



International
Labour
Office

Information note

A better future for young people What cooperatives can offer

Too many young people are experiencing a dangerous mix of high unemployment, increased inactivity and precarious work, as well as persistently high working poverty. The cooperative form of enterprise provides young people a means to create their own employment, find jobs with enterprises that often align themselves with their own values, and participate as member-owners of enterprises where their voice is heard.



Youth employment crisis

Close to 75 million young people are out of work, and an increasing number of young people “neither in employment nor in education or training” especially in more developed countries. This decent work deficit does not only put young people at risk, but entire societies are at risk of seeing increasingly social conflicts and political unrest due to the lack of job opportunities. Not only do underutilized young people incur significant losses by not fulfilling their potential, but this underutilization of young people in the labour market can trigger a vicious circle of intergenerational poverty and social exclusion.

Young people face specific challenges in entering the work force. Their lack of professional experience may plunge them into the “experience trap”. They are unable to get a job, and so they are unable to gain professional experience that would allow them to get a job. During economic downturns, young people can be the last to be hired (due to lack of experience) and the first to be dismissed (due to lack of tenure), on the basis of the ‘last in, first out’ principle.

Inadequate quality and relevance of education and training can strongly affect the length and quality for school-to-work transition of young people. The lack of alignment between the education system and the needs of employers generate a mismatch between supply and demand of labour. Consequently, young people struggle to find a job that suits their qualifications, and employers fail to recruit the graduates with the right skills set. In developing economies where 87 per cent of the world’s youth live, often underemployed and working in the informal economy under poor conditions, the challenge is also to improve the quality of jobs available to them in addition to generating new employment opportunities. Girls and young women are often particularly disadvantaged, and although gender gaps in education are narrowing, in most regions these gains in educational attainment have not translated into equal opportunities in the labour market.

The Decent Work deficit

Today, there are an estimated 1.2 billion young people between 15 and 24 years old, the largest generation of young people the world has ever known.

In 2012, close to 75 million young people out of work, 4 million more than in 2007. For those that are working, over 200 million earn less than US\$ 2 a day.

Youth are almost three times as likely to be unemployed than adults.¹

The cooperative option

Cooperatives are principle-based enterprises that put people, rather than the pursuit of profit at the centre of their business. Because of this they follow a broader set of values than those associated purely with making a profit- namely self-help, self-responsibility, democracy, equality, equity and solidarity. The democratic nature of the cooperative enterprise encourages participation, broadens ownership and fosters empowerment of youth. Indeed, young people often cite that it is the cooperative values and principles that make cooperatives attractive to them both a means to create their own enterprises or as a potential employer who will provide them “decent work”.

What is a cooperative?

A cooperative is an autonomous association of persons, united voluntarily to meet their common economic social and cultural needs and aspirations through jointly owned and democratically controlled enterprise. Cooperatives are guided by a set of ethical values which include honesty, openness, social responsibility and caring for others.

Employment opportunities

It is estimated that cooperatives provide 100 million jobs world-wide. Although the exact proportion of youth in this total is difficult to determine, cooperatives are clearly a significant source of employment creation.

The cooperative model of enterprise contributes to youth employment not by only providing salaried employment, but also facilitating job creation through self-employment. The model lends itself to both rural and urban areas and for persons of all academic and skill levels including recent graduates who have limited prospects of finding jobs.

For those seeking salaried employment, it is particularly attractive in countries where young people entering the job market seek work that responds to both their economic needs, but also to their desire to work in businesses that are responsive to people's needs, embrace democratic practices in workplace and are responsible enterprises.

For those that are looking to start a business, cooperatives enable young people to pool often limited financial resources with knowledge in an enterprise that can respond to nearly every need and productive activity. The cooperative form of enterprise is an option for young people as it has low capital requirements, limited liability, and in cases where members are also employees, the flexibility of self-employment. This self-employment option is particularly important for young people to enter into the labour market when faced with problems of finding a first job due to lack of opportunities or lack of experience.

Cooperatives also play a role in formalization of informal employment through collective voice and economies of scale and extension of social protection. In Africa the entrepreneurs' cooperatives are showing signs of growth, where small and medium businesses, many of which are informal, come together to form a cooperative to share services.

