information and communication
	51 - Publishing activities
	52 - Motion picture, video and television programme production, sound recording and music publishing activities
	53 - Programming and broadcasting activities
	54 - Telecommunications
	55 - Computer programming, consultancy and related activities
	56 - Information service activities
Basically not included in the scope of study	K. Financial and insurance activities
	57 - Financial service activities, except insurance and pension funding
	58 - Insurance, reinsurance and pension funding, except compulsory social security
	59 - Activities auxiliary to financial service and insurance activities
In the scope of study	L. Real estate activities
	60 - Real estate activities
	M. Professional, scientific and technical activities
	61 - Legal and accounting activities
	62 - Activities of head offices; management consultancy activities
63 - Architectural and engineering activities; technical testing and analysis	
	64 - Scientific research and development

	65 - Advertising and market research
	66 - Other professional, scientific and technical activities
	67 - Veterinary activities
	N. Administrative and support service activities
	68 - Rental and leasing activities
	69 - Employment activities
	70 - Travel agency, tour operator, reservation service and related activities
	71 - Security and investigation activities
	72 - Services to buildings and landscape activities
	73 - Office administrative, office support and other business support activities
Not in the scope of study	O. Public administration and defence; compulsory social security
	74 - Public administration and defence; compulsory social security
	P. Education
	75 - Education
	Q. Human health and social work activities
	76 - Human health activities
	77 - Residential care activities
	78 - Social work activities without accommodation
	R. Arts, entertainment and recreation
In the scope of study	79 - Creative, arts and entertainment activities
	80 - Libraries, archives, museums and other cultural activities
	81 - Gambling and betting activities
	82 - Sports activities and amusement and recreation activities
	S. Other service activities
	83 - Activities of membership organizations
	84 - Repair of computers and personal and household goods
	85 - Other personal service activities
	T. Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use
Not in the scope of study	86 - Activities of households as employers of domestic personnel
	87 - Undifferentiated goods- and services-producing activities of private households for own use
	U. Activities of extraterritorial organizations and bodies
	88 - Activities of extraterritorial organizations and bodies

Annexe 3 – Financial tools for worker and social cooperatives

Not only worker and social cooperatives but also cooperatives in general have developed various types of financial tools for answering their financial needs. As will be examined here, despite of variety of financial tools, main modalities have been 1) to increase the equity capital and 2) to access loan from financial institutions but sometimes from their own members. In countries where the creation and development of cooperatives are considered as having social values, 3) public grants have played an important role particularly in the phase of start-up. However, it has been observed that more and more cooperatives are appealing to 4) donations including crowdfunding in emphasising their commitments to social values and/or to their local community. Discussions on social financing and social investment do not go beyond these four modalities but focus more on the question of how the investment might bring about expected social impact more effectively and by doing so, how to mobilise and motivate various funders having social concerns.

Since 1980s, with the globalised economy where the role of capital has become more important to scale up the business, financial tools beyond members' initial capital have drawn more attention. In this regard, one of the major issues has been about how to attract external investments in keeping the autonomy of cooperatives, how to find appropriate funders and investors who might accept this condition and how to answer investors' concerns on the verification of real social impact made due to their investment. Supplementing public funding which is under pressure, with various financial sources has been also an important driving force in developing these tools. However, it is important to analyse what kinds of financial needs exist and how to strengthen the value of self-help and based on it, autonomy of cooperative before going to external investors. The value of self-help needs to be enlarged beyond individual cooperatives to strengthen the cooperative movement as a base for self-help in a broader scope.

Members' capital investment

- Equity capital _ Members put their nominal capital in their cooperative. Usually, worker and social cooperatives need more significant amount of capital from individual worker-members than consumer/user-based cooperatives which request their members only small amount of capital like an entree fee. There is no standard for the amount of capital in worker and social capital but it is often said that the amount might be equivalent to the sum of one-year salary.
- Sweat capital (common ownership) _ In the UK where there is no minimum capital for creating a cooperative, many worker cooperatives have only one pound of nominal equity capital. At the beginning of business, worker-members mobilise different sources of money and when the cooperative would be stabilised in economic terms with certain assets, these assets are considered as being based on common ownership.

