

Cooperatives Enterprises: A Panacea to Job Creation and Economic Empowerment

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Abstract

A cooperative society is an association of persons who have voluntarily joined together to achieve a common end through the formation of a democratically controlled organization, making equitable contributions to the capital required and accepting a fair share of the risks and benefits of the undertaking, in which the members actively participate. The definition draws a clear line between cooperatives and capital-based enterprises, community based organizations and NGOs (although cooperatives and NGOs share certain common characteristics). This paper examines how cooperatives could help in the creation of jobs and empower our economy if properly established and managed toward its objectives.

KEYWORDS: Cooperative Societies, Job Creation, Economic Empowerment, Nigeria

Introduction

Cooperatives according to Jurger S. (1997) are successful in economic development because they are commercial organizations that operate by a broader set of values than those associated with the narrow pursuit of profit alone. Cooperatives are first and foremost businesses, but at the same time they practice economic fairness by ensuring equal access to markets and services among an open and voluntary membership base. Because they are owned by the consumers of the services they provide, cooperatives tend to make decisions that balance the need for profitability with the greater interests of the community which they serve.

Taken as a whole, the cooperative movement is Africa's biggest non-governmental organization; cooperatives play a significant role in many national economies, and have created a great number of salaried jobs and self-employment opportunities in Africa. Yet, the role of cooperatives in employment creation has been neglected by employment planners, cooperative promotion agencies, social partners and donor organizations alike. In many African countries, cooperatives were considered primarily as tools to execute certain economic or political functions on behalf of the government, not as autonomous, member-based organizations that create and consolidate self-employment. This policy of "incorporation" has done great damage to cooperative development in Africa. Fortunately, government policies towards cooperatives have changed after the economic reforms and the democratization process that have taken place in most African countries. Today, the economic, political, legal and administrative environment of many nations is conducive to the development of genuine, self-reliant and autonomous cooperatives and similar organizations which can greatly contribute to job creation and to the empowerment of the poorest. This opportunity must be seized. The present report shows that African cooperatives have created a sizeable number of salaried jobs; yet, their biggest employment creation potential lies in the field of direct and indirect self-employment Bailey (1992).

Cooperatives do have a comparative job creation advantage over other types of enterprises: they are labour intensive by nature, they are cost-effective because of member commitment and participation, they generate economies of scale and scope through horizontal and vertical integration, they establish links between the informal and the formal sectors, and they put economic and social development on a broader base. Worker-owned cooperatives provide their members with decent, permanent jobs while client-owned cooperatives, which are predominant in the agricultural sector, can stabilize existing self-employment in rural areas; financial cooperatives can mobilize savings among the poorest and thus accumulate capital for productive investment; and social cooperatives provide self-employed workers with a minimum of social security and creating jobs in the social service sector.

Bookman et al (1984) proposes three-pronged strategy to exploit the employment creation potential of cooperatives fully as:

(I) Support To Macro Reforms and To Capacity Building in Organizations That Provide Assistance to Cooperatives: Policy, legal and institutional reforms are still necessary in some countries to create a favourable

climate for cooperative development. The design and implementation of such reforms usually require highly specialized, short-term expertise that development partners should make available. Secondly, many agencies, including NGOs, promote cooperatives and similar associations without having the appropriate expertise. Follow-up programmes to cooperative reforms should therefore include capacity-building at this level.

(II) Inclusion Of Cooperative Development Aspects Into Relevant Development Projects: This refers to investment programmes in infrastructure, agriculture and community development that should be combined with the cooperative organization of beneficiaries, so as to ensure the productive use and proper maintenance of these investments. It also refers to projects that strengthen the informal sector and micro-enterprises; by organizing independent entrepreneurs into cooperatives, one can stabilize their precarious self-employment situation, create additional jobs and build a bridge to the formal sector. Micro-entrepreneurs can establish cooperative networks that produce economies of scale without affecting the independence of their members.

(III) Promotion of Worker-Owned Cooperatives, Social Cooperatives and Financial Cooperatives: Worker-owned cooperatives, which have received very little support until now, have a high potential to create *additional* employment in industry, transport, services and other sectors with relatively small investment; they can also participate in the privatization of public enterprises through workers takeovers. Worker-owned cooperatives can be successful when they have access to appropriate technical assistance and financial institutions. Social cooperatives, which are almost known to Nigeria, can create self-employment opportunities for social workers (in the broad sense) and provide those who are not covered by formal social security schemes with a minimum of social protection. Financial cooperatives have proven their efficiency in mobilizing large amounts of savings and in administering cost-effective credit schemes.

Cooperative action has become even more important in the context of structural adjustment that has, in many countries, adversely affected the rural and urban poor. Cooperatives are not a miracle solution to unemployment and other problems, but they are a development option that must not be neglected.

The Employment Creation Potential of Cooperatives

It is important to underline that most cooperatives are *not* instruments of employment promotion, but enterprises that give their members economic services. This notwithstanding, "cooperative enterprises provide the organizational means whereby a significant proportion of humanity is able to take into its own the tasks of creating productive employment, overcoming poverty and achieving social integration". The present report will demonstrate that cooperatives can effectively create and maintain self-employment in both the rural and urban areas of Nigeria.

Type of Employment

Theoretically, cooperatives can create employment in five different ways:

(a) **Cooperatives as a common workplace:** this is the case when cooperative members work together in a joint production unit. In other words, members have formed the cooperative society primarily as a form of "organized self-employment". Typical examples are collective agricultural cooperatives and small industrial cooperatives.

