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The Centre of Excellence in Accounting and Reporting for Co-operatives (CEARC) in the Sobey School of Business at Saint Mary's University was created because the co-operative business model, with its unique business purpose, values and principles, is not adequately served by the same approach to accounting used by investor-driven firms.

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Letter from the Editors

In this issue of IJCAM we are pleased to publish five papers. The issue starts with a paper by Fernando Polo-Garrido, Universitat Politècnica de València, Spain and Karel Fouché, University of Pretoria, South Africa. This paper is entitled: *Cooperative Identity: A Review and Future Research Agenda*. The authors conclude that while cooperatives in some industries and countries are successfully linking sustainability principles with their cooperative identity, the importance of educating the public and own members on cooperative principles is necessary to ensure the resilience of cooperative identity. The next paper is by Dr. Jürgen Schwettmann, Independent Cooperative Development Specialist, Germany, entitled *Cooperatives and the Social Economy: Facilitating the Transition From the Informal to the Formal Sector*. It examines the vast informal sector in African societies. The third paper is authored by Stephen Gill, CEO of VME Co-op. This paper was written as his Final Research Project in Saint Mary's University's Master of Management in Co-operatives and Credit Unions. Gill's paper, *Redefining Member Economic Participation: The Potential of Pension Contributions in the Cooperative Economy*, argues for the development of cooperative financial instruments to funnel investment from 'friendly' cooperative investors, under existing guidelines for cooperative principle three, member economic participation. The fourth paper by Sandi Stewart, PhD Candidate, University of New Brunswick, provides a *Literature Review on Measuring and Reporting on the UN Sustainable Development Goals by Co-operatives*. The final paper by William Cotter, Frank Lee, Bill Taylor and Adrian Miller of the Institute for Collaborative Working, UK, examines *Structured Collaboration: Realising Opportunities in the Credit Union Sector*.

Call for Papers: Two Special Issues

1. **Indigenous Co-operatives**: In addition to our regular edition of IJCAM in 2025-26, we are also issuing a call for a special edition focusing on Co-operatives and Indigenous Issues.

2. **Reporting on Co-operative Sustainability**: ICA CCR Global Research Conference, Montreal, July 8 -11, 2025. Authors presenting papers in Stream 16: Reporting on Co-operative Sustainability will have an opportunity submit their paper to this special issue.

- Submissions for both Special Issues are due December 31, 2025.

Papers related to management topics should be submitted to Peter Davis: pd8@leicester.ac.uk and those focusing on accounting and reporting should be submitted to Daphne Rixon: daphne.rixon@smu.ca.

Daphne Rixon
Editor-in-Chief

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Senior Editor

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Cooperative Identity: A Review and Future Research Agenda

Professor Fernando Polo-Garrido, Universitat Politècnica de València, Spain
Karel Fouché, University of Pretoria, South Africa

Abstract: For the purpose of revisiting the appropriateness of cooperative identity, principles and values, we have performed a structured literature review. Despite evidence found that cooperative identity relates to the principles of sustainability, the importance of the reliable measurement and reporting on the achievement thereof has also been identified. Although cooperatives in some industries and countries are successfully achieving these objectives, the importance of educating the public and own members on cooperative principles is highlighted as necessary to ensure the resilience of cooperative identity. It also seems that empirical papers provide limited information on how to address a redefinition of cooperative principles and values, and isomorphic pressures on cooperative values

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Karel Fouché is a Senior Lecturer at the University of Pretoria in South Africa and registered as a Chartered Accountant at the South African Institute of Chartered Accountants. Karel is currently enrolled for the Doctoral Program in Business Management and Administration at the *Universitat Politècnica de Valencia*, under the guidance of Professor Fernando Polo-Garrido.

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Keywords: Cooperative Identity, Principles and Values, Countries, Industries, Isomorphism

1. Background

Cooperative enterprises have been addressing the economic, social and cultural needs of individuals and communities since the 17th century (International Cooperative Alliance [ICA], 1995). The cooperative movement has survived global events over past centuries, including industrialisation, two world wars and more recently the financial crisis of 2008. The time has however come to revisit the appropriateness of cooperative identity as a means to ensure resilience, in spite of the economic, social and environmental challenges in a world that is also known for new technologies, and sustainability-, inequality- and discrimination-related issues (Wilson et al., 2021). Moreover, during the 33rd World Cooperative Congress of the ICA (33rd ICA Conference) cooperative members from all regions and sectors globally, were advised to adapt their cooperative identities to meet demands of current times, whilst also guarding the cooperative ethos (Hoyt, 2021). It therefore seemed appropriate to review the body of literature and research on cooperative identity, and to address the following issues: What are the cooperative values, identity and principles? How are cooperative values, identity and principles applied by cooperatives in different countries and sectors?

The story of the Rochdale Society of Equitable Pioneers that has inspired cooperatives since the 19th century led to the establishment of the famous Rochdale Principles. The impoverished weavers in the small English town of Rochdale, who established the Rochdale Society, thereby illustrated how to develop a successful organisation while achieving mutual benefits for members and laid the foundation for cooperatives' principles (Fairbairn, 1994; Zeuli,

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Cropp, & Schaars, 2004). The ICA, established in 1895, struggled with the definition of cooperation during the interwar period; after many controversial attempts, in 1934 they defined the Rochdale principles as follows: "Open membership, democratic control, distribution of the surplus to members in proportion to their transactions, political and religious neutrality, cash trading and promotion of education" (Hilson, 2011; Miller, 1937).

In 1966, the ICA updated these principles. The most significant changes included: cash trading fell away; more guidance and prescriptions were provided on surpluses and share capital; and consideration for the community obtained substance in a new principle (Fairbairn, 1994). Today, globally, cooperatives are operating according to the Cooperative Values and Principles, adopted by the ICA in 1995. These values include "self-help, self-responsibility, democracy, equality, equity, and solidarity". The ICA Principles, according to which these values have been put in place, include: "1. Voluntary and open membership; 2. Democratic member control; 3. Members' economic participation; 4. Autonomy and independence; 5. Education, training and information; 6. Cooperation among cooperatives; 7. Concern for the community"(ICA, 1995).

According to the ICA's Statement of Cooperative Identity, a cooperative is an "autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically-controlled enterprise" (ICA, 1995). Ownership therefore distinguishes cooperatives from investor-owned firms (IOFs). Cooperatives are owned by members with whom they also have a transactional relationship (i.e., vendors, customers, employees) whilst IOFs are owned by capital providers (Cook & Chaddad, 2004; Hansmann, 2013). Across the globe, the cooperative economy comprises three million cooperatives with one billion cooperative members, providing 280 million work opportunities (ICA, n.d.). The most prominent economic activities cooperatives operate in are insurance, agriculture and foods industries, wholesale and retail trade, as well as financial services (WCM, 2021).

Recently, certain potential development areas and associated actions have been identified as necessary to ensure the longevity of cooperatives' values, identity and principles. Thus, cooperatives can improve on the inclusion of women, youth, people of colour and marginalised communities (Hoyt, 2021). Cooperatives are encouraged to communicate their unique nature, values and principles (DotCooperation LLC, 2023) to their members as well as their client, supplier and customer bases. To improve on the general management and governance of cooperatives, and to preserve the cultural heritage of local cooperatives in their communities, the importance of the education of members, directors, staff, and the general public have also been recently emphasised. Training programmes are also needed to provide the necessary competence to manage and govern cooperatives (Hoyt, 2021). Preceding these concerns, Birchall (2005) identified the merit of revisiting the Cooperative Principles again. Examples of aspects that should be considered for addition to the existing principles are concern for the environment (more than 'concern for the community'); a principle recognising the contribution of employees; and a principle defining consequences of non-compliance with the principles.

Since the early 1900's, cooperatives have been established by producers who acted collectively to correct negative impacts of market failures (i.e., depressed or excessive prices) (Cook, 1995). Market failure therefore became a reason for the establishment of cooperatives. Organisations, however, tend to compete for social and economic fitness to gain political authority and to earn institutional legitimacy, leading to isomorphism (organisations becoming more similar to each other) (Meyer & Rowan, 1977). Isomorphic trends in cooperatives normally constitute the adaptation of the organisational form, the separation of the social and economic dimensions of the organisation, hybridisation and degeneration (Spear, 2004). Novkovic et al. (2022) describe isomorphism as the situation where cooperatives do not acknowledge their cooperative identity and the collective dimension of the organisation, rather using investor orientated ownership and not member ownership performance management criteria, thus hindering cooperatives' efforts to meet their full potential. Another source of institutional isomorphism is in the form of organisational response to pressure for the adoption of corporate social responsibly reporting (CSR) (Roszkowska-Menkes & Aluchna, 2017). Identifying a cooperative's perspective, Mattila (2009) came across cooperative bank employees who are convinced that CSR is motivated by peer pressure, and they therefore questioned the sincerity behind the adoption thereof. Bretos et al. (2020), on the other hand, are of the opinion that cooperatives are more likely to mobilise resources and activate processes to revitalize rather than to conform in response to any isomorphic pressures.

In summary, isomorphic pressures in the case of cooperatives could be caused by pressure to adopt IOFs' related attributes or by certain expectations for CSR practices to be implemented. In some instances, cooperatives could find mechanisms that resist the imposition of isomorphism. In this study, cooperative identity will be investigated from the lens of isomorphic pressures, including the causes, effects and possible responses to it.

2. Methodology

We performed a Structured Literature Review (hereafter referred to as an SLR), following the four steps set by Stechemesser and Guenther (2012). Limitations of this study are that only English language publications were considered for the study, and that we were unable to obtain access rights to some journals, so have had to exclude those publications.

Step 1: Selecting research questions, databases, websites and appropriate search terms

In response to the identified need, the research question we address is: How are cooperative values, identity and principles applied by cooperatives in different countries and sectors? According to the ICA (1995), cooperative identity comprises the values and principles of a cooperative. Our search terms for investigating cooperative identity therefore included: "cooperative*identity"; "co-operative*identity"; "cooperative*principles"; "co-operative*principles"; "cooperative*values"; "co-operative*values". The search terms were used to search for documents in which the title contained at least one of these search terms. The databases used were SCOPUS (scopus.com), and Web of Science Core Collection (www.webofscience.com). A total of 170 articles were initially identified, based on these broad criteria.

Step 2: Applying practical screening data

Publications, excluding books, from 1990 to present day were included in the search. We then excluded publications relating to non-economic disciplines such as the arts and humanities, computer sciences, engineering, and psychology. Duplicates between the two databases were also removed. Based on the enhanced criteria, 54 of the 170 articles were thus excluded. Some publications were also not accessible as we did not have access rights, whilst some publications did not have an English language edition/version, and were thus also excluded. Applying these last two criteria led to the removal of another 73 publications, leaving forty-three publications for analysis at this stage. Subsequently, the contents of the publications were further scrutinised, and it was found that some publications did not in fact discuss cooperatives as an organisational form, resulting in the exclusion of another eight publications. Thus, for example, cooperative values referring to an organisational culture but not to the type of organisation, or cooperative values referring to other disciplines, were excluded. A total of 35 publications were ultimately considered for the analysis.

