

## **The New Standards for Compiling Data on Cooperatives and How It Can Improve Evidence-based Policy Making in the Cooperative Sector**

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## **Introduction<sup>2</sup>**

Cooperatives are a special type of enterprise. They share some of the characteristics of conventional enterprises such as conducting economic market activities on a commercial basis, but they also have special organizational features, such as aiming at serving the needs of user-members who jointly own and democratically control the organization. Cooperatives also adopt specific strategic behaviours, such as providing their services “at cost” to member-clients, buying their inputs at a fair price from member-producers, or creating jobs and offering good work conditions to member-workers, all of this in priority to generating profits.

Cooperatives can play a crucial role in the economy, contributing to the stabilization of markets by addressing market failures, countervailing concentrated market powers, internalizing social costs, reducing information asymmetries, or producing collective or trust goods and services (see Royer 2014). Cooperatives are said to be more resilient in times of crisis (Sanchez Bajo & Roelants 2011). They are also considered important for society, as they can contribute to strengthen democracy, encouraging civil society to take an active role in economic, social and political affairs (Brown 1997).

Such statements can so far only be based on ad hoc studies that cover a limited set of industries for a few countries (ILO 2013b). To verify these at a larger scale, quantitative evidence that cover the whole of the economy for a large number of countries would be needed. However, cooperatives are often poorly represented in national statistics, as reliable, coherent and comparable statistics on cooperatives are missing in most countries (Galhardi 2007). Many countries produce statistics on cooperatives but they tend to cover only a subset of cooperatives, often only in certain industries (ILO 2013b: 4). A global mapping of the available national statistics on cooperatives for sixty-seven countries revealed among others things that there are uneven processes of data collection, that there is a lack of a single legal and operational definition being used, and that classification of cooperatives (in terms of sectors, size, types, etc.) does not in most cases follow any internationally recognized standards (Galhardi 2017).

It appears that the lack of standardized and agreed-upon methodology for data collection is a major impediment to assess the impact of cooperatives in the economy and society as well.

This paper explains the work that was undertaken under the auspices of the International Labour Organization (ILO) and of the Committee for the promotion and advancement of cooperatives (COPAC), work that recently led to the adoption of Guidelines concerning statistics of cooperatives by the International Conference of Labour Statisticians (ICLS) in 2018 and by the ILO’s Governing Body in 2019. The first part of the paper recalls the stepping stones leading to the Guidelines. The second part describes existing practices that justify the need for a more harmonized framework for statistics of cooperatives. The third part exposes the objectives of the Guidelines. The fourth part explains why such statistics are needed. The paper concludes with some challenges still ahead.

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<sup>2</sup> This paper takes from recent work produced in the context of ILO and COPAC initiative on statistics of cooperatives: Bouchard 2018; Eum 2018; Eum, Carini & Bouchard 2018; ILO 2017; Rousselière, Bouchard & Le Guernic 2018.

## **1. Stepping stones towards ICLS and ILO adopting Guidelines concerning statistics of cooperatives**

Within the United Nations system, the ILO is the only specialized agency with an explicit mandate on cooperatives (ILO 2015). In 2002, the ILO recommendation No. 193 concerning the promotion of cooperatives stated that national policies should “seek to improve national statistics on cooperatives with a view to the formulation and implementation of development policies” (ILO 2002). In 2013, at the 19<sup>th</sup> Session of the International Conference of Labour Statisticians (ICLS)<sup>3</sup>, cooperatives were included in the Conference agenda for the first time in its history, recognizing again the need to produce statistics on cooperatives in all countries of the world (ILO, 2013a). Government, workers’ and employers’ representatives reaffirmed the importance of obtaining more comprehensive and internationally comparable statistics on cooperatives.

The Resolution No. 193 was passed with a view to carry out further developmental work on the measurement of cooperatives and carry out pilot studies in a number of countries to test various measurement approaches on collecting data on cooperatives. The Resolution recommended that the ILO, in collaboration with its constituents as well as with a number of national and international partners, carry out further developmental work on the measurement of cooperatives, and in particular on the number and characteristics of cooperatives, members of cooperatives, workers employed in cooperatives and value added by cooperatives (ILO 2013a). Follow up work by the ILO and partners included global mapping of cooperative statistics in sixty-seven countries (Galhardi 2016) as well as eleven country case studies (Eum 2016, Carini et al. 2017).