(b) **Cooperatives as employers:** the case of client-owned cooperatives which employ salaried staff who are *not* necessarily cooperative members. An example is a consumer cooperative that employs storekeepers, cashiers and shop attendants. Such employment effects are often enhanced through diversification, i.e. when cooperatives diversify into activities outside their core business.

(c) **Cooperatives promoting or enabling self-employment:** this is the case when client-owned cooperatives strengthen the businesses or households of their members. A typical example is an agricultural marketing and supply cooperative that provides independent cash crop farmers with essential pre- and post production services.

(d) **Cooperatives inducing wage employment:** jobs are created because of the very existence of cooperatives; this includes governmental cooperative departments, cooperative training institutions and cooperative audit companies.

(e) **Spill over effects:** just as any other business, a cooperative creates jobs in those enterprises with which it maintains commercial relations. A housing cooperative, for example, is likely to create jobs in the building material industry.

The Comparative Advantages of Cooperatives in the Field of Employment Creation and Stabilization by Chavis et al (1990):

i) **Economies of scale:** through the cooperative organization, independent entrepreneurs, rural and urban

households and workers in the informal sector can carry out joint purchasing and marketing operations and thus realize economies of scale.

ii) **Economies of scope:** this refers to the fact that joint production facilitates division of labour and specialization and therefore enhances productivity.

iii) **Increased bargaining power:** the cooperative society combines the offer and demand of its members and thus increases their bargaining power.

iv) **Member participation and motivation:** the active participation of members in the management of the cooperative is likely to reduce costs and thus to enhance cost-effectiveness, and to facilitate capital mobilization.

v) **Membership value** (as compared to shareholder value): the overriding objective of any cooperative is to provide services to members, not to remunerate capital. A cooperative thus aims at preserving the self-employment of its members. The production process in a cooperative is therefore generally more labour intensive than in capital-based companies.

vi) **Representation of interests:** through the (officially registered) cooperative society, members can much better defend their interests than individually, in particular when the cooperative is part of a vertical structure.

vii) **Stability:** Because of risk sharing between members, cooperative societies are generally more stable than individual enterprises.

viii) **Innovation:** one important reason for members to join a cooperative is to learn from others in order to innovate jointly.

ix) **Legal protection:** by joining a cooperative, small scale producers obtain legal protection and limited economic liability.

Cooperatives may exploit these comparative advantages in two different ways:

(A) *Worker-owned cooperatives* formed as joint production units by persons who would not succeed economically as individuals, most often because of the lack of capital or expertise. This includes four sub-options:

(i) The traditional workers' cooperative in industry and agriculture with a joint production unit and no distinction between management and staff;

(ii) The labour-contracting cooperative whose members offer joint services on a contract basis, most often in the fields of public works, construction and forestry.

(iii) The cooperative network of individual entrepreneurs or micro-enterprises through which certain economic functions are organized. Examples are the net control stations operated jointly by independent taxi drivers and organized as a cooperative; such cooperative enterprise networks are the "bottom-up" alternative to the franchise system;

(iv) the employment stock ownership programmes through which employees become co-owners of their enterprise and are thus taking part in management decisions and share the risks and profits of the enterprise.

(B) *Client-owned cooperatives* formed as pre- and post production service centers by individual farmers, traders, craftsmen etc. in geographical regions or economic sectors in which neither the private sector nor the state is active. An example is small scale coffee farmers producing in a remote area of a country that is not covered by marketing boards or private traders.

Prerequisites for Job Creation through Cooperatives

1) *The existence of a favourable climate* for cooperative development. The ILO considers this to be achieved when a country (i) guarantees the freedom of association, (ii) provides the legal instruments allowing cooperatives and similar organizations to obtain an official, recognized status, (iii) clearly draws a line between the management autonomy of cooperatives and the supervisory role of the state, (iv) puts cooperatives on an equal footing with other types of private enterprises and (v) makes technical support services available to cooperatives.

2) *Economic viability:* cooperatives are first and foremost enterprises that must break even. They can play a social role only when their business generates profits. Many cooperatives have failed because no proper economic feasibility study was carried out before their formation.

3) *Commitment and participation:* cooperatives must be based upon the common goal and the common bond of their members. If created from outside, members will not feel committed and will not participate, and the cooperative will fail.

4) *Access to technical support services:* cooperatives are usually formed by disadvantaged of population groups who did not have the chance of a decent education. Therefore, cooperative members need education and training, business advisory services and external auditing to run their joint enterprise successfully.

5) *Access to capital:* just as any other business, cooperatives need access to working and investment capital.

Conclusion

Cooperative action will enable people to organize the economic and social services they need, thus relieving the burden of the state and contributing to the success of economic empowerment; it will make people more aware of their freedom and responsibility to determine and control their own destiny, thus making democratization irreversible; and it will strengthen popular participation and decentralized decision making so as to put national development on a broader base. However, cooperatives need a *conducive environment* before they can play this beneficial role. Such an environment requires a new cooperative development policy that defines the relation between the state and the cooperative movement in a way that respects the principle of cooperative autonomy as well as new cooperative legislation that translates this policy into legal rights and obligations and guarantees the autonomy of cooperatives; A cooperative administration that confines itself to regulatory functions and the establishment or strengthening of the vertical structure of cooperatives and finally, a system of cooperative support services (mainly education and training, business advisory services and external audit) that is largely managed and financed by the cooperative movement itself.

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