Step 3: Applying methodological screening data

We then analysed and categorised publications based on their statement of cooperative principles, values and identity in general; a further sort identified studies according to their focus on principles, values and identity as they related specifically to a country and/or industry. In the next section we discuss the application of the cooperative principles, values and identity in general (as presented in the identified literature), and thereafter the discussion focuses on these two categories, specifically by country and by industry.

Step 4 Synthesizing our findings

Our findings have been synthesised in Section 3, Results and discussion, that follows below. For the bibliographic analysis we have firstly addressed cooperative principles, values and identity in general, followed by the investigation of their application in individual countries, and then by types of industries. As a supplement to the latter, a view will be developed on isomorphic pressures affecting cooperative identity, and on possible responses to it.

3. Results and discussion

Literature relating to cooperative principles, values and identity will first be addressed in general.

3.1 Cooperative principles, values and identity

In order to identify the complementary features and to capture the integrative nature of cooperative enterprise, both Byrne (2022) and Novkovic et al. (2022) depart from the scholarly argument of cooperative identity being underpinned by its dual nature comprising a social and economic purpose, also resting on the tensions between the social and economic aspects of cooperatives. Novkovic et al. (2022) contribute to the understanding of cooperative organisations by explaining the nature thereof based on the theory of associationism. In the case of cooperatives, the associative practices of members (who are also users and beneficiaries) in combination with entrepreneurship are regarded as complementary features due to the potential to create value on economic, social, cultural and environmental levels. Recognition and protection of cooperative values (in response to isomorphic pressures) is therefore also an advantage for maximising cooperative impact. Byrne (2022) explains cooperative identity in terms of relational theory which, according to Blustein (2011), '*provides a framework to understand how working is embedded in external and internal contexts*'. The application of relational theory, according to Byrne (2022), not only allows the integration of member and cooperative values as well as social and economic values, but also bridges the social and economic tension (referred to earlier) as relationality is based on integration rather than separation (Gergen, 2009). From a practical perspective, Novkovic (2022) argues that social responsibility indicators for entities could be derived from cooperative identity, and a normative yardstick could simultaneously be developed for identifying context based indicators. Cooperatives are democratically managed, and their purpose is to meet the social and economic needs of members, rather than the maximising of shareholder wealth. In terms of socio-economic measures, cooperatives are leaders at addressing issues such as paying reasonable wages, effecting fair employment practices, and investing in the real economy.

An example of a social reporting-related innovation is the Social Responsibility Information System that was developed for Ambato's Credit Unions (Molina et al*.,* 2018). This web-based system not only responds to the absence of standardised reports measuring compliance with cooperative principles, but also allows the credit union to manage, evaluate and report on social responsibility results that have been achieved. Utilisation of the tool by a specific credit union resulted in its services being expanded further into rural areas, and to an improvement of its corporate image with clients. The improved image arose from an improvement in social responsibility metrics through employing the principles of voluntary association and training (Molina et al*.,* 2018).

In spite of this example, and Novkovic's (2022) stance on cooperative identity's positive impact on social responsibility, Diamantopoulos (2022) is of the opinion that co-operation has an image problem which could be ascribed to a communication gap of international proportions. Over the last two decades Diamantopoulos (2022) has observed trends where cooperative learning and training initiatives have been mainly aimed at sector insiders (such as cooperative management boards and members), to the exclusion of the cooperatives' communities and the wider public. A neglected and uninformed public allows ignorance of the concept to grow, and this leads to questions of relevance, and potentially undermines the concept of mutualism, thereby also threatening the future of cooperatives. Moreover, the ICA's Statement on Cooperative Identity (ICA, 1995) does provide legitimacy for those defending cooperatives against isomorphic influences. In order to reach outsiders, and to reinforce the cultural principles and advances of cooperatives, academics have been promoting informal learning initiatives to increase the popularity of cooperatives. They are also of the opinion that the cooperative movement should be contributing to informal education that could more easily reach the public through contributions to think-tank initiatives, for example, and by including cooperative principles in local journalism and media coverage. Egia and Etxeberria (2019) further confirm the seriousness of education, training and information relating to cooperative values in an era of digital revolution and modern cooperative training. The recommended point of departure to ensure the longevity of cooperative principles would be the technical training of aspirant cooperative members and employees, as well as increased cooperative training in the society where cooperatives operate.

Goel (2013) provides further legitimacy to cooperative principles and values by illustrating that it could also serve as a foundation for family businesses. Goel (2013) argues further that the application of cooperative principles and values could even enhance governance-related issues, including the role of outside board members, and the fair distribution of power and resources, as well as enhancing trust among family members. In spite of the positive confirmation provided by Goel (2013) and Waring et al. (2022) more recently, the latter have also provided evidence confirming a need for the revision of cooperative principles to make them more in tune with the currently globalising business environment. The framework and design principles (Baggio et al., 2016) provided by Ostrom (1990) for governance of common/pool resources by institutions addressing the collective actions, is recommended as a point of departure when revisiting cooperative principles.

Another phenomenon threatening cooperatives, that has also been the subject of many studies, is "free riding"(Carpenter, 2007; Giannakas et al., 2016). Peetz (2005) has studied free riding from the perspective of cooperative unions. Firstly, Peetz (2005) investigated the Rand formula that originated from a strike in the automobile industry in the early 1940's in Canada. The Rand formula is a judicial requirement where non-union members pay equivalent member dues to unions. Inspired by the Rand formula, in the later 1990s, some Australian unions also introduced agency fees where non-union members were required to reward unions for negotiated agreements also covering them. These fees became excessive and were eventually prohibited by the state. Although mechanisms such as 'social obligation fees' are also available to ensure unions are compensated for benefits received by non-union members, the general answer for free riding is to ensure that non-members do not benefit from efforts that they do not contribute to.

In this section, we referred to theories explaining cooperative nature and the potential thereof to protect cooperatives against isomorphic pressures. We also touched on the benefits of cooperative nature for members and the environment, as well as matters that could potentially threaten cooperatives' existence, such as the so-called image problem that cooperatives are facing, and the well-known concept of free riding. For the last part of this section, we will provide a broader view by referring to the interaction between cooperatives and mainstream economies.

From the historical view provided by Whyman (2012) it is evident that the relationship between cooperatives and economists ranged from help and support on the one side to criticism and rejection on the other side. Even when cooperatives were still marginal to the economy, Smith (1937) argued that human behaviour favours self-interest as the motivator for the economic person, putting a wedge between mainstream and cooperative economics. Alfred Marshall (Bankovsky, 2018; Whyman, 2012), on the other hand, acknowledged cooperation as a form of business for its ability to unite social reform and business acumen to the benefit of member talent, thus also benefitting the community. In spite of the fluctuating interaction between cooperatives and economists, the dynamic development of cooperatives has contributed to economic theory and theoretical frameworks about organisations and their performance that could provide direction towards further developments (Whyman, 2012).

In response to the rise and institutionalisation of the Social Solidarity Economy (SSE[1]) in many Asia-Pacific countries over the past few decades, Iyer et al. (2021) investigated the longevity of cooperative identity. Although it could be argued that the decrease in cooperative performance had an influence on the rise of the SSE, cooperatives are still acknowledged. According to the findings made by Iyer et al. (2021) cooperatives are not only people orientated (with a strong international foundation), but their identity has the potential to provide further direction to the SSE. Similar to the potential impact of cooperative identity on SSEs, Mellor (2012) argues that cooperatives are well positioned to redirect the mainstream finance-driven economy to a Green Economy aimed to meet the needs of people on an ecologically and socially sustainable basis. Cooperative banks providing a large proportion of bank branch networks in European Union countries is a practical example of the potential of cooperatives towards the establishment of a Green Economy.

The functioning of cooperatives and the application of cooperative principles and values (even in strongly adverse circumstances) will be investigated next, from the perspective of select individual countries.

3.2 Application of cooperative principles, values and identity, by country

Based on the findings of Fairbairn (2000), the effective implementation of cooperative values could be subject to/compromised by political circumstances and culture. During the start of the Cold War in Germany, in the later part of the 1940's, the largest part of the German cooperative movement, namely the German consumer movement, suffered severely under the political circumstances of the time. Although the movement has subsequently been re-built, the circumstances under which this occurred did not make it easy to establish the credibility and usefulness of the cooperative ideal. Cooperatives in East Germany in particular could fulfil economic functions, but meaningful autonomy and member control were largely absent, by political design. In West Germany, cooperatives were allowed to function autonomously as working class institutions, but could offer only limited economic benefits to their members (Fairbairn, 2000). Another example of government/regulatory interference with the autonomy of cooperatives is provided by Bierecki (2020). Although credit unions in Poland are some of the most developed credit unions globally, state supervision by means of the Financial Supervision Authority (FSA) has, since 2012, led to a decline in Polish credit unions. The decline is mainly caused by the FSA regulating and limiting the establishment of credit unions, as well as the encouragement of credit union mergers and even their takeover by large commercial and cooperative banks. From this, it is evident that cooperative autonomy could be threatened by isomorphic influences of governance structures.

A case study of worker cooperatives in Spain (Guzmán et al., 2020) again showed the potential power of cooperative identity by illustrating how cooperative principles can enhance performance. In this case performance was represented by sales growth and employee/payroll growth. The application of cooperative principles was measured by partners' attendance of the general assembly and their share in profit distribution, as well as expenditure on education and the community.

In a different industry entirely, cooperative education has gradually emerged over the past few years as a viable response to the neoliberal invasion of education in the UK (Noble & Ross, 2021). This study on Higher Education Cooperatives (HECs) showed how cooperative principles enhance cooperation, growth and democracy in HECs, thus providing useful, less stressed learning environments. An educational environment relies on the wholehearted participation of teachers, researchers, graduates, students and providers of professional services, and according to Noble and Ross (2021), recognising this multiplicity of stakeholders necessitates the incorporation of principles that not only form a basis for open membership and democratic control, but also establishes requirements for members' contributions to the generation and maintenance of social, financial and cultural capitals. The principle of education, training and shared information should also therefore inform the skills and interventions required by members and management to ensure that cooperative principles are effectively applied in the organisation.

