Message of the International Co-operative Alliance (ICA)

91st ICA International Co-operative Day
19th UN International Day of Co-operatives
6th July 2013

"Co-operative enterprise remains strong in time of crisis"

This year’s International Co-operative Day celebrated July 6, 2013 has the theme “Co-operative enterprise remains strong in times of crisis”. It is an apt theme when one considers how other forms of business measure up when faced with current global economic struggles.

Investor owned business models currently suffer from a crisis of unsustainability in economic and social and environmental terms while the co-operative model has demonstrated time and again that it is resilient in times of crisis.

The financial crisis was an epic example of the perils of valuing short term gain over longer term viability. The global crises we have faced derive from a business model that puts financial return ahead of human need; a model that seeks to privatise gains and yet socialise loses. There is considerable evidence that a diversity of ownership models contributes to a more stable financial sector as a whole. By placing human need at their core, co-operatives respond to today’s crises of sustainability and deliver a distinctive form of “shared value.” Furthermore the co-operative model does not fall victim to the lure that has afflicted capitalism for more than twenty years in which financial performance is the central indicator of good business. Quite simply a co-operative is a collective pursuit of sustainability for it seeks to “optimise” outcomes for a range of stakeholders without seeking to maximize the benefit for any one stakeholder.

This also means that as times become more difficult the entire workforce is viewed as vital to the well-being of the co-operative, not just a few people at the top. Certainly another area in which the global public has been buffeted is in the practices and ultimately the closing of many big banks. What were considered venerable institutions safe for investment and deposits too often have been shown to be weak and poorly run. Financial co-operatives however have often fared far better. Savings and credit co-operatives, co-operative banks and credit unions have grown; kept credit flowing especially to small and medium sized enterprises, and remained stable across regions while indirectly creating employment. It is their unique combination of member ownership, control and benefit that is at the heart of their resilience and that provides a series of advantages over its competitors. With financial co-operatives representing an astonishingly large slice of the global banking market, it is important to better understand the model.

A recent report distributed by the International Labor Organization (ILO) and written by Professor Johnston Birchall, examines financial co-operatives from their origins in Germany in the 1850s to the global movement they represent today.

Birchall explained in an interview with ILO how before the crisis, economists said financial co-operatives were bound to be less efficient than investor-owned banks because they did not reward their managers with shares. However, the crisis has proved that financial co-operatives
were less likely to risk as much as PLC banks, particularly because their managers did not receive a share of the profits.

"Stability and the aversion to risk are built into the DNA of financial co-operatives. They make surpluses and they need to, otherwise they wouldn’t be businesses. But what they do with those surpluses is put them into the reserves, which means they are very strong financially and they don’t tend to have problems with the capital requirements of the regulators.

"In credit unions in other parts of the world you can see that they didn’t even face a drop in 2008. They didn’t notice the banking crisis; they just kept on growing slowly, regularly, not dramatically."

Another benefit of co-operatives in times of crisis should also not be overlooked: its social dimension. As economies shrink and pressure is put on governments to reduce social benefits, co-operatives often provide an invaluable lifeline. In short co-operatives contribute to the social capital in ways that investor owned businesses do not. Co-operatives may also be critical in delivering services such as health care centres that would otherwise come from private insurance or the state or may not be provided at all as state budgets shrink.

And of course one should not overlook a key benefit of consumer co-operatives: the ability to offer the public lower costs for food and other essentials – so vital when consumers’ paychecks are shrinking or they have none.

This International Day of Co-operatives July 6, 2013 gives us an opportunity to reflect on all that co-operatives have done in hard times and in good times and to redouble our resolve to ensure that this values based business model continues to draw more attention and support globally. It is a model that works time and again.