Indivisible reserves

- Indivisible reserves are often reported as an important instrument for self-strengthening cooperatives' capital. Although they might be made by decision of individual cooperatives, in some countries, such as Italy, Spain and France where worker and social cooperatives are well developed, the indivisible reserves are compulsory in the legislation and are not considered as taxable income. Even the legislation defines minimum percentage for the amount which should be allocated to indivisible reserves.

Italy	Minimum 30 percent of surplus
Spain	For surplus from the transaction with members, minimum 20 percent of surplus, for profit from the transaction with non-members, minimum 50 percent of profit
France	Minimum 15 percent of surplus until indivisible reserve will reach the same amount of equity capital. For the case of collective interest cooperative, it is 57.5 percent.

In the event of liquidation, in France and Spain, cooperatives can decide where they would allocate the indivisible reserves (usually to federations, other cooperatives or local associations), while in Italy, the legislation defines that the indivisible reserves should go to the development funds managed by cooperative federations.

Financial instruments managed by the cooperative movement

- Many cooperative movements organise their own funds to support member cooperatives as well as new cooperative projects. One of well-known examples in the worker cooperative movement is SOCODEN managed by CG Scop, French general confederation of worker cooperatives. SOCODEN is financed by the contribution of member cooperatives of CG Scop, which is 0.1 percent of their annual turnover and used in forms of loan, investment and guarantee. Although total available amount is not so big, it plays a role as a leverage for calling other financial resources by making cooperatives' project more reliable.
- Whereas SOCODEN is based on member cooperatives' compulsory contribution, more recent example of the Worker Coop Solidarity Fund managed by the UK worker cooperative movement is based on individual cooperators' volunteer-based contribution (1 £ a week)
- In Italy, article 11 of law 59/92 establishes the possibility for national cooperative confederations to create funds for the promotion and development of cooperatives. The three main cooperative confederations set up three funds to manage these resources: Coopfond (Legacoop), Fondosviluppo (Confcooperative) and General fond (AGCI). Affiliated cooperatives are required, in the legislation, to contribute to the funds, with 1) annual contribution equal to 3 percent of the annual pre-tax profits and 2) the residual assets resulting from the dissolution of cooperatives that cease their activities (indivisible reserves). According to the law, these funds should be used exclusively for "the promotion and financing of new cooperatives and initiatives to develop cooperation, with preference given to programmes designed to promote technological innovation, an increase in employment and the development of the Southern part of Italy" (Article 11. 2).

Specific financial tools for providing the equity capital to worker cooperatives

- The participation certificate (*titre participatif*) in France is a specific kind of bond which may legally be subscribed by any natural person or corporate entity and does not give its holder any voting right or any

right to the net assets, but by way of compensation, holders benefit from a minimum fixed remuneration and a variable additional amount indexed to the enterprise's results. It was created by the French saving development law in 1983. Its creation was initially envisaged for public enterprises at the end of the period of nationalisation. Action had to be taken to ensure that enterprises which could not raise funds on the financial markets by issuing equity securities should be able to have a special financial security adapted to their specific legal characteristics. Cooperatives that satisfied this definition would therefore have access to this new product. It was barely used by normal investors but mainly by IDES which is specialised in subscription to this certificate.

- Italy has a similar kind of bond, called cooperative participation shares which only give entitlement to dividend rights in the form of additional remuneration in respect of the other capital shares and pre-emption rights on cooperative's liquidation capital.