Determining cooperative values was approached from a different angle in a Finnish study conducted by Puusa et al. (2016) in which 3,680 Finnish students' perceptions of different business forms were gathered and analysed by means of a survey. In comparison to other business forms, it was found that students are more positively inclined towards cooperatives. As an extension of this result, a textual analysis was performed on a sample of 36 students' responses. It showed that although cooperative values (including democracy, equality and social responsibility) are valued by students, the safety offered by cooperatives was found to be the most appealing aspect of cooperatives. Cooperatives were seen as providing employment, having a positive impact on society and being aware of the long-term impact of their actions, and this created a sense of security and continuity in an environment of otherwise rapidly evolving fragmentation of domestic and global societies. Another Finnish study on cooperative identity, showed that the members in general perceive cooperative identity in accordance with ICA cooperative values and principles. Cooperative attributes reflected in members' responses in the study mainly included cooperatives' unique mission, solidarity and commonality, reciprocity and commitment, as well as their social and long term influence (Puusa & Varis, 2016). Similar to Diamantopoulos (2022), the findings made by Puusa and Varis (2016) also suggest that it is important to actively promote cooperative ideology in society to maintain the viability and acceptance of the ideology.

In order to investigate cooperative members' views and understanding of cooperative principles from an Australian perspective, Oczkowski et al. (2013) conducted 18 in-depth interviews with members of a variety of types and sizes of cooperatives. Although it was found that the application of cooperative principles varies between industries, there was an indication that small/local community-based cooperatives tend to practice cooperative principles more diligently than larger, regional and national business-focussed cooperatives. Principles that received more support from participants include voluntary and open membership, democratic member control and member economic participation, whilst the other principles showed greater variance in the support shown by participants. While some participants even saw the principles relating to education, training and information, as well as concern for the community, as preeminent, there was an absence of emphasis on cooperation among cooperatives, and this could be ascribed to the still very few cooperatives present in Australia. During the interviews conducted by Oczkowski et al. (2013), some participants argued that there should be fewer cooperative principles: unfortunately, very few reasons justifying this preference were provided. During the interviews, recommendations for additional principles were also made, with participants advocating for revisions to the current principles, should changes in circumstances occur, and advocating particularly strongly for a more commercial focus for operating cooperatives.

Concerns were raised regarding democratic member control particularly in respect to apathetic members, as this could compromise effective and efficient decision-making. Open membership, on the other hand, is also not a universally acceptable alternative as this could, according to some participants, have an adverse effect on the interests of existing members. The Board members' understanding of cooperative culture, and their motivation in support of it, seems to have an important and generally recognised effect on the application of cooperative principles by cooperatives. Moreover, the education, training and information principles were seen as being especially pertinent to management and Board members, as, by improving their understanding of the cooperative principles and their place in a particular business sector, cooperative orientated decision-making and management emphasis would be improved. A final recommendation from this study was that effective communication channels are needed, as is a knowledge of the requirements for members soon to be appointed to the Board; these are still required to enhance democratic decision-making (Oczkowski et al., 2013).

3.3 Application of cooperative principles, values and identity, by industry

In the early 1990's, Davis and Worthington (1993) recognised that the structures initially offered by cooperatives, those based on the principles of mutuality, were valuable and relevant to a variety of industries previously not considered compatible with cooperative ideals. Compatibility could be achieved by redefining capital ownership so as to also accommodate the weaker segments of society. The updated version of this question is now posed: Can the model, while holding to its initial purposes, revive the cooperative movement in response to a decade of creeping materialism; and are managers and directors able to find a common theme articulating what cooperative members and management should be striving for? Davis' and Worthington's (1993) research offered a possible solution arising from an examination of the role of cooperative banks, with specific reference to the case of the British Cooperative Bank. The Bank started in 1872 as the Loan and Deposit Department of the Cooperative Wholesale Society. A century later, by the early 1970's, the bank had shifted its emphasis to non-cooperative sectors due to the need to survive competitive practices and risks in the market, and this threatened its commitment to practice cooperative values and ideals. However, thanks to management's commitment to cooperative principles, and to the strength of the organisational culture, the bank has now successfully combined cooperative and commercial banking. Moreover, it is argued that the commercial business has enhanced the performance of the cooperative business, as well as the organisation's ability to deliver cooperative banking services, and thus to achieve cooperative values and principles. Key successes in the early 1990's included the bank's renewed focus on customer needs, provision of free banking services for customers who stayed in credit, involvement in community projects, and sponsored training courses, especially for women. Further investigation of these successful applications of cooperative principles and values therefore seems appropriate.

Data gathered by Unda (2022) from credit union supporters during the 1990's illustrate that cooperative values (such as caring for members and social responsibility), not only play a pivotal role for maintaining relationships with their own members, but also definitively differentiate credit unions from other banks (Unda, 2022). Evidence of credit unions effectively demonstrating cooperative values is provided by a longitudinal study that extends from 1936 to 2020. This study not only found that cooperatives consistently addressed the needs that were specific to countries or areas, but also that they successfully provided access to credit to disadvantaged communities in rural and urban areas. The situation is similar in both developed and emerging economies (Parrales Choez et al., 2022).

From a U.S. perspective, van Rijn (2022) was able to confirm that credit unions are still serving society by maintaining branches in both underpopulated and low-income areas. Although van Rijn (2022) is also of the opinion that credit unions can improve on how their cooperative identity is demonstrated and how cooperative principles are implemented, they found that credit unions in the U.S. are still able to differentiate themselves from other types of banks, even where, in the case of some credit unions, they have become almost as large as community banks. The data relating to credit unions gathered by van Rijn (2022) reflect that management tends to be more gender diverse, and their remuneration incentive schemes are less aggressive than mainstream banks. Credit unions' lending practices and interest rates also tend to be more conservative.

Forney and Häberli (2017) provide a view on the impact of the implementation of the values of democracy, solidarity and autonomy that goes beyond the traditional cooperative organisational form. The existence and operation of dairy cooperatives in Switzerland was adversely affected by the Federal Office for Agriculture's decision to end its regulation of milk quotas, thereby allowing all dairies to sell unlimited quantities of milk to the markets, at will. This weakened the position of some (smaller) cooperative dairies, but ultimately resulted in these cooperatives being forced to co-operate with each other, and thereafter with corporate farmers' organisations. Surprisingly, this has led to the rejuvenation of cooperatives' values in some instances. Complex and unexpected (but ultimately mutually beneficial) outcomes have also been observed in which co-operation amongst different organisational forms have resulted in democracy, solidarity and autonomy being practiced beyond the traditional cooperative structures. In the case of an agricultural cooperative, it has also been proved that there is a significant positive relationship between members' awareness of cooperative principles and the cooperative's adherence to such principles (Badiru et al., 2016).

Novkovic and Power (2005) investigated the use and impact of Collins' (1999) 'catalytic mechanisms' on agricultural and rural cooperatives as they adapted to challenges caused by new technologies, governance issues caused by heterogeneous member needs and regulatory requirements, collectively threatening cooperative identity. Catalytic mechanisms have been defined by Collins (1999) as: "the crucial link between objectives and performance; they are a galvanizing, nonbureaucratic means to turn one into the other". The rural agricultural cooperatives studied showed great concern for their members and their communities when they opted to diversify the range of goods and services they offered (so as to address member needs), rather than simply leaving such communities. In so doing they also gained a larger market share in the delivery of agricultural products and services (Fulton, 2001).

A similarly catalytic mechanism that led to the extensive growth of a sugar business and to the improvement of produce delivered by producers, was the so-called Quality Payment System, introduced in the Red River Valley of Minnesota and North Dakota. Sugar beet farmers are now being paid according to the sucrose yield of their produce, and this has proven to not only address market demand more effectively, but has given rise to innovative agricultural practices that have also enhanced members' financial wellbeing (Fulton, 2001; Novkovic & Power, 2005).

The examples of the Swiss diary cooperatives, the sugar beet producers in the Red River Valley and catalytic mechanisms for enhancing the performance of agricultural cooperatives illustrate that cooperative values could be adaptable in modern society. This is however not always the case as illustrated by the challenges which Third Wave[2] coffee brought to the Maya farmers in Guatemala (Fischer et al., 2021). These farmers can simply not keep up with the new sensory norms and focus on esoteric tastes. The farmers are further alienated from markets due to limited knowledge of consumer preferences and reliance on middlemen and agents who cannot always be trusted. Eventually, larger suppliers fulfilling consumer expectations benefit from this trend to the detriment of smallholding farmers. Based on the work performed by Nilsson and Ollila (2013), it is evident that pressure on agricultural cooperatives is not limited to smallholding farmers. An increasingly competitive environment in agrifood industries necessitates that a range of measures be taken by agricultural cooperatives to survive. Such measures affect member control, ownership structures and governance of cooperatives, and frequently lead to the cooperative model being diversified and, in some cases, to their adopting IOF attributes.

In response to worker cooperatives that are in a competitive international market, and similarly to other organisation forms, are challenged by internationalisation, Flecha and Ngai (2014) performed a qualitative case study on the Mondragon Cooperative Group[3]. The study showed how Mondragon expanded operations whilst maintaining cooperative values, by creating mixed cooperatives, and by extending the cooperative management model to subsidiary companies. Cooperatives principles such as participation in ownership, management, profit sharing by workers, as well as improved communication and the involvement of workers in democratic decision making, and participatory management, has for example been expanded to non-cooperative companies.

Rabong and Radakovics (2020) investigated the different perceptions of cooperatives' members and customers with regard to the core values of credit cooperatives, housing cooperatives and a mixed general group of cooperatives active in Austria. The data was amassed from a survey conducted amongst more than 2,000 Austrians older than 14 years. Firstly, a principal component analysis (PCA) was performed to establish if a homogenic value core existed for cooperatives across these different industries. "Responsible business conduct", "regionality and tradition" and "economic soundness" were the three core values identified, that are similar across industries. Secondly, the statistical significance of differences in the rating of credit cooperatives in comparison to other credit institutions was performed by means of a Student's t-test. Results indicated that Austrians are more positively inclined towards credit unions than other credit institutions because they are present in many regions that are not otherwise served by such institutions, and their customer-focused orientation, openness, and honesty is in striking contrast to conventional banking institutions. A notable finding of this study was that country-specific forces/factors have a stronger effect on the perceptions and attributes of cooperatives than specific industry forces do.

4. Conclusion

The application of cooperative principles, values and identity have been investigated by numerous researchers in a variety of different geographic and academic settings. Some studies address cooperative identity from a global perspective or across all economic sectors, while some studies investigate the application of cooperative identity from a country- or industry-specific perspective. We have followed a similar approach for the bibliographic analysis under the lens of the isomorphic pressures, including the identification of causes, effects and possible responses to them.