In a multi-stakeholders workshop organized by the Committee for the Promotion and Advancement of Cooperatives (COPAC)<sup>4</sup> held in April 2016, it was agreed that a core definition of cooperatives within a broader framework to allow international comparability needed to be developed. COPAC also decided to set up and coordinate, in collaboration with the ILO, a Technical Working Group on Cooperative Statistics to improve the quality and accessibility of cooperative statistics. This group adopted in May 2017 a Conceptual Framework for the Purpose of Measurement of Cooperatives and its Operationalization (ILO 2017).

Further work was produced, including background studies on employment (Eum 2018) and valued added (Rousselière, Bouchard and Le Guernic 2018), commissioned by the ILO, and on classification (Eum, Carini and Bouchard 2018), commissioned by COPAC.

A Report on guidelines (Bouchard 2018), commissioned by the ILO, contributed to establish operational guidelines to be used in developing statistics on cooperatives, including employment. This report makes reference to relevant international statistical standards: 2008 SNA, 19<sup>th</sup> ICLS

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<sup>3</sup> The International Conference of Labour Statisticians meets roughly every five years. Participants include experts from governments, mostly appointed from ministries responsible for labour and national statistical offices, as well as from employer’s and worker’s organizations. Observers come from regional and international organizations and other interest groups (<https://www.ilo.org/global/statistics-and-databases/meetings-and-events/international-conference-of-labour-statisticians/lang--en/index.htm>).

<sup>4</sup> COPAC is a multi-stakeholder partnership of global public and private institutions whose members are the International Co-operative Alliance (ICA), the International Labour Organization (ILO), the United Nations Department of Economic and Social Affairs (UNDESA), the Food and Agriculture Organization of the United Nations (FAO) and the World Farmers Organization (WFO).

Classification of work activities by form of work (including volunteer work), and Resolution concerning statistics on work relationships that was to be discussed at the 20<sup>th</sup> ICLS in October 2018. This report was discussed by the COPAC Technical Working Group at his meeting in Geneva in April 2018.

Based on this report, Guidelines concerning statistics of cooperatives were adopted at the 20<sup>th</sup> ICLS in October 2018 (ILO 2018). They were brought on the agenda of the 335<sup>th</sup> Session of the ILO Governing Body, 14-28 March 2019.

## **2. Overview of existing practices**

Data on cooperatives around the world are currently collected in different ways, without a harmonized statistical definition of cooperative, without referring to comparable classifications of types of cooperatives and types of members, or to comparable methodology for measuring workers employed or cooperatives' economic contribution. This results in widely varying statistics and different types of information being collected and prioritized. This means that it is hard to aggregate or compare statistics on cooperatives from one country to another.

### **– Definition**

The existing internationally recognized definition of cooperative used for legal purposes by the ICA and the ILO (ILO 2002 Recommendation No. 193) can be considered the first and only instrument of universal applicability on cooperative policy and law adopted by an international organization. It is a legal definition of a cooperative. However widely recognized, this definition is not meant to be used for statistical purposes as it reflects four of the seven world-wide generally acknowledged principles that guide the cooperative enterprise inspired by the modernized Rochdale Principles: voluntary and open membership, democratic member control, member economic participation, and autonomy and independence from governments and other institutions. It is not expected from cooperatives to follow all these principles to a letter but cooperatives should rely on their respect "in their combination, spirit and totality" (Henry 2012, p. 67). In fact, there is a lack of a single "legal" definition of cooperatives in some countries (e.g. UK, Australia and Japan) or of an operational definition in others (Galhardi 2017: 6).

On the other hand, there is a statistical definition of cooperative provided in the System of national accounts (SNA), a system of international accounting techniques for preparing national accounts (European Commission et al. 2009). The 2008 SNA consists of an integrated, compatible and consistent set of accounts, balance sheets and tables based on definitions and concepts, classifications and accounting rules agreed at international level. The system comprises a comprehensive accounting framework in such a way that the resulting data give a snapshot of the economic performance of a nation that can be used in economic planning, policy making, analysis and decision making. A definition of cooperative is provided in the SNA through various articles. Overall, the 2008 SNA definition does not cover all types of cooperatives, namely leaving out worker cooperatives (ILO 2017).