Financial instruments with public intervention

- The Institute for Development of the Social Economy (Institut de Développement de l'Economie Sociale, IDES) in France was established in the form of capital investment enterprise in 1983 in order to allow for subscription to the participation certificates. It brought together main financial institutions of the social economy: cooperative banks, mutual insurance companies, cooperative federations and mutual health insurance organisations, in addition to the State. IDES thus forms part of a system of resource mutualisation, as its shareholders do not expect substantial returns from it but sound and balanced management that enables it to generate the resources needed to continue its activity. When it was first established, IDES was endowed with a capital of € 9 million which now reaches € 54 million. The State has always kept a percentage of 25 percent, with the rest of the capital being held either by State agencies (13 percent by the Caisse des Dépôts et Consignations), or by the social economy organisations with a financial activity (cooperative banks and mutual insurance companies). As its main mission, IDES provides equity capital to the social economy enterprises or to their subsidiaries in the form of participation certificates or convertible



bonds. The period of investment is between 7 and 12 years so as to allow enterprises to achieve a decisive step of development. The amount of investment is between € 100,000 and € 1.5 million. Any guarantee is not taken on the assets of enterprise and of its leaders. When the investment is put in place, a

contract and/or partnership agreement providing for governance and liquidity arrangements will be signed between IDES and the enterprise.

- Another example of financial instruments with public intervention is CFI in Italy, which was set up in the framework of the Marcora law.

The Italian Law 49/85, also called the Marcora law, which was introduced in 1985 with the intention of providing support to cooperatives that were created out of private enterprises in a state of crisis, was the result of fruitful collaboration between the cooperative and trade union movements. Law 49/85 provided for the possibility of creating financial enterprises that had received non-returnable public funds in order to participate in the equity capital of new cooperatives that had been set up by workers who had been temporarily been laid off or had been excluded from the employment market.

This intervention could be the equivalent of three times the equity capital underwritten by the members, with an upper limit that corresponded to three years' worth of the short-time allowance given to the workers. In doing this, the State was exchanging costs that it would have had to bear in order to support employment, through the short-time allowance and unemployment benefit, for a type of financing that, if it were successfully implemented by the workers, would turn the State's intervention into a form of participation.

Based on the law, the cooperative federations and the trade unions created CFI in order to promote new cooperatives. CFI sets the aim of only investing in enterprises that are able to present credible business plans. CFI examines the plans very closely, with a particular focus on the initiatives proposed, their possibilities of success, the managerial capacities of the promoters and the capacity of the new initiative to stay on the market, all of which are indispensable conditions that must be in place to enable the workers to guarantee their jobs. CFI has approved regulations that set out its voting rights (the appointment of a representative on the Board of Directors, representation on the Supervisory Board) and economic rights (dividends and the return of the capital invested) to which it is entitled as a member of the new cooperative.

However, in 1997, the European Commission's DG for Competition opened infringement proceedings against the Italian State, declaring the mechanism of the Marcora law to be a form of state aid and therefore incompatible with the EU's competition law. The legal dispute continued until 2001, when the Italian State modified the law with the introduction of law 57/01. Together with its implementing decrees, law 57, which was introduced in 2001, provides for a mechanism that is significantly different to its predecessor:

- The governmental resources are used to underwrite the equity capital of CFI;
- CFI may intervene in worker cooperatives (there is no longer the requirement that cooperatives have been set up by worker who have been made redundant) and also in social cooperatives for financing not only worker buy-out, but also start up, development, consolidation and repositioning projects in existing cooperatives;
- The intervention may take the form of participation in the cooperative's capital or through financing or granting of guarantees;
- The participation cannot exceed the capital held by the worker-members or other third parties or can be two times this amount in the presence of sufficient assets;
- The intervention must be made at market conditions and must provide for an adequate remuneration of the capital invested;

- The equity capital investment is temporary and cannot exceed more than a 10-year period. At least 25 percent of the intervention must be paid back within 5 years;
- The intervention is reserved solely for cooperatives that fall within the parameters used to define SMEs

From 1986 to June 2018, CFI had invested 217 million EUR to support more than 380 cooperatives, of which 220 are worker buyouts, and to create/save around 17,800 jobs, of which 7,999 are worker buyout, and skills which would otherwise have been lost.