The ICA's Statement of Cooperative Identity (ICA, 1995) itself provides legitimacy for the protection against isomorphic pressures threatening cooperative identity (Diamantopoulos, 2022). To improve on the understanding of cooperative identity Novkovic et al. (2022) and Byrne (2022) both refer to association and relational theories to help with the interpretation of cooperative identity. The associative and integrative practices of cooperatives enhance the impact they have on a social and economic perspective. Although mechanisms like Ambato's Social Responsibility Information System (Molina et al., 2018) exists to report on the value contributed to, and impact made by cooperatives, society's awareness of the role and nature of cooperatives is still lacking, contributing to the image problem cooperatives are accused of tolerating (Diamantopoulos, 2022). Education, training and sharing information about cooperative attributes are proposed responses to improve awareness of cooperative identity (Diamantopoulos, 2022; Egia & Etxeberria, 2019). Providing cooperative, education, and training and information on cooperative principles to those managing cooperatives, and to the members, could enhance members' involvement and cooperative orientated decision making (Oczkowski et al., 2013), further protecting cooperatives from the impact of isomorphic powers. In the case of an agricultural cooperative, it has been proved that a significant relationship between the awareness of members about cooperative principles and the adherence of the organisation to such principles exists. In addition to training and information, customer service and accessibility to cooperative service can also provide cooperatives with a competitive advantage in comparison to IOFs (Rabong & Radakovics, 2020). Studies on cooperative banks and credit unions proved that management, demonstrating consistent adherence to cooperative principles, is able to enhance organisational performance and growth (Davis & Worthington, 1993; Unda, 2022; van Rijn, 2022).

Isomorphic pressures, in addition to the poor image and awareness of cooperatives, are threatening the sustainability of the model and such businesses. Other significant threats include free riding, the competitiveness of international markets, and the diversity of member needs. Mechanisms to respond to free riding, include requiring compulsory fees from non-members, and to make sure non-members do not benefit from cooperative operations they do not contribute to (Peetz, 2005). Countering market competitiveness threats has been proved by the Mondragon example where employees of non-cooperative companies were included in decision-making and profit sharing, basically expanding the cooperative model to other organisations (Flecha & Ngai, 2014). In the case of agricultural cooperatives, it has been demonstrated that members can be mobilised, instead of being left behind. 'Catalytic mechanisms' and socially sustainable approaches could provide members with access to larger markets and improve the quality of goods provided, thus benefitting members and cooperatives in a socially and economically sustainable way (Collins, 1999; Novkovic & Power, 2005).

Future research is necessary to identify and implement the changes required for cooperative identity to guard itself against isomorphic influences in the context of a globalised (and increasingly homogenised) economic world. The research should offer practical responses to and clarity on the application of cooperative identity, and provide guidance on the operationalisation of cooperative business practices (Birchall, 2005). It should also enable stakeholders to identity and address threats to cooperative identity, thereby enhancing pro-active responses towards that end.

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Notes

[1] 'The social economy consists of an ensemble of activities and organisations, emerging from collective enterprises, that pursue common principles and shared structural elements' (Neamtan, 2002).

[2] During the Third Wave, coffee became an artisanal product as complex as wine, differentiated by various attributes (Boaventura et al., 2018).

[3] Mondragon comprises four specialist areas: Finance, Industry, Retail and Knowledge, consisting of 81 separate, self-governing cooperatives, employing around 70,000 people and supporting 12 R&D centres (Mondragon Corporation, 2024).

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Cooperatives and the Social Economy: Facilitating the Transition From the Informal to the Formal Sector

A Contribution to the Midterm Review of the 13th Africa Ministerial Cooperative Conference, Maseru, Lesotho, 19 – 22 May 2024

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Abstract: One of the most striking features of African societies and economies is the sheer magnitude of the informal sector. This paper provides evidence of the organizational density within the informal sector in sub-Saharan Africa. It cites findings from a survey covering about 10.000 households in six African countries. The survey results show what type of organization are preferred by informal sector operators, what kind of services those organizations render, how stable they are, and if and how their services are appreciated by their members. The paper concludes that governments, civil society and development partners have in the past neglected the development potential of informal sector organizations and have, therefore, done without a key partner in their endeavours to advance decent work and sustainable development. Greater efforts are needed to recognize and strengthen these organizations, including through vertical integration.

Jürgen Schwettmann, a German national, has extensive experience in international development cooperation, co-operative development, the social and solidarity economy, and rural development, and in policies aiming at formalizing the informal economy. As a retired senior official of the International Labour Organization (ILO) he currently works as an independent consultant for various multilateral and bilateral development cooperation agencies, including the ILO and the International Fund for Agricultural Development (IFAD).

Keywords: co-operatives, social economy organizations, informal sector, vertical integration, sub-Saharan Africa

Introduction

One of the most striking features of African societies and economies is the sheer magnitude of the informal sector, which in some countries employs up to 90 per cent of the region's labour force, contributes up to 65 per cent to the GDP, and hosts more than 90 per cent of the region's micro and small enterprises (ILO, 2018a; Medina et al., 2017). The informal sector is affected by severe decent work deficits in terms of income and productivity, as well as lack of social protection, rights at work, and participation in social dialogue. While the informal sector is sometimes labelled as 'unorganized', recent surveys have shown that in sub-Saharan Africa, over 50 per cent of all informal sector operators are members of a cooperative, a credit union, an association, a self-help group or any other type of organization that belongs to the social economy. These organizations can build a bridge between the informal and the formal sectors; they create opportunities, provide protection, and empower people and communities.

The present paper provides evidence of the organizational density within the informal sector in sub-Saharan Africa. It cites findings from a survey covering about 10,000 households in six African countries. The survey results show what types of organization are preferred by informal sector operators, what kind of services those organizations render, how stable they are, and if and how their services are appreciated by their members. The paper concludes that governments, civil society and development partners have in the past neglected the development potential of informal sector organizations, and have therefore done without a key partner in their endeavours to advance decent work and sustainable development. Greater efforts are needed to recognize and strengthen these organizations, including through vertical integration.

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The informal economy

Definitions, characteristics, size

The term 'informality' was coined in 1972, at the end of an employment advisory to Kenya organized by the International Labour Organization (ILO). The 'inventor' of the term, Mr Keith Hart, explained that the concept "was provoked by the failure of prevalent economic models to address a large part of the world that they claimed to describe." (Hart, 1985, p. 54). The mission to Kenya essentially observed that the world of work in many developing countries did not suffer primarily from unemployment, but rather from underemployment and working poverty. In the absence of social safety nets people could not afford to stay idle – they had to eke out a living in any way possible. Most of them would end up in the informal economy.

The ILO adopted, in 2015, ILO Recommendation 204 on the transition from the informal to the formal economy (International Labour Conference (ILC), 2015). This instrument stipulates that the term 'informal economy' "refers to all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements", further making the point that illicit and illegal activities do not fall under the realm of the informal economy. Bangasser (2000, p. 10) lists the following defining characteristics of informal economic activities:

- ease of entry;
- reliance on indigenous resources;
- family ownership of enterprises;
- small scale of operation;
- labour-intensive and adapted technology;
- skilled acquired outside the formal school system; and
- unregulated and competitive markets.

In September 2023, the 21st International Conference of Labour Statisticians (ICLS) adopted its 'Resolution concerning statistics on the informal economy' which sought to refine the statistical boundaries of informality in the following words: "for statistical purposes, the informal sector is defined as comprising economic units that are producers of goods and services mainly intended for the market to generate income and profit and that are not formally recognized by government authorities as distinct market producers and thus not covered by formal arrangements" (ICLS, 2023, p. 10). Figure 1 offers a clarification of terms which are often used interchangeably:

Figure 1: Clarification of terms

The **informal sector** consists of informal enterprises and own-account workers that produce a marketable surplus;

Informal employment encompasses the informal sector **plus** informal workers in formal enterprises;

The **informal economy** includes informal employment plus households which produce exclusively for household consumption (mainly subsistence agriculture).

Source: Author's own work, based on ICLS, 2018

In this paper, I will from now on use the term 'informal economy', which is the most encompassing of the three.

The omnipresence of informality in sub-Saharan Africa

The most striking feature of African societies and economies is the sheer magnitude of the informal economy, as outlined in the introduction. Mhando and Kiggundu (2018, p. 219) affirm that, "if the informal economy did not exist, there would be no economy because the informal sustains the formal". Charmes et al. (2018) express the view that informality has been an intrinsic factor of African economies even prior to colonization and remains a structural feature of a region where formal employment is uncommon. Indeed, the scale of the informal economy is so overwhelming in sub-Saharan Africa that the expression 'informal', with all its negative connotations, appears inappropriate. Dungy and Ndofor (2019) propose to replace it with the expression *indigenous economy*, in which case the formal economy would be labelled as 'imported' or 'alien' – which it is, in reality. Mbaye et al. (2020) share this view, underlining that the informal economy embodies traditional pre-modern economic practices at the village level. Holt and Littlewood (2014) point out that the informal and the formal economy are intensely intertwined, with some supply chains stretching from international suppliers to local sellers working at the roadside. An example are the low-priced Chinese consumer goods that are flooding African markets, where they end up in the hands of street vendors. As Hart (1985, p. 57) observed: "the street peddlers of cigarettes invisibly complete the chain linking large foreign firms to consumers". Charmes (2018) emphasizes the cross-border dimension of informal trade in sub-Saharan Africa, reporting that it contributes about 40 per cent of total intra-regional trade in Eastern and Southern Africa.

Table 1: Share of informal employment in total employment

Share of informal employment in total employment (per cent), selected African countries				
Country	**Year**	**Total**	**Male**	**Female**
Burkina Faso	2018	95.4	93.5	97.7
Botswana	2022	74.4	76.1	72.5
Chad	2018	96.9	95.2	99.0
Ghana	2015	78.1	77.2	91.5
Mali	2020	94.0	93.0	95.4
Mauritania	2017	90.9	90.8	91.2
Mozambique	2015	95.7	92.7	98.4
Rwanda	2022	86.8	84.7	89.2
South Africa	2023	41.5	40.7	42.4
Uganda	2021	95.2	93.1	97.4
Zimbabwe	2022	88.3	86.0	90.7
UEMOA[1]	2018	89.6	85.7	94.1
Average 2024		**85.6**	**84.1**	**88.3**
Average 2021		83.1	81.2	85.7

Source: ILO STAT, 2021; UEMOA, 2018

Table 1 provides a snapshot of the proportion of informal employment in those African countries for which relatively recent data sets are available. The table reveals that in all countries, women are significantly more affected by informality than men. Longitudinal statistics do not exist for most countries so that it is difficult to state whether the share of informal employment has been growing or shrinking[2], but in light of the figures above one can safely conclude that informality is pervasive in the entire sub-Saharan African region. Table 1 shows that between 2021 and 2024, the average share of informal employment grew by 2.5 per cent, possibly as a result of the COVID-19 pandemic (Schwettmann, 2020; 2022)

African governments (and their development partners) have approached the informal-economy-phenomenon with varying attitudes: some expected that an expanding, modern formal sector would almost automatically entail the disappearance of the informal economy (Sallah, 2016); others undertook efforts to 'formalize' the informal economy, as recommended by ILO Recommendation 204 (ILC, 2015); some consider the informal economy as a useful complement to the formal sector, whereby both would grow or decline in tandem (Sallah, 2016), while some 'neo-liberals' "portray informal workers as heroes casting off the shackles of an over-burdensome state" (Sallah, 2016, p. 1070). Again, other governments seek to criminalize, suppress, eradicate or prohibit the informal economy. Whatever policy has been adopted, it has clearly not eliminated Africa's informal economy.