### **– Types of cooperatives**

There is no standard typology of cooperatives used by national statistical agencies or other national authorities responsible for the production of statistics on cooperatives. Classifications of cooperatives do not follow a standard international system and, in many cases, even a common

national classification (or even definition) within a single country. Number of types vary greatly, some having up to 17, such as in Argentina, others 4, as in the US (Galhardi 2017). Drawing from eleven case studies (Eum 2016, Carini et al. 2017), a total of 202 different types of cooperatives were identified. These classifications often do not follow a standard international classification or even common national classification which prevents comparison across countries and between regions (Galhardi 2017). “Given the large range of types of cooperatives, it is essential for statistical purposes to group them into homogenous groups in a well-structured classification that needs to be coherent with the existing framework for producing labour statistics” (ILO 2013b, p. 9).

#### – Types and number of members

According to the ICA, a cooperative is an enterprise where ownership, control, and benefit are all held by the same group of people: the cooperative members. Members can be employees, producers, clients, supporter- or community- members, depending on the type of cooperative. Different typologies of members are in usage, some relying on the member’s activity in relation to that of the cooperative (consumer, provider, worker), others on the member’s activity (e.g. farmer, taxi driver), personal characteristic of members (e.g. women, youth), number of members (multistakeholder), etc. Member typologies are not uniform and vary from one country to another. Also, measuring the total members of cooperatives poses the issue of double-counting, as persons may be members of more than one cooperative.

#### – Economic contribution

Resolution No. 193 (ICLS 2002) recommended further developmental work on the measurement of value added by cooperatives. However, there are difficulties in measuring the economic contribution of cooperatives by using value added measurement (ILO 2017). This indicator is not suited to measure without ambiguity successful cooperatives, as it can be done to assess companies. Cooperatives maximize the welfare of their members, leading to downward biased value added (to the exception of worker cooperatives). Other approaches are needed to better reflect the economic contribution of cooperatives (Rousselière et al. 2018).

#### – Employment

There is no internationally agreed methodology to measure employment in cooperatives, including volunteer work. Existing numbers reflect approximate information on cooperative employment and on its different forms. The CICOPA 2017 updated report on employment (Eum 2017) highlights the empirical difficulties through the data collection process. It is necessary to understand and describe the different forms of work and employment in cooperatives and how they are consistent with the international standards on statistics of work, namely the Resolution concerning statistics of work, employment and labour underutilization adopted by the 19<sup>th</sup> ICLS (ICLS 2013); and the International Classification on Status in Employment (ICSE-93) (ILO 1993)<sup>5</sup>.

#### – Data collection

The degree of formal inclusion of cooperative principles in legal frameworks as well as the quality and availability of data vary from one country to another, making it difficult to establish a global systematic picture of the cooperative population.

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<sup>5</sup> Revision of ICSE was ongoing during our work and this we taken into account in our work. The Revised ICSE was adopted at the 20<sup>th</sup> ICLS in October 2018 (ICLS 2018).

### **3. The objectives of the guidelines**

Guidelines concerning statistics of cooperatives (ILO 2018) aim to guide countries in updating and integrating their existing statistical programmes on the activities of cooperatives. Guidelines define the statistical concept of cooperative for reference purposes and provide operational concepts, definitions and data collection strategy for producing statistics on cooperatives. The guidelines should serve to facilitate the production of cooperative statistics for different purposes as part of an integrated national system that is based on common concepts and definitions. This will provide an adequate information base for a wide range of descriptive, analytical and policy purposes, taking specific national needs and circumstances into account.

The Guidelines clarify the definition of cooperative for statistical purposes. It operationalizes cooperatives principles. Four types of cooperatives compose a classification based on members' main interest with regard to the cooperative. This classification can be used to aggregate more granular types of cooperatives as found in national classifications of cooperatives. It also is compatible with classifying cooperatives also by their main economic activity according to national classification compatible with the International standard industrial classification (ISIC).