Investor-member

- Italian law 59/92 introduced the concept of shares for investor-members, which include dividend rights in proportion to the capital paid, as well as voting rights, such as the right to vote in general assemblies, with the limit of a maximum of one third of the total number of votes and the right to have their own representatives on the administrative body, although these representatives would always be in a minority compared to the representatives of the cooperative members.
- French law of July 13, 1992 opened up cooperatives' capital to outside investors. These investors are not users of the cooperative and they have the possibility of becoming members with a voting right proportional to the capital held within the limit of 35 percent of the total voting rights even if they may hold 49 percent of the capital; this means that they have the possibility of holding the blocking minority, which enables them to ensure that no modification be made to the statutes without their consent in the cooperative in which they have invested. It should be noted that, in order to encourage the inflow of equity capital from other cooperatives, the law of 1992 has raised to 49 percent the limit on holding capital and

voting rights when an investor is a cooperative, the idea being to allow genuine cooperative groups to be formed.

Members' loan to their cooperative

- In Italy, members may participate in the financing of their own cooperative through the provision of voluntary loans (social lending) that are regulated by specific legislation. This notion was first introduced into Italian legislation in 1971. The introduction of law 127/71 regulated the purpose of the loans (to help achieve the social purpose of the cooperative), the limits set for the individual deposits and the rate of interest payable. A cooperative cannot collect loans for a total amount that is higher than three times its net assets. This can be increased to five times of its net assets on the condition that it is accompanied by suitable guarantees for the members providing the loans.

Main reference

Zevi, Alberto, Antonio Zanotti, François Soulage and Adrian Zelaia, 2011, *Beyond the crisis: Cooperatives, work, finance*, Brussels: CECOP Publications

Annexe 4 – Target types and short descriptions (analysed types coloured in orange)

Country	Name of target types	Way of identification	Corresponding model(s)	Context	Description
Philippines	Labour service cooperative	1) Legal or administrative definition	Worker cooperative A		Labour service cooperatives are cooperatives engaged by companies which gets people from the cooperative to provide specific jobs, works, or services. The labour service cooperatives then deploy their employees (who are also the members of cooperatives) to these companies. They seem similar with private manpower agencies. In the labour service cooperatives, the employer-employee relationship exists and is subject to the regulations of Department of Labour (that ensure the welfare and protection of employees).
	Worker cooperative		Worker cooperative B		Workers cooperatives are different from labour service cooperative because worker cooperatives work in the business of their own cooperative. In worker cooperatives, the workers are like industrial partners who may not have employer-employee relationship with the cooperative.
	Transport cooperative		Shared service cooperative		The nature of their cooperative operation is more like pooling their money to get cheaper supply of spare parts, batteries, tires, etc. They also have lending operation where the members can borrow money. However, in most cases, the members own the vehicle and the cooperative operation is limited to that of the ones mentioned. It is almost the same for agriculture cooperatives.
	Small scale mining cooperative		Shared service cooperative		Small mining cooperatives can operate in a government designated mining sites. Since there are many small teams of miners operating their own, the design was for the cooperative to serve as an integrator. The miners who will be members of the cooperative should sell their items in the cooperative and the cooperative will be responsible in marketing and selling their items in bulk. However, according to obtained information, this initial design is not working well. Miner-members continued to do it the old way. It means that they are still selling their items on their own and deal with their former buyers individually. This is often the case when members are desperate for cash flow.

Country	Name of target types	Way of identification	Corresponding model(s)	Context	Description
India (Tamil Nadu and Delhi)	Industrial cooperative	1) Legal or administrative definition	Mixed model	Cooperative types are differently defined in each state. However, there are three categories commonly used across states concerning CIS. Each category has different elements in each state.	Industrial cooperative means a cooperative society which has as its principal object the production of articles or finished goods through or with the help of its members or the provision of service facilities to its members who are artisans, technicians or small producers and include any society which has as its principal object the provision of facilities for the operation of an industrial society (Rule 14 of Tamil Nadu Cooperative Societies Rules, 1988). Usually, (handloom) weavers' cooperatives can be included in this type, although they are also often separately perceived in State Cooperative Rules, official documents, e.g. Indian Cooperative Movement - A Statistical Profile published by NCUI and by the general public.
	Labour contract cooperative		Worker cooperative A		Labour contract cooperative means a cooperative society which has as its principal object the securing and provision of employment of its members by executing works with the help of its members or the through them. (Rule 14 of Tamil Nadu Cooperative Societies Rules, 1988)
	Others		Mixed model		Transport cooperatives are commonly identified across states and they are often separately classified. There are also various kinds of cooperative types which are identified with their specific professions; such as barbers, writers, printing press, tourism, culture etc.
	Participatory enterprise	3) Perceived by stakeholders	Worker cooperative A		In India, there are individual enterprises which operate in a similar way with worker cooperative but do not choose a legal status of cooperative due to institutional complexity. They work mainly in emerging sectors, such as IT industry.