Informal economy, sustainable development and decent work

Considering the fact that informal economy occupations employ the majority of the labour force in all developing countries and emerging economies (Vanek, 2020) the scarcity of references to informality in the 2030 Agenda for Sustainable Development is striking. With the exception of Sustainable Development Goal (SDG) indicator 8.3.1 (share of non-agricultural informal employment in total employment) the Agenda is silent about informality. And yet, if the Agenda is to keep its promise to "leave no-one behind" it cannot possibly ignore the fact that the overwhelming majority of individuals, households and communities in the Global South derive their livelihood from the informal economy. One may argue that many targets of the SDGs implicitly include informal economy actors without naming them explicitly; this would apply to several targets under SDG 1 (poverty), 2 (hunger), 8 (decent work), 10 (equality) and 16 (institutions). Still, a greater number of explicit references to informal economy actors in the 2030 Agenda would have been welcome, not least because informal economy actors and their associations in sub-Saharan Africa are actively involved in SDG-related areas such as agricultural production, fisheries and livestock, solid waste management, universal health coverage, food loss prevention, recycling, affordable transport, small-scale mining, and local economic development, to name a few.

ILO's Decent Work Agenda (DWA) is more 'informal-economy-sensitive' than the 2030 Agenda; in fact, Mr Juan Somavia, the ILO's ninth Director-General who introduced the concept, expressly preferred the term 'decent work' over 'decent employment' since the latter would have excluded own-account workers and subsistence farmers, who dominate the informal economy. Informal economy workers in Sub-Saharan Africa suffer from wide-ranging decent work deficits, be it in the area of livelihoods (low productivity and incomes, high rates of poverty, instability and vulnerability), protection (very low degree of social security coverage), rights (exclusion from labour rights which apply to the formal sector) or dialogue (absence of representative structures and exclusion from social dialogue processes) (ILO, 2014). Blustein, et al. deplore the increasing prevalence of precarious work, a term he defines "as a multidimensional construct defined along four dimensions: continuity/employment insecurity, vulnerability (i.e., powerlessness/lack of bargaining position or ability to exercise workplace rights), protection (i.e., access to benefits and legal protections), and income" (2016, p. 4). Without mentioning the informal economy in their article, they accurately describe the deficiencies of work in the informal economy.

The legacy of structural adjustment

The informal economy has always existed in Africa, but the degree of informalization has greatly intensified during the 'structural adjustment' period of the 1980s and 1990s. The '*Structural Adjustment Programmes*' (SAPs) were conceived by the World Bank ('The Bank') and the International Monetary Fund (IMF) in the then prevailing spirit of neoliberalism. In the late 1970s/early 1980s, when many African countries faced a severe debt crisis[3], their governments saw no alternative but to adopt SAPs as a condition *sine qua non* for the disbursement of funds they needed so desperately to repay their debts. The first-generation SAPs in sub-Saharan Africa were devised to address the (alleged) key problems of African countries' economies: unsustainable levels of debts, weak management of the public sector, price distortions and price controls, overvalued exchange rates, subsidised credits, and high wage costs. The SAPs were very much led, designed and driven by 'The Bank', despite substantial African opposition and very little effective African participation or support from African countries themselves (Green, 1998). Kingston (2011) recalls that the IMF's 2,500 staff dictated the economic conditions of the lives of over 1.4 billion people in 75 developing countries. Ridell (1992) came to the bitter conclusion that hundreds of economists worked for over a quarter of a century to work out the SAPs, only to cause outright chaos and misery in sub-Saharan Africa. Indeed, between 1980 and 1993, about 70 developing countries were subjected to a total of 566 stabilisation and structural adjustment programmes (Ismi, 2004); regarding sub-Saharan Africa, Ridell (1992) found that between 1980 and 1991, every single country in that region, except Botswana and South Africa, had implemented at least one SAP-related programme, and some as many as ten.

The SAPs of the 1980s and 1990s have greatly contributed to the informalization of African economies and societies (Lugalla, 1997; Meagher & Yunusa, 1996). The World Bank and others considered the informal economy as a 'sponge' that would absorb the thousands of workers that lost their jobs in a 'streamlined' civil service and liquidated parastatals. A case in point is Kenya. The Kenyan National Bureau of Statistics has been publishing statistics on informal economy employment in its annual economic surveys since 1988 (KNBS, 1988 - 2023). According to those surveys the share of informal employment in total employment increased from 20.0 per cent in 1988 to 82.9 per cent in 2022. During the same period of time, the absolute number of Kenyans employed in the informal economy (excluding smallholder agriculture) increased by 4,609 per cent, from 346,400 in 1988 to 15,964,700 in 2022, while Kenya's population grew by 250 per cent only during the same period of time. The starkest increase (from 20 to 60 per cent) in informal employment took place from the late 1980s to the mid-1990s; this increase must be, in all likelihood, attributed to the implementation of neoliberal structural adjustment programmes during that period. A joint World Bank/SAPRIN study (SAPRIN, 2002) concluded that, as a result of adjustment, employment had become more precarious and less remunerative, while employees had lost much of their bargaining power, inequality had increased, family incomes had decreased, and the incidence of child labour had grown. As a consequence, the informalization of labour had become more pervasive. The 'liberalization' of labour laws had augmented the vulnerability of workers, just as the 'liberalization' of agricultural marketing systems had thrown small farmers into disarray.

The structural adjustment ended at the turn of the century. Easterly (2005) concluded dryly that, if the original objective of SAPs was adjustment with growth, there was not much evidence that structural adjustment lending generated either adjustment or growth.

Informality - an unorganized sector?

In India, the informal sector is officially named the 'unorganized sector', which represents about 93% of the country's work force (Ministry of Labour and Employment, 2023). In the 1980s, some French-speaking scholars designated the informal sector as a 'secteur non-structuré'. But is this really true? Are there no organizations in the informal sector? We will seek in this section to prove the opposite.

The organizations in the informal economy

When examining the informal – formal continuum it is of great importance to better understand how the informal economy in sub-Saharan Africa is *organized*. The size, density and agency of informal economy organizations differs not only from one country to another but may vary significantly between the different ethnic groups inhabiting any given country, and/or the various socio-economic sectors in which they operate.

Member-based organizations (sometimes referred to as 'social networks') are omnipresent and pervasive in Africa's informal economy. Leonhard (2000) underlines the importance of kinship and community networks for providing assistance in insecure economic environments, as those prevailing in the informal economy. Meagher (2005, p. 217) points out that "social networks represent an invaluable concept for the analysis of informal economies and their role in processes of economic change". While the ILO considers the absence of formal regulation as the key defining characteristic of the informal economy (ILC, 2015), Meagher affirms that the social and solidarity economy (SSE) provides an alternative, flexible regulatory framework embedded in popular relations of solidarity and trust. These organizations, therefore, fill a regulatory vacuum by self-regulating informal economy activities. Ridell (1992) observes that informal economy operators act within a social exchange system whereby goods and services are transferred by mechanisms such as reciprocity and redistribution. Kinyanjui (2010) reports that informal economy associations often exercise multiple functions simultaneously, such as market regulation, social assistance and community cohesion, while Kanbur (2021) applauds the emergence of new forms of social organizations in the informal economy, relying on modern technologies to provide support and advocacy to informal economy operators.

What kind of organizations exist in the informal economy in sub-Saharan Africa? The most widespread type are the *associations*, simply defined as 'groups of individuals who voluntarily enter into an agreement to accomplish a purpose'; they are the most 'informal' (easy to establish, very limited legal requirements) type of organization, and they may pursue societal, social, environmental, political or cultural goals. In French-speaking Africa, the legal status of associations is governed by local derivates of the French association law of 1901 (still applicable in France), which stipulates that an association must have at least two members and shall not pursue a profit-oriented activity. In English-speaking countries associations are known under different denominations, many of which may fall under specific laws, such as non-profit organizations, NGOs, charitable companies, friendly societies, community-based organizations, voluntary associations or common-law associations. In most cases the conditions to form an association are relatively easy to comply with, and registration procedures are simple (or may not be required at all). Informal economy actors often chose the association as a legal form in the pursuit of non-economic goals, such as gaining voice and representation, engaging in collective bargaining with third parties and authorities, and taking part in political processes (Schwettmann, 2017). Traditional organizations, such as the rotating savings and credit associations (ROSCAs), which are widespread all over the Global South, belong to this group, as do the majority of faith-based organizations, which are often involved in social and caregiving services. In some countries, *neighbourhood associations* are also prevalent; they exist under different names (farmers' association, village association, urban market association, etc.), and serve many different purposes, including solid waste management, community development, mutual social assistance, protection against criminals, involvement in local politics, self-regulation of markets, collective farm work such as land clearing, information-sharing, etc. Here, the neighbourhood (which could be a street, a village, a quarter of a town, etc.) serves as the common bond uniting its members. Finally, informal economy workers and operators have formed many different types of *self-help groups* to solve problems that the State is unable or unwilling to address. This could include emergency assistance in case of a natural disaster, the provision of clean water through the joint construction of a well, or the joint marketing of agricultural produce, to name just a few out of hundreds of possible purposes of self-help groups.

Cooperatives constitute another type of informal economy organization; they respond to a universal definition contained in the ICA statement on the cooperative identity and the ILO Recommendation 193 (2002) on the Promotion of Cooperatives. Cooperatives are more 'formal' than associations because they are regulated by specific laws and supervised by a dedicated authority, such as the Registrar of Cooperatives. It is for this reason that cooperatives are less widespread in the informal sector than associations, ROSCAs and self-help groups, which do not require a formal recognition or registration. Credit unions, or savings and credit cooperative organizations (SACCOs), are cooperatives as well, but often fall under a separate piece of legislation.

A third organizational category is the *mutual benefit societies,* defined as "voluntary groups of (natural or legal) persons whose purpose is primarily to meet the needs of their members rather than achieve a return on investment. They operate according to the principles of solidarity between members, who participate in the governance of the business. Together with cooperatives, foundations and associations, mutual enterprises are one of the main components of the social economy, or third sector, in the European Union" (European Parliament, 2011). They exist in most countries of the world, including many African nations, but follow two distinct traditions. The French/Belgian model is geared exclusively towards health insurance coverage based on the principle of solidarity. Mutual insurers adhering to the 'Anglo-Saxon model' provide general insurance services based on the principle of mutuality; they have formed the International Cooperative and Mutual Insurance Federation (ICMIF). Of particular importance to the informal economy are the community-based mutual health insurance (CBHI) systems that in some African countries have been fairly successful in extending basic health insurance coverage to previously uncovered households (Schwettmann, 2022).