Cooperative start-ups, skills and training

Cooperatives are not systematically part of business development services offered by governments at the national or local levels. Similarly the inclusion of cooperatives as a subject matter in school curricula at all levels is still insufficient. These gaps limit young people's ability to choose the cooperative option to doing business.

To fill this gap, cooperatives in many countries offer cooperative entrepreneurship training and education. In line with the cooperative principle of education and training, many movements maintain their own cooperative colleges and training centres to enable continuing education and training, while others support or partner with academic institutions for their training needs. This commitment to education and training builds competence for members and employees allowing for job mobility and advancement both within the cooperative as well as skills that they can also carry with them to other enterprises. In some cases, this capacity-building can also be linked with support for cooperative start-ups in the form of business advisory services and access to finance.

Cooperatives also facilitate school-to-work transition by providing on-the-job training to young people through internship or apprenticeship programmes. In offering a combination of career-related work experience and

advanced employability skills, cooperatives invest in youth, offering first exposures to the world of work and breaking the “experience trap”. For example, in Ontario, Canada, a survey undertaken by the cooperative movement confirmed the effectiveness of their internship programme. Nearly 60 per cent of the interns that they had engaged found full time or contract employment with cooperatives following the completion of their 26-week internship.² In Italy, an innovative programme that places young people in cooperatives and other social enterprises as part of their civil service requirement has allowed exposure to cooperative business culture and education and resulted in 10 per cent of the participants seeking and being employed by the cooperative.³

For young people still in school, combining work experiences and school-based education through school cooperatives introduces young people to the cooperative model of enterprise while providing exposure to the skills needed in running a business. These cooperatives can be made up of students in educational institutions (primary, secondary, technical schools, universities). They are often organized as consumer cooperatives making school supplies, uniforms and books available at reasonable prices; they can organize cafeterias, snack shops, or be involved in production. School cooperatives can also offer basic financial services for savings and micro-credit and in doing so introduce basic financial literacy. Young people run the enterprise and gain valuable pre-employment experience by exposure to skills and entrepreneurial culture. Supported by their academic institutions, teacher associations and parents, school cooperatives are found in all regions and are especially strong in Asia and in particular Malaysia, the Americas and Europe.

**Mohale Hoek Primary School
Horticultural Co-op (Lesotho)**

Students not only learn how to grow vegetables, market and sell their produce, but also put in practice the principles of self-help and care for the community. They sell their produce to the school cafeteria to improve the nutritional composition of school meals, as well as to the local community. A part of the proceeds from their sales helps support fellow students who are orphaned or come from families who cannot afford school meals, books and uniforms.⁴

In some countries, young people may also access cooperative entrepreneurship training through national youth employment programmes. In Panama, the Ministry of Labour’s (Ministerio de Trabajo y Desarrollo Laboral MITRADEL) included a cooperative module in its ‘my first job’ (*Mi primer empleo*) programme in 2010. The programme provides unemployed youth (18-29) with cooperative entrepreneurship training and education. Over 500 young people have been trained and new cooperative enterprises have been created.⁵ In Morocco, the government is providing recent graduates advisory series, capacity-building, and access to credit to facilitate the establishment of ‘coopératives des lauréats’ or cooperatives of young graduates. Found in all sectors of activity, these cooperatives have seen a 38 per cent increase since 2005 and in 2010 represented 3.55 per cent of the national cooperative movement.⁶

Financial support and investment in the future of youth is also provided by cooperatives through scholarships and bursary programmes for academic studies and skills development contributing to future employability. One example is the Kilimanjaro Native Cooperative Union (KNCU) in Tanzania, which has been a pioneer in supporting secondary educational expenses of the orphans and vulnerable children of its members. Its seven-year programme (2006–2012) is financed through premium revenues KNCU generates from sales of members’ coffee through Fair Trade.⁷ In many OECD countries the movement provides scholarships to support undergraduate study at universities and polytechnics with the aim of attracting and developing suitable talents for the movement.