Country	Name of target types	Way of identification	Corresponding model(s)	Context	Description
Republic of Korea	Worker cooperative	1) Legal or administrative definition	Mixed model		Self-sufficiency enterprises are enterprises that are co-founded by beneficiaries of self-sufficiency program - one of the public assistance benefit schemes managed by the government for encouraging people to create worker cooperative style small enterprises or to find their jobs in the labour market. Enterprises may have various legal status, such as partnership of sole proprietors, corporations or cooperatives. In the case of conventional enterprise forms, whereas substantial relationship among workers are similar with that of worker-members in worker cooperative model, they may have different formal statuses such as employers and employees as a formality.
	Social cooperative		Multi-stakeholder cooperative		
	Entrepreneurs' cooperative		Shared service cooperative		
	Multi-stakeholder cooperative		Multi-stakeholder cooperative		
	Self-sufficiency enterprise		Worker cooperative A	There is no specific legal form for self-sufficiency enterprises. In order to be recognized as self-sufficiency enterprises, they should be certified by municipalities according to the self-sufficiency programme.	Self-sufficiency enterprises are enterprises that are co-founded by beneficiaries of self-sufficiency program - one of the public assistance benefit schemes managed by the government for encouraging people to create worker cooperative style small enterprises or to find their jobs in the labour market. Enterprises may have various legal status, such as partnership of sole proprietors, corporations or cooperatives. In the case of conventional enterprise forms, whereas substantial relationship among workers are similar with that of worker-members in worker cooperative model, they may have different formal statuses such as employers and employees as a formality.

Country	Name of target types	Way of identification	Corresponding model(s)	Context	Description
	Worker-owned and managed enterprises	3) Perceived by stakeholders	Worker cooperative A		These are enterprises established before the Framework Act on Cooperative 2012. Whereas workers jointly own a company and operate it democratically, the company has joint stock company regulated by Commercial Law as its legal status. A typical example is Woojin Transportation, a bus company which was taken by workers in 2004 when the company went bankrupt. It has been operated by workers to date, and is planning to be transformed into a worker cooperative. There are 3-4 similar cases.
	SME cooperative	1) Legal or administrative definition	Shared service cooperative (enterprise cooperative)		They are cooperatives established according to the SME cooperative act. Members are SMEs in the same economic sectors.
Japan	Worker cooperative	2) Organized as a movement	Worker cooperative A	There is neither a law for worker cooperatives nor workers' collectives in Japan. They are temporarily using the legal status of NPO or SME cooperatives	Workers cooperatives in Japan are owned and democratically controlled by the worker-members and dedicated to creating jobs to promote the well-being of communities through "associated work" of the members and community residents. Due to the lack of the worker cooperative law in Japan, they are temporarily using several legal statuses such as NPO and SME cooperative (Small and Medium Sized Cooperative Enterprise Law). However, they have increasingly developed as cooperatives having their own principles, rules of capital contribution and profit distribution, one-member-one-voting rights principle, etc. They are organized into the national federation, i.e. Japan Workers' Cooperative Union.
	Workers' collective		Worker cooperative A		Workers collectives are cooperatives having their own cooperative rules and principles, though they are using different legal statuses (such as NPO) due to the legal circumstances mentioned above. Historically, they are established and run by members of consumer cooperatives named "Seikatsu Club". Due to this different historical background, they are not belonging to JWCU but have their own apex organization called "Workers' Collective Network Japan" (WNJ). WNJ now has 340 member organizations, about 8,000 working members and the turnover of one hundred million USD in total.