The Social and Solidarity Economy

These three organizational types described above – associations, cooperatives and mutuals – are the main pillars of what constitutes the 'social and solidarity economy' (SSE). The 110th session of the International Labour Conference (ILC), which brings together the governments, employer organisations and trade union movements of the 187 member states of the International Labour Organization (ILO), adopted in June 2022 the following definition of the term 'SSE':

> *The SSE encompasses enterprises, organizations and other entities that are engaged in economic, social, and environmental activities to serve the collective and/or general interest, which are based on the principles of voluntary cooperation and mutual aid, democratic and/or participatory governance, autonomy and independence, and the primacy of people and social purpose over capital in the distribution and use of surpluses and/or profits as well as assets. SSE entities aspire to long-term viability and sustainability, and to the transition from the informal to the formal economy and operate in all sectors of the economy. They put into practice a set of values which are intrinsic to their functioning and consistent with care for people and planet, equality and fairness, interdependence, self-governance, transparency and accountability, and the attainment of decent work and livelihoods. According to national circumstances, the SSE includes cooperatives, associations, mutual societies, foundations, social enterprises, self-help groups, and other entities operating in accordance with the values and principles of the SSE. (ILC, 2022)*

This definition was endorsed in April 2023 by the 77th General Assembly of the United Nations in its resolution A/77/L.60 (UNGA, 2023), and can therefore be considered universal.

As organizations that have a dual nature (being both business entities and member-based associations), SSE organizations and enterprises (SSEOEs) essentially exercise four sets of functions (Schwettmann, 2022), namely:

- They create *economic opportunity* through collective action and the pooling of resources, including finance, to provide goods and services to their members, and/or to the community at large. This may include pre- and post-production services such as agricultural marketing and supply, financial intermediation through rotating savings and credit associations (ROSCAs), credit unions or cooperative banks, job creation through workers' labour contracting and platform cooperatives, 'recuperated enterprises' (empresas recuperadas)[4] and social enterprises, community-based initiatives to improve infrastructure or organize water and electricity supply, income generation through fair-trade arrangements, and many others.

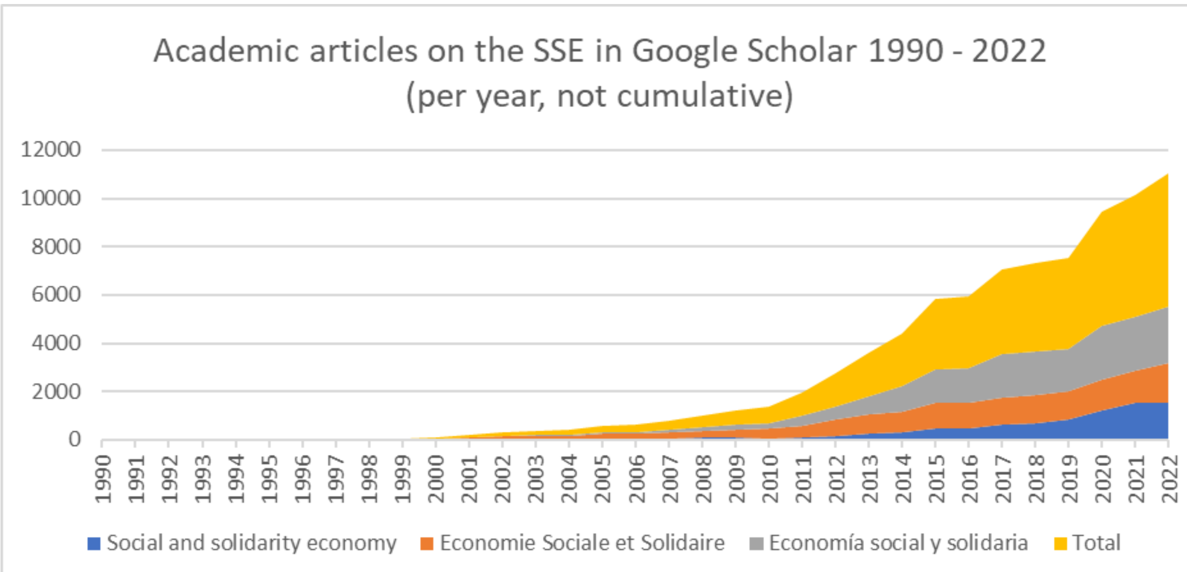
- They extend *social protection* through social support arrangements based on the principle of mutuality, such as community-based health insurance schemes or 'mutuelles' (mutuals), as well as care-givers associations, burial societies, mutual insurers, social cooperatives that foster the social inclusion of marginalized population groups, health service cooperatives, community food banks, foundations, and similar groups. The SSE's social function is the expression of solidarity among the members of SSEOEs.

- They empower individuals and communities by providing them with *voice and representation*. This may happen at the local level through professional associations of artisans, service providers, subsistence farmers, street vendors etc., at the national level through national federations of SSE organizations, such as cooperative apex organizations or informal sector umbrella bodies, and at the global level through international NGOs such as the International Co-operative Alliance (ICA), the International Cooperative and Mutual Insurance Federation (ICMIF), or the International Domestic Workers Federation (IDWF). The SSE's societal function is directed towards the outside world, by providing members with voice and representation.

- They *protect the environment* through corrective and preventive measures, including waste removal and recycling; examples include waste pickers' associations (ILO, 2019), community-based reforestation schemes, cooperatively-organized water management systems, renewable energy generation initiatives (ILO, 2013), climate-change adaptation efforts, and other initiatives related to environmental protection.

The growing importance of the SSE can be gauged from the number of academic articles related to the SSE, as shown in Figure 2 (which reports the number of articles published per year, not cumulative). The term 'SSE' was virtually unknown until the turn of the century. Its rising popularity coincided with the launch of ILO's Decent Work Agenda (1999), the replacement, by the World Bank and the IMF, of structural adjustment programmes with poverty reduction strategies (1999), and the initiation of the UN Millenium Development Goals (2000). These three milestones marked the shift from the neoliberal 'Washington consensus[5]' to a human-centred development paradigm, in which the SSE could find its rightful place.

Figure 2: Academic articles on the SSE



Source: Author's own work

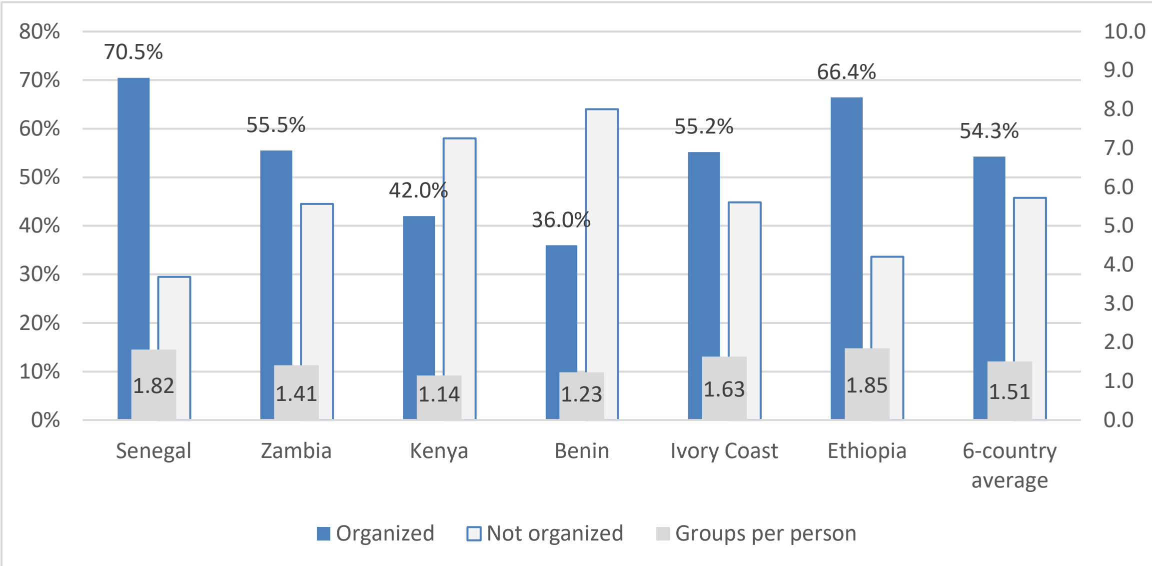
We can conclude that SSE organizations and enterprises are omnipresent in the informal economy of the entire Global South, because they create opportunity, security and empowerment in an environment characterized by fragility, volatility and poverty.

Lessons from the FES-IDOS-ILO survey

In 2017, the Friedrich-Ebert-Stiftung (FES), the ILO and the German Institute of Development and Sustainability (IDOS) launched a multiannual comprehensive research project named *Informal Employment, Social Security and Political Trust in sub-Saharan Africa* which was implemented on the ground by the AfroBarometer network of survey institutes. As from 2018, the collaborative research project surveyed some ten thousand informal economy households in six countries, namely **Benin, Côte d'Ivoire, Ethiopia, Kenya, Senegal** and **Zambia.** In order to understand the impact of Covid-19 on informality, a second round of surveys was conducted in Kenya and Senegal. The comprehensive survey questionnaire included a set of questions on how the informal economy was organized. The present paper provides a few highlights on this particular aspect. The full paper can be downloaded here (Schwettmann & Traub-Merz, 2022).

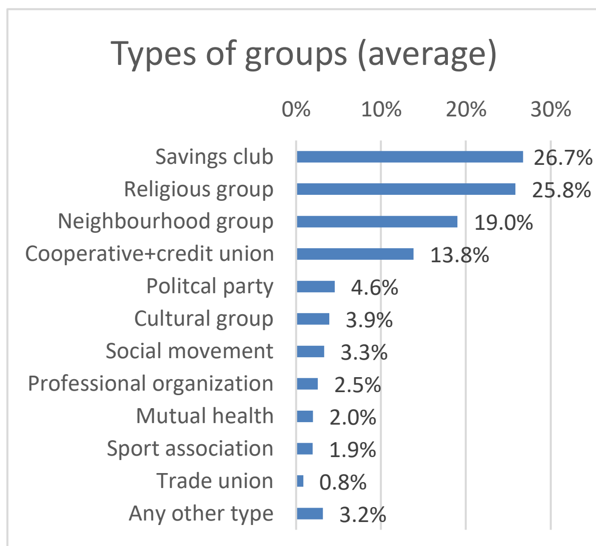
According to the survey, the proportion of informal economy actors who are a member of a group of any type reaches on average 54.3 per cent of all informal economy actors in the six countries. The degree of organization varies significantly between the six countries. Benin has an organisational density of 36.0 per cent compared to 70.5 per cent in Senegal.

Figure 3: Organizational density



Many individuals are members in several groups at the same time. Multiple membership is particularly widespread in Senegal and Côte d'Ivoire where over half of all respondents belong to more than one group.

Figure 4: Types of groups found in the informal economy.