Finally, cooperatives and cooperative promotional institutions around the world run specific youth promotion programmes including summer camps and activities that introduce the concept of cooperation and cooperatives in an activity based setting. They are also working with ministries in charge of education to include the teaching of cooperatives in schools so that young people are aware of the different enterprise models that are available to them.

Accessible and affordable services

Cooperatives do not only provide jobs or entrepreneurship opportunities, but also essential services. Operating across the world in nearly all sectors of the economy, young people can benefit from accessible and affordable products and services that cooperatives offer for their members and the communities in which they operate, such as food and consumer retail, financial services, health and social care, housing, transport,

communications, utilities, mobile phone and internet services. As members they also have the opportunity to influence the types of services available and terms on which they are offered.

One area of particular importance is access to finance for young people who wish to start their own businesses. According to the World Bank 2.5 billion people and 400 million businesses worldwide do not have access to financial services and products needed for growth.⁸ Youth are 33 per cent less likely to have a bank account and 40 per cent less likely to have formal savings and less than five per cent of youth have access to financial services in Sub-Saharan Africa.⁹ Financial cooperatives¹⁰ as the second largest banking network worldwide with 45 per cent of their branches in rural areas and with a proven history of resilience in times of economic and financial crises, play a pivotal role. They support the creation and growth of all forms of business by providing access to financial services including credit. Many have introduced specific services to cater to the needs of young people and young entrepreneurs to allow them to start, maintain and grow their enterprises – cooperative as well as other forms of business.

The way forward

The scale and impact of the current youth employment crisis on the future of young people and societies is a call for immediate action. While cooperatives are already playing a role in helping young people take their lives into their own hands, there is great potential for further development. Jobs, affordable products and services, opportunities to start a business and the ability to have a voice in how enterprises not only perform economically, but also act within their communities, are possible through cooperative enterprises.

Gaps in information on cooperatives limit the ability of young people to choose the cooperative enterprise option.

To enable young people to fully take advantage of the cooperative enterprise option, a number of challenges need to be addressed. In many countries cooperatives are not included in school curricula, and so young people do not have the opportunity to learn about the form of enterprise during their studies. Existing mainstream entrepreneurship education and business support services also neglect the cooperative model. Even when the cooperative form of business is introduced to potential members, promoters often underestimate the need for capacity building, business management skills, and specific training in cooperative governance. On the enabling environment front, existing policy and legislation continues to limit the formation and growth of cooperative enterprises. In the case of youth cooperatives, for example, the formation of school cooperatives can pose particular challenges when minimum age requirements to the formation of cooperatives are fixed.

The International Labour Organization (ILO) Recommendation 193 on the Promotion of Cooperatives can provide guidance to the major cooperative stakeholder on what measures should be taken. With the right support and progress in addressing the challenges, advances can be made to ensure that the right conditions are in place so that the cooperative model of enterprise can improve livelihoods and help break the barriers which young people face in taking their place in society.

Cooperatives can offer a better future to young people.

Notes

1. ILO. *The youth employment crisis: A call for action*. 2012. Available at: http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_185950.pdf
2. Ontario Cooperative Association Co-operative Internship & Experience Programme. Available at: http://www.ontario.coop/programs_services/lifelong_coop_learning/cooperative_internship_experience_program
3. Servizio Civile Nazionale (Scn) – Information provided by Legacoop Italy.
4. Sam Mshiu. Youth Cooperative Initiatives in Africa (unpublished).
5. Information provided by the Instituto Panameño Autónomo Cooperativo (IPACOO), Panama.
6. Coop^{AFRICA}. *Fair Trade - Fair Futures: The Kilimanjaro Native Cooperative Union scholarship programme for children made vulnerable by AIDS*. 2009.
7. Zouhir, Hayat. "Les coopératives des jeunes diplômés: une expérience d'auto-emploi qui s'affirme" in *Revue Marocaine des Coopératives*, No. 1 2011.
8. World Bank. *Who are the Unbanked?* 2012. Available at: <http://go.worldbank.org/QMN11VEEX0>¹
9. The MasterCard Foundation (2010). Available at: <http://mastercardfdn.org/Projects/uncdf-youthstart>
10. *Financial cooperatives* is used to refer to savings and credit cooperatives, SACCOs, credit unions and cooperative banks.