Country	Name of target types	Way of identification	Corresponding model(s)	Context	Description
	Elderly's cooperative		Consumer/user cooperative	Because there is no law for social cooperatives in Japan, they are temporarily using the legal status of consumer cooperatives.	Elderly's cooperatives are cooperatives providing various care services for their members who are mainly elderly people. They are using the legal status of consumer cooperatives, and thus their members are basically considered as user-members, although many of them are workers in the cooperatives. Historically speaking, JWCU established elderly's cooperatives in Japan during the 1990s, and supported their managements thereafter, so Japan Older Persons' Consumer Co-operative Union, i.e. the national federation of elderly's cooperatives, is belonging to JWCU.
	SME cooperative	1) Legal or administrative definition	Shared service cooperative (enterprise cooperative)		They are cooperatives established according to the SME cooperative act.
Australia	Worker cooperative and work-focused social cooperative	3) Perceived by stakeholders	Worker cooperative A	There is no distinct legal form for worker cooperatives and work-focused social cooperatives, or their recognition within legislation as distinct types. There is no formal Australian cooperative movement position on the definition of these cooperatives. However, there are examples of self-identifying worker cooperatives (and work-focused social cooperatives) in Australia with some consistency in criteria used. The BCCM uses similar criteria in information it provides about worker or work-focused social cooperatives.	<p>BCCM suggests the key features of Australian worker cooperatives are: the purpose is job creation; the main or only membership group is the employees of the cooperative; adherence to cooperative principles (evidenced by registration or constitution).</p> <p>Work-focused social cooperatives may or may not be majority employee-member controlled. For example, Nundah Community Enterprises Cooperative exists to create employment for people with disability. Disabled people employed by the cooperative are members, but the membership is also open to people in the community who support the cooperative's socio-economic mission. The cooperative could theoretically be majority worker-controlled or community-controlled at any particular time under its rules.</p>

Country	Name of target types	Way of identification	Corresponding model(s)	Context	Description
	Shared services cooperatives		Shared service cooperative	The main membership group are self-employed or contractors (i.e. individual workers, but not considered employees under Australian law).	Alongside the many enterprise cooperatives in agriculture, fishing, retail and other sectors, where the members are generally small businesses, there are some enterprise cooperatives where the members are generally self-employed or contractors. The potential trend towards casualisation (the 'gig economy', more workers outside of formal employment relations and law) and the potential growth of platform cooperatives may mean there is growth in shared services cooperatives for the self-employed and contractors. Taxi cooperatives would be another possible example, but often the member will hold multiple taxi licences and be running a small business with those licences (employing/contracting 2 or 3 people to drive taxis with their licence), rather than being a sole proprietor.
	Labour service cooperative		Shared service cooperative		Australia has at least one labour hire cooperative. This type is different as the cooperative provides a service of finding workers to its members who are users of this service.
Sri Lanka	Industrial cooperative	1) Legal or administrative definition			As of 2013, 197 cooperatives with 27,672 members (Department of Co-operative Development, 2013)
	Labour cooperative				As of 2013, 8 cooperatives with 885 members (Department of Co-operative Development, 2013)
	Self-reliance cooperative				As of 2013, 240 cooperatives with 13,506 members (Department of Co-operative Development, 2013)
	Self-employee cooperative				As of 2013, 26 cooperatives with 11,061 members (Department of Co-operative Development, 2013)
China	Cooperatives represented by All Chinese Federation of Handicraft Industry Cooperatives (ACFHIC)	2) Organized as a movement			As of 2010, 3,400 enterprises with 650,000 workers (reported by ACFHIC in 2014)
Vietnam	Industry and Handicraft cooperative	1) Legal or administrative definition			As of 2015, 2,461 cooperatives with 30,540 members (Vietnam Cooperative Alliance, 2016)