Informal economy operators show a distinct preference for certain types of groups; **Figure *4*** provides the break-down by type of organisation[6]. On average throughout the six countries, savings clubs (ROSCAs, tontines) are the most popular with 26.7 per cent, followed by religious associations (25.8 per cent), neighbourhood groups (19 per cent), and cooperatives (including credit unions, 13.8 per cent). However, the relative importance of these four types varies considerably from country to country. Savings clubs are most prevalent in Kenya and Benin whereas in Zambia, and to a lesser extent in Senegal, Ethiopia and Côte d'Ivoire, religious groups attract most members. Cooperatives are more prominent in Zambia than in Senegal and even Kenya[7]. While some informal economy groups are set up specifically for a single purpose, for example to collect and secure savings, most groups pursue several objectives at the same time, i.e., they are multipurpose in nature (Kinyanjui, 2010). To illustrate this fact, I have developed the typology of '*opportunity – security – empowerment – identity*' as an organizing structure to categorize the objectives of the different groups. In this typology:

- *'Opportunity'* refers to the potential of improving the economic situation of a group member.
- '*Security'* stands for the quest for social security and protection.
- '*Empowerment*' encapsulates the desire to obtain voice and representation vis-à-vis governmental authorities and/or a powerful private sector.
- '*Identity*' means the pursuit of a collective cultural, religious, ethnic etc. *distinctiveness.*

Table 2 shows that almost all types of groups fall under more than one of those categories.

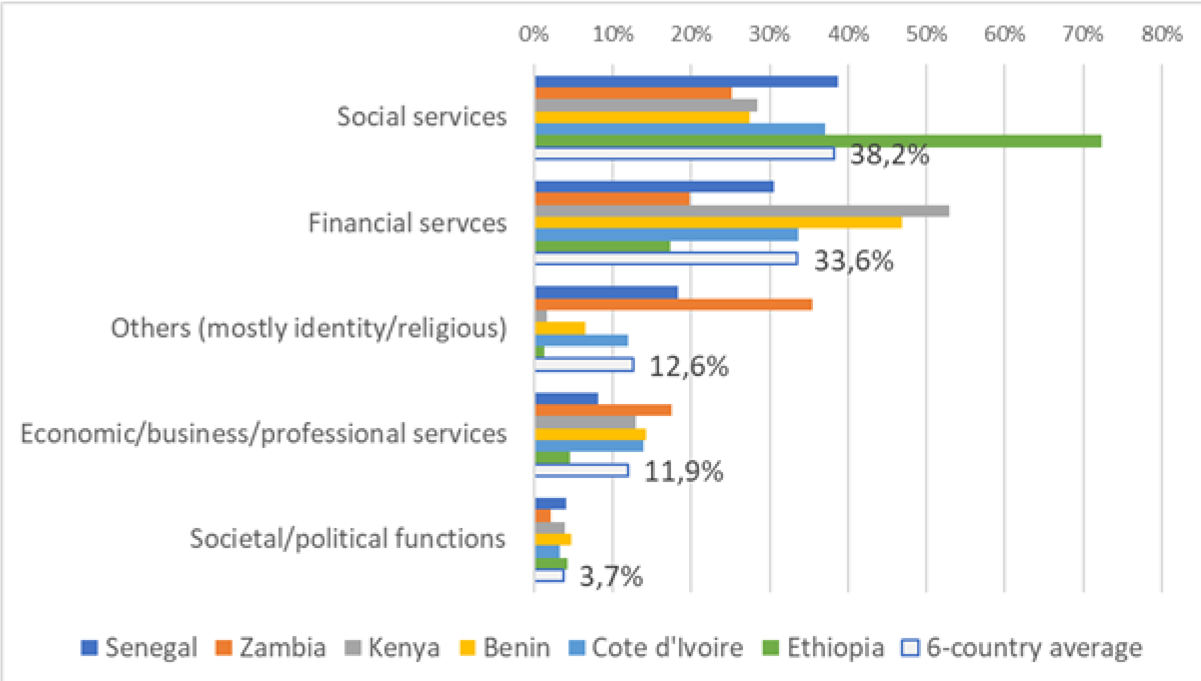
Table 2: A Typology of informal economy groups

A typology of informal economy groups				
	Shared identity	**Economic Opportunity**	**Social Security**	**Societal Empowerment**
ROSCAs		Generate capital for investments	Often operate social assistance funds	
Religious groups	Organize church services		May operate social funds	Take part in politics if organized at the national level
Cooperatives		Organize economic support services	May organize social services if established for that purpose	Gain bargaining power through unions and federations
Neighbourhood groups	Organize neighbours for a variety of communal services		May operate social assistance funds and mutual care	Can play a role in local or municipal politics
Political parties	Formed to promote a certain political orientation			Formed to gain political power
Cultural groups	Organized around common identifiers, such as customs, language, ethnic group		May soperate a social assistance fund	
Professional organization	All members exercise the same profession	May render certain economic support services		Mostly formed as a lobby group to influence politics
Social movement	Members belong to a shared identity			Formed primarily to push for political change
Mutual benefit group			Organize health insurance through mutuality	
Sports association	Organize collective sports events			
Trade union	Members belong to the same profession			Are primarily engaged in collective bargaining

The cells shaded in dark green indicate the group's primary function, those in light green show secondary functions.

Informal economy actors join a group because they expect benefits, i.e., the provision of essential services which can be of financial, material or intangible nature. Respondents in the FES-IDOS-ILO survey could choose from a list of services, as shown in Figure 5.

Figure 5: Why do informal economy actors join a group?



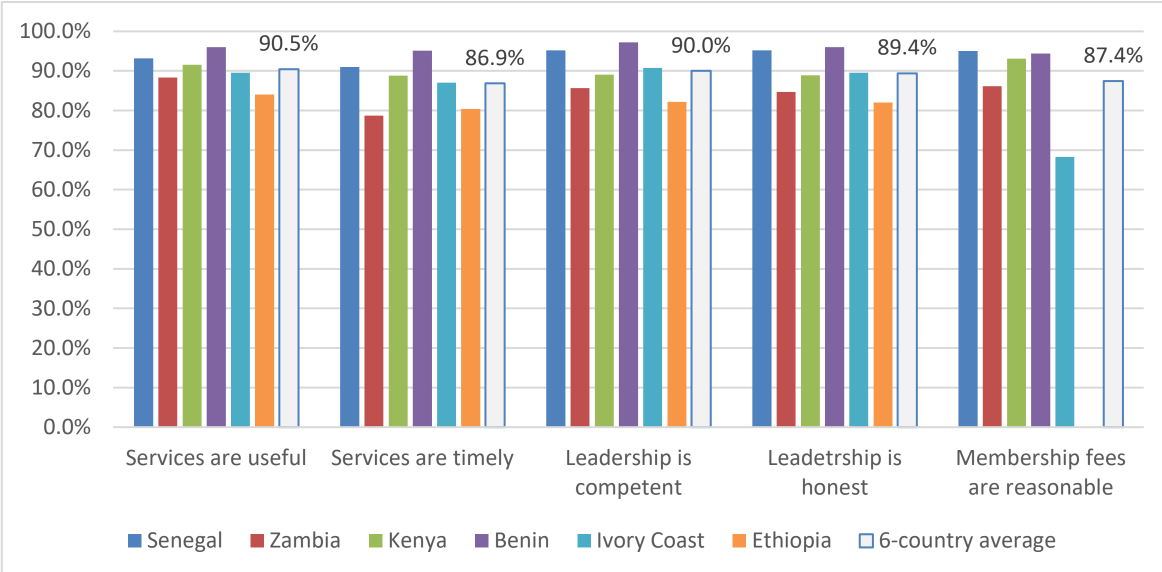
The survey revealed that:

- 45.5 per cent of all respondents sought services to generate or expand *economic opportunities*; this included financial services (33.6 per cent) and other economic or business support services (11.9 per cent).
- Over one third (38.2 per cent) joined the groups in the quest for social services, that is, to enhance *social security*.
- Very few respondents (3.7 per cent) cited *societal empowerment* as the primary reason to take membership in a group.
- A relatively large share (12.6 per cent) declared having joined the group for 'other reasons'.

There are considerable variations between the six countries, which depend to a large extent on the types of group that predominate. For example, in Benin and Kenya, the two countries where savings clubs predominate, a majority of respondents joined a group in the quest for financial services. The share of 'other reasons' is particularly high in Zambia and Senegal and corresponds to the prominence of religious groups. We can therefore assume that this 'other reason' is mostly of religious or cultural nature, meaning that respondents wanted to strengthen their *shared identity*. In fact, the survey found that two features, namely the ethnic origin and faith/religion were in all six countries the most important factors determining the shared identity.

The survey also assessed whether the members were satisfied with the performance of their groups; this aspect was measured through six indicators, relating to the usefulness of group services, their timely delivery, the honesty and competence of group leaders, and suitability of member fees. Figure 6 shows that, across all countries and indicators, a large majority of members expressed satisfaction with the groups' performance. This may not be surprising since (a) membership in the groups is voluntary, meaning that unhappy members would simply leave; and (b) group leaders are elected democratically (in most cases at least), so that underperforming leaders would not be re-elected.

Figure 6: Satisfaction with group performance



Building a bridge

Having shown that informal economy actors are organized in a variety of ways we now examine how their organizations can serve as a bridge between the informal and the formal economy.

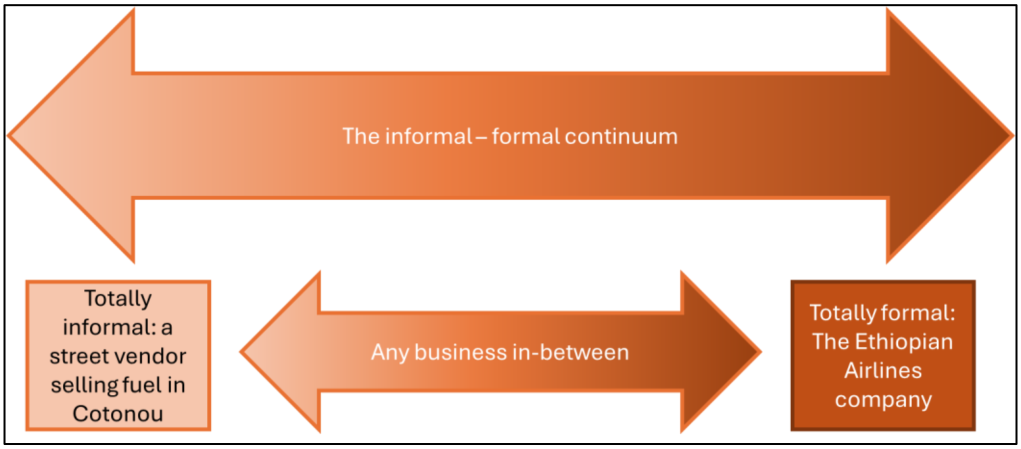
The informality-formality continuum

Mbaye et al. (2020, p. 12) stress that "Informality is a continuum rather than a binary distinction", meaning that any economic unit may exhibit formal and informal features at the same time, and at varying degrees. Koçer (2016) observed that formal and informal realms are not separated entities that exist in isolation from each other, but are, on the contrary, quite often functionally connected. Therefore, the formal and informal sectors are not separated by a gap or fracture; they are connected, and this connection constitutes a continuum which can take different forms. For example, one element of informality stems from the fact that informal businesses are not registered. But in some countries, any type of business operation, including street vending or running a market stall, necessarily requires some kind of license. Does this automatically 'formalize' the business? Certainly not. The fact of obtaining a license simply nudges the business a bit closer to formality on the informal – formal continuum.