The Guidelines recognize that both persons and legal entities can be members of more than one cooperative. Cooperatives therefore have memberships that may not be mutually exclusive, but membership may be important for groups or types of cooperatives.

The Guidelines provide a framework to collect information on work by members and non-members of cooperatives, with reference to ICSE-93 and to the Resolution concerning statistics on work relationships adopted at the 20<sup>th</sup> ICLS. Guidelines also provide indications for data collection, tabulation and analysis.

To assess the economic contribution of cooperatives, the Guidelines acknowledge that it is important to take the characteristics of different types of cooperatives into account. Different measures of this contribution may be needed depending on the type of cooperative (and thus the interest of the members). For this purpose, information should be collected on employment, revenue, value added, assets, liabilities, the use of profits or surpluses, investment and the earnings of workers within the scope of statistics on cooperatives. Information should also be collected on the (share of) transactions with members and non-members (Rousselière et al. 2018, ILO 2018).

In developing their cooperative statistics, countries should endeavour to incorporate these guidelines in order to promote international comparability and to permit the evaluation of trends and differences for the purpose of labour market and economic and social analysis.

### **4. Why do we need guidelines for statistics of cooperatives**

Statistics are needed for monitoring the socio-economic impact of cooperatives on members, workers and the economy. There is a need for a better recognition of the economic and social impacts of cooperatives by governments and people, improved policies for a model that shows to be valuable in terms of its resilience to crises, as sources of employment and social welfare, etc.

Without similar data, international compatibility is not possible. This causes a risk of misrepresentation of the cooperative world with few hard figures on the number of coops, workers, members,

and share of the GDP.

The system of statistics should:

- facilitate the assessment of the size and scope of cooperatives' activity in the economy;
- enable more comprehensive and internationally comparable statistics on cooperatives;
- provide information on various aspects of cooperatives' contribution to the follow-up and implementation of the 2030 Agenda on Sustainable Development Goals (SDGs), especially job creation, poverty reduction, resources mobilization, investment generation and contribution to the economy;
- inform the design and monitoring of specific support policies and assistance programmes for the cooperative sector as a whole and for its subsectors; and
- facilitate analysis of the economic and social situation of particular groups of workers in this sector such as women, rural and urban population, youth and the elderly.

Each country should aim to develop its system of cooperative statistics to provide an adequate information base for the various users of the statistics, taking account of specific national needs and circumstances. Such a system should be designed to achieve a number of objectives, in particular to:

- monitor the number and types of cooperatives in economic activities;
- monitor and measure the size of their membership;
- measure their contribution to work and employment; and
- estimate their economic performance.

To serve these objectives, the system should be developed in consultation with the various users of the statistics and in harmony with other economic and social statistics and be designed so as to provide current statistics for short-term needs and statistics collected at longer intervals for structural and in-depth analysis and as benchmark data:

- choices regarding the concepts and topics covered and their different frequencies of measurement and/or reporting will depend on their national relevance and the resources available;
- each country should establish an appropriate strategy for data collection and reporting, that ensures the progress and sustainability of the system.

## **Conclusion**

Many challenges need to be addressed and choices need to be made in order to move forward in the production of robust, relevant and harmonized statistical data about cooperatives in the world. The particular nature of the cooperative is the main reason explaining the measurement challenges this paper has outlined. Many of these have to do with the variety of organizational forms, legal frameworks and cultural environments in which cooperatives develop. Of course, this can be also said of other types of entities, namely of non-profit institutions. But because cooperatives are vested by social values and aspirations, which are periodically re-affirmed by cooperators in their everyday life as well as by apex and international organizations representing them, and because cooperatives play very specific roles in the economy, it is important to represent them adequately in official statistics. It is only through harmonized, coherent and comparable data on cooperatives that we will be able to adequately measure their contribution.

Aside from the usual arbitration between cost and quality of the collected information, measuring cooperatives also implies using the appropriate sources and the adequate measurement tools. These need to be sophisticated enough to capture the specific features of the cooperative, but also sufficiently standardized to make the work feasible at the national statistical organizations' level. This could seem like trying to square the circle. A solid understanding by national statistical offices of what a cooperative is, and better knowledge by cooperative stakeholders of how statistics are constructed, are the keys to overcoming such obstacles.

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