Country	Name of target types	Way of identification	Corresponding model(s)	Context	Description
	Construction and production materials cooperative				As of 2015, 948 cooperatives with 20,525 members (Vietnam Cooperative Alliance, 2016)
	Transportation cooperative				As of 2015, 1,062 cooperatives with 91,461 members (Vietnam Cooperative Alliance, 2016)
Iran	Industrial cooperative				As of 2014, 14,311 cooperatives with 252,714 members in mining cooperatives, manufacturing cooperatives and hand-woven carpet cooperatives (Ministry of Cooperative, Labour & Social Welfare, 2015)
	Service cooperative				As of 2014, 20,506 cooperatives with 490,000 members (Ministry of Cooperative, Labour & Social Welfare, 2015)
	Transportation cooperative				As of 2014, 2,168 cooperatives with 179,107 members (Ministry of Cooperative, Labour & Social Welfare, 2015)
Mongolia	Industrial cooperative represented by Central Union of Mongolian Industrial Cooperatives				
Myanmar	Mining production cooperative				As of 2016, 10 cooperatives (Central Cooperative Society, 2017)
	Mining and general business enterprise cooperative				As of 2016, 1 cooperative (Central Cooperative Society, 2017)
	Gem and jewellery cooperative				As of 2016, 94 cooperatives (Central Cooperative Society, 2017)
	Industry and handicraft cooperative				As of 2016, 527 cooperatives (Central Cooperative Society, 2017)
	Tailoring cooperative				As of 2016, 38 cooperatives (Central Cooperative Society, 2017)
Bangladesh	Labour contract and construction cooperative	1) Legal or administrative definition			1,498 cooperatives with 74,586 members (Department of Cooperatives, 2017)
	Weavers cooperative				868 cooperatives with 193,970 members (Department of Cooperatives, 2017)



Annexe 5 – Research partners

Category	Country	Organization	Contributors
ICA members	Japan	Japan Workers' Cooperative Union (JWCU)	Osamu Nakano (Board member / International relation officer, JWCU)
	Korea	Korea Federation of Worker Cooperative (KFWC)	Jeongwon KIM (Social cooperative BEYOND), Hwalshin Kim (Doctoral student, Sungkonghoe University), Jongho Won (HBM Institute), Seungkwon Jang (Professor, Sungkonghoe University)
	Australia	Business Council of Co-operatives and Mutuals (BCCM)	Anthony Taylor (Policy officer, BCCM)
	Philippines	Union of Legitimate Service Contracting Cooperatives (ULSCC)	Vergel M. Hilario (Management consultant)
	India	ULCCS	T. P. Sethumadhavan (UL Education)
	Iran	Rah-e-Roshd	Anahita Eslahpazir (CEO, Rah-e-Roshd cooperative educational complex), Farshid Yousefimoqhadam (worker-member, Barg-e Noo cooperative), Semiramis Shahesmaili (worker-member, Rah-e-Roshd cooperative)
Non-ICA member Cooperative movements	Japan	Workers Collective Network Japan (WNJ)	Hitomi Motokawa (Vice President, WNJ)
Research institutes, individual cooperatives and individual researchers	Hong Kong	Centre for Social Innovation Studies (CSIS), Chinese University of Hong Kong (in partnership with Platform Cooperativism Consortium Hong Kong, PCC-HK)	Tat Chor (Researcher, CSIS), Mei Lin Wu (Executive Director, Hong Kong Women Workers' Association)
	Indonesia	Kopkun Institute	Herliana (Chairman, Kopkun Indonesia), Novita Puspasari (Research deputy, Kopkun Institute), Aef Nandi Setiawan (Junior researcher, Kopkun Institute)
	Indonesia	Indonesian Institute of Cooperatives Development Studies (LSP2I)	Heira Hardiyanti (Researcher, LSP2I), Bimo Ario Suryandaru (CEO, KOSAKTI), Novita Puspasari (Kopkun Institute/ Universitas Jenderal Soedirman)
	Hong Kong	Centre for Social Innovation Studies (CSIS), Chinese University of Hong Kong (in partnership with Platform Cooperativism Consortium Hong Kong, PCC-HK)	Tat Chor (Researcher, CSIS), Mei Lin Wu (Executive Director, Hong Kong Women Workers' Association)
	Malaysia	Ukhwah Malaysia cooperative	Dr Mustapa Kamal bin Maulut (Chairman, Ukhwah Malayisa cooperative)
	India		C. Pitchai (Professor, Gandhigram Rural Institute, Deemed University)

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