Even the company Ethiopian Airlines, presented as 'totally formal' in Figure 7, has close links with the informal economy (for example, small farmers supplying food items for catering), and might occasionally hire day labourers without contract and social protection.

I insist in this paper on the informal-formal continuum because I believe that the organisations of the informal economy – those presented in the previous chapter – can play a key role in gradually moving informal economy actors towards the formality end of the spectrum. This will be discussed in the next section.

Figure 7: The informal-formal continuum



Source: Author's own work

The role of informal economy organisations

We posit that the members of informal economy organizations – the cooperatives, associations, mutuals etc. introduced above – remain informal, while their organizations enter the realm of formality, because they are officially recognized and/or registered. This assumption was confirmed by the aforementioned FES-IDOS-ILO research project. In fact, the survey concluded that well over half of all groups in all six countries possess an official registration certificate, with important variations from one country to another. The proportion of groups that are registered depends on its type: ROSCAs and religious groups may not need (or desire) to register while cooperatives and credit unions must necessarily register so as to be able to function. Moreover, some groups may avoid registering because this may entail the payment of taxes and other duties. Those groups are likely to fall under the grey area of being recognized, but not registered.

Moreover, it can be assumed that informal economy groups which keep accounts are more 'formal' than those that do not. Certain categories of groups, such as cooperatives and credit unions, are obliged by law to keep accounts while one would assume that others, such as religious associations, which do not carry out any financial transactions, would not see the need to keep accounts. The survey revealed that in all six countries, over 70 per cent of the respondents declared that their groups kept accounts. This percentage is significantly higher than the proportion of groups that are registered (see Table 3 below).

A third aspect indicating a certain degree of formality is the stability of informal economy groups. One would assume that informal economy groups are relatively volatile, because their members frequently change location and/or occupation. It was found, however, that the great majority of groups operate permanently; this proportion is highest in countries with the largest proportion of registered groups. The number of groups that function seasonally only (for example, during the harvesting season), or those that come together on an ad-hoc basis (for example, to assist a member in case of an emergency) is quite low in all three countries.

The survey therefore provides three indicators which allow us to measure the degree of formality and stability of the groups; those are summarized in Table 3.

Table 3: Formality indicator

Degree of formality of the groups							
Indicator	**Benin**	**Kenya**	**Senegal**	**Zambia**	**Ivory Coast**	**Ethiopia**	**Average**
Registered or formally recognized	46.4	67.1	55.3	85.2	39.1	56.0	**58.2**
Account keeping	73.9	86.2	77.7	90.5	71.1	75.3	**79.2**
Permanent operations	76.5	86.5	84.3	88.9	78.1	74.7	**81,5**
Average	**65.6**	**79.9**	**72.4**	**88.2**	**62.8**	**68.7%**	**73.0**

Source: Schwettmann and Traub-Merz, 2022

The table allows us to observe a surprisingly high, overall 'formality indicator' of **73.0 per cent** on average. Moreover, one can assume that the longevity of an informal economy group can serve as a proxy indicator for its performance and stability; one would further expect that groups emerging in the informal economy have a rather low survival rate because they rarely get any government support, and they are often managed or led by individuals with a low level of education. The survey falsified the latter assumption; across all six countries and all types almost half (49.6 per cent) are more than five years old. Table s4 below provides further detail.

Table 4: Median age of groups

Median age of informal economy groups in years					
Country	**Religious group**	**Cooperative** (not including credit unions)	**Savings club**	**Neighbourhood association**	**All groups**
Senegal	20	5	4	5	7
Zambia	10	5	1	2	6
Kenya	10	8	3	n.a.	7
Benin	6	6	4	n.a.	5
Ivory Coast	8	6	2	4	5
Ethiopia	10	5	2	10	10
Average	*10*	*6*	*3*	*5*	*7*

Source: Schwettmann and Traub-Merz, 2022

Hence, we can conclude that most organizations and associations in the informal economy in sub-Saharan Africa are stable, sustainable, self-reliant and officially recognized. They can therefore effectively build a bridge between their members, who generally remain in the informal economy, and the formal sector. Moreover, they can serve as an interface between the millions of the informal economy actors on the one hand, and the State and the formal private sector on the other. We will illustrate this on the basis of a few examples.

Case studies

An association of vegetable marketeers in Hlatikhulu, Eswatini

This case study is based on a personal experience. My wife is a Swazi citizen coming from Hlatikhulu, a small town in the highlands of the Kingdom of Eswatini. Her mother served for many years as the head of an association of around forty-five women who sold vegetables at Hlatikhulu's municipal market. Their stands were (and still are) located in a modern building with solid walls and a solid roof, erected by the municipal authority. The vegetable sellers had to apply for a stand and, if successful, would have to pay a small daily usage fee. All women belonged to an association that served as the interface between the vegetable sellers and the municipal authorities. Membership in the association was voluntary in theory, but de facto compulsory since no person would have been allowed to sell vegetables in the market without being a member of the association.

As the head of the association my mother-in-law played a crucial role. She assigned stands to the association members, ensured that all stands and indeed the entire building was perfectly clean and that the vegetables were fresh, collected the daily fees and handed them over to the municipality, organized meetings to fix prices for each product, mediated in case of a conflict between members (or between a member and a customer), and ensured that the vegetable marketing operation ran smoothly. In addition, if a member of the association encountered a case of illness or death in her family, my mother-in-law would collect voluntary contributions from the others to support her.

In my view this little example illustrates quite well the bridging function of the SSE. The association members, i.e. the vegetable sellers, clearly belong to the informal economy since their 'businesses' are not registered anywhere and do not assume any formal status. The association, however, has been officially recognized and highly welcomed by the municipality because without the association, the municipal authorities would have had to deal with each seller individually. Moreover, the case is also an example of the informal-formal continuum; in Hlatikhulu, one may buy vegetables at three places: in a supermarket (formal), at the municipal market (semi-formal), and on the street, sold by unorganized street vendors (informal). Prices would vary, of course, and so would quality standards and marketing conditions.

The Ethiopian *'Iddir'*

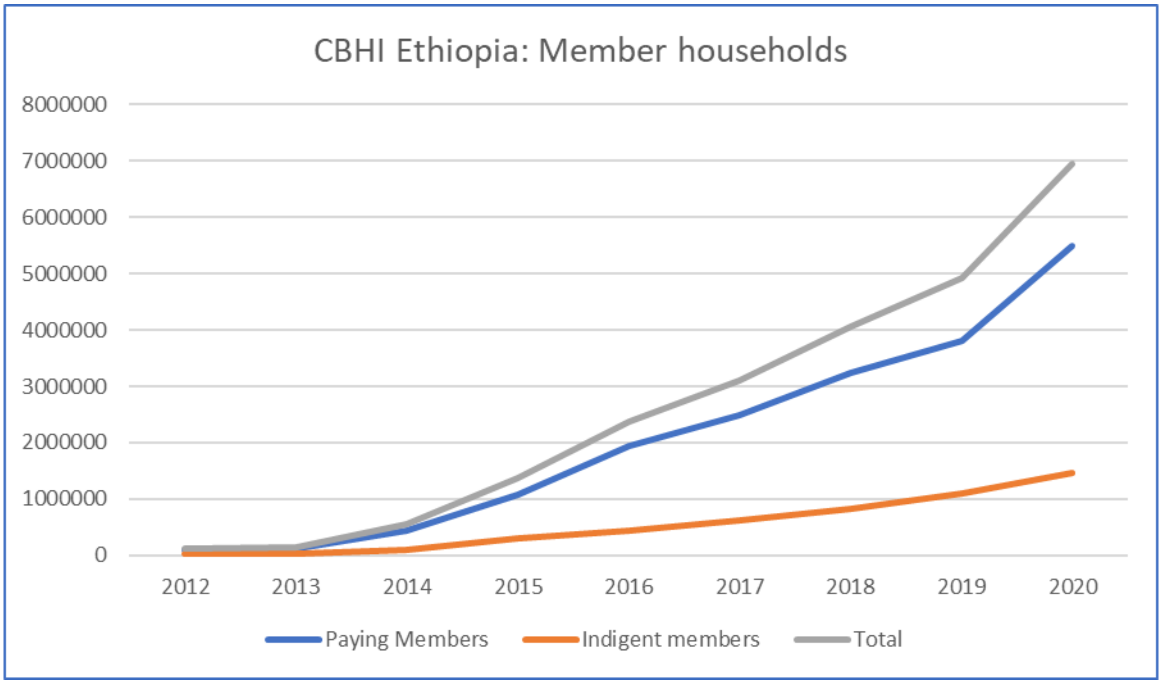
The *Iddir* are burial societies that are ubiquitous throughout Ethiopia (Schwettmann, 2023). They organise burial ceremonies and offer financial, material and moral assistance to the surviving relatives. *Iddir* obtain their legal personality from the Ministry of Justice by paying a registration fee (Veerakumaran, 2007), meaning that *Iddirs* must be considered to belong to the *formal* sector. In addition, substantial formalities are observed in the operations of *iddirs*. Regular meetings, the keeping of minutes, and the establishment of rules on how funds are managed (collections from members and disbursements to those who suffer shocks), and how fines shall be imposed are all examples of formalisation (Howlet et al., 2021).s

In addition to their primary function as mutual insurance, *Iddirs* are places in which women share experiences and discuss issues of pressing concern. *Iddirs* provide opportunities for social interaction, risk sharing, dispute resolution, information dissemination, reciprocity and mutual assistance (Teshome et al., 2014). Of the many types of *Iddir*, which may be aligned with ethnicity, sex, age, workplace or residence, the most dominant is the community *Iddir*, which is formed by households living in the same neighbourhood (Yitbarek, 2008).

In addition to their primary function, *Iddirs* are often involved in community development programmes, such as the construction of roads and schools, as well as the installation of public utilities. They have also facilitated the introduction and expansion of community-based health insurance (CBHI) schemes (Teshome et al., 2014). Indeed, it was reported that the promoters of such schemes used the *Iddirs* as examples to explain their own functioning, and to encourage rural households to join a scheme. Figure 8 