

## World Standards of Social Cooperatives

Mainly since the 1970s, the emergence of new types of cooperatives responding to unmet needs, mainly in the fields of the provision of social services and work integration has been observed across the world. In some countries, these new types of cooperatives have gradually obtained their own legal status, under different denominations, such as “social cooperative”, “social solidarity cooperative”, “social initiative cooperative”, “solidarity cooperative” and “collective interest cooperative society”, highlighting the importance of this new phenomenon within the cooperative movement.

As the international organisation representing “industrial, artisans’, service and social cooperatives and cooperatives with worker ownership”<sup>1</sup>, CICOPA organised a two-year consultation process with its members in order to develop a common concept concerning this type of cooperatives. The World Standards of Social Cooperatives are the outcome of this process. They were approved in their substance at the CICOPA General Assembly held in Geneva on 18 November 2009 and in their final form at the CICOPA General Assembly held in Cancun, Mexico, on 16 November 2011.

### 1. Social cooperatives as newly emerging cooperatives in the cooperative movement

**Social cooperatives are one of the main responses of the cooperative movement to people’s emerging needs. Being firmly based on the cooperative’s internationally agreed definition, values and principles, they additionally have their own distinctive characters.**

- Owing to different national and regional contexts, the classification of social cooperatives within the cooperative movement differs from country to country.
- Despite such differences, social cooperatives fundamentally share all the commonly agreed standards of the cooperative model, namely the definition, values and operational principles enshrined in the ICA Statement on the Cooperative Identity (Manchester, 1995) and in ILO Recommendation 193 on the Promotion of Cooperatives (Geneva, 2002). At the same time, they also possess important distinctive characteristics.

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<sup>1</sup> Rules of CICOPA, Art. 1.3.

## 2. Main characteristics

### 2.1 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.**

- Since the origins of the cooperative movement, and in accordance with the above-mentioned internationally-agreed standards, cooperatives in general have been based on people's joint needs and aspirations, and, thence, inherently possess a social dimension, regardless of the type of cooperative. In addition, the seventh cooperative principle clearly mentions the cooperative's concern for community.
- Nevertheless, the general interest mission as a *primary* purpose is an essential characteristic of social cooperatives. The concept of general interest is linked to fundamental human needs in a given territory or community, its scope covering all citizens living in it. Social cooperatives often manage general interest activities relinquished or unmet by the public sector.
- The general interest mission of social cooperatives is directly carried out through the production of goods and services of general interest. The general interest mission of social cooperatives is not instrumental to other purposes, but is their very reason of being.

### 2.2. Non-state character

**In abidance 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 from other entities, independently from the forms and amounts of aid which they might receive, the partnership agreements with state authorities which they could enter into and even representation of state authorities which might exist within their membership.**

- Like all cooperatives, social cooperatives are non-state economic entities based on the free association of persons, despite the fact that activities which they carry out are often financed by the public budget, given the general interest character of these activities.
- If social cooperatives were misused as mere instruments of the public authorities or other entities, their cooperative character as autonomous and independent entities would be endangered.
- If social cooperatives depend mainly on regular public subsidies to carry out their basic mission, it is difficult for them to maintain their autonomy from the public authorities. Therefore, social cooperatives should avoid depending prevalently on regular public subsidies to carry out their basic mission.
- In the same vein, in order to avoid excessive influence and control from public authorities, the voting power of public bodies in the social cooperative's governance structure, whenever public bodies can be members of a social cooperative, should always remain lower compared to private legal or physical persons being members of the cooperative.

### 2.3. Multi-stakeholder membership structure

**A governance structure potentially or effectively based on multi-stakeholder membership is an important characteristic of social cooperatives.**

- The general interest mission of social cooperatives entails that they may involve different stakeholders, such as worker, user, local authorities, different types of legal persons, etc.
- A multi-stakeholder membership structure is a governance pattern in which different types of stakeholders are or can be members of the cooperative and can thus jointly own and democratically control the enterprise. This multi-stakeholder governance structure is an innovative contribution of social cooperatives in developing democratic and participatory management in response to their general interest mission and its effective implementation.

### 2.4. 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 votes in every governance structure. In the case of work integration social cooperatives, at least 51% of the members (disadvantaged workers and other workers put together) should be workers. In both cases, at least 51% of workers should be members. In addition, all the standards of the World Declaration on Worker Cooperatives should apply to worker-members.**

- Whereas, the composition of a multi-stakeholder governance structure can vary according to different circumstances, worker-members should be significantly represented within all possible governance structures, because workers are always one of the main stakeholders of social cooperatives, either as service providers or as beneficiaries of work integration activities.
- A substantial representation of worker-members can represent a strong point for the development of social cooperatives. First of all, it allows workers to better participate in the design and production of the goods and services of general interest, encouraging organisational and technical innovation and workers' motivation. In the particular case of the provision of services to persons, workers play a crucial role as direct service providers, and their level of motivation is a key to ensuring a high quality of services. Secondly, their representation within governance structures can counterbalance and complement the interest of the users.
- In the specific case of work integration type social cooperatives, the integration of disadvantaged workers into the governance structure can guarantee an effective integration process.
- In addition, the accumulated experience has shown that, in order to guarantee a real labour integration while taking into consideration the economic dimension of the enterprise, and in order to avoid an opportunistic utilisation of this form of cooperative, the ratio of disadvantaged workers should be between 30% and 50% of the whole workforce.

### 2.5. 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 (3<sup>rd</sup> cooperative principle), social cooperatives practice limited distribution or non-distribution of surplus. However, this way to apply the 3<sup>rd</sup> cooperative principle should be adapted to each specific context.**

- Since surplus redistribution to cooperative members is done in proportion to the transactions between the latter and the cooperative, it is an adjustment of the transaction price.
- Social cooperatives with a multi-stakeholder membership need to consider different types of transactions with different types of members-stakeholders in the distribution of surpluses. Regardless of the way in which the payment of the transactions is made (direct payment by the user or third party partial or total payment through public schemes), the user-members of the social cooperative may have a higher interest in obtaining an improved service and/or a reduced cost of the service than in benefiting from surplus redistribution, considering the general interest character of the service.
- The non-distribution or limited distribution of surplus in social cooperatives confirms that the general interest mission is their primary goal.

### 3. Recommendations for public authorities

**Public authorities at various levels should consider the following recommendations in their treatment of social cooperatives.**

- 1) The process of institutionalization and of policy design should be based on the opinions and views of stakeholders, especially social cooperatives themselves and their representative organisations if these already exist.**
- 2) As enterprises pursuing a general interest mission, the specificity of social cooperatives should be properly recognized by the public authorities.**
- 3) When they introduce new legislation on social cooperatives, public authorities should consider the present standards which are based on the experience and know-how of actors in the field.**
- 4) When they elaborate policies, in particular in the field of services of general interest, social inclusion, local development and enterprise development, public authorities should recognize the specific characters of social cooperatives.**

- Since social cooperatives carry out missions of general interest, they may be involved in activities that are mainly financed by the public sector and implemented in cooperation with the public authorities.
- The recommendations set out above are not designed to request any form of preferential treatment for social cooperatives, but simply to enable the latter to fully implement their mission of general interest.
- State aid granted specifically to social cooperatives, in particular for the integration of disadvantaged workers, should be understood as fair compensation for the service of general interest provided, including the minor workforce productivity resulting from them, or the additional costs incurred in caring for them.
- Social cooperatives, being actors in the field, should be recognized as an essential partner in the process of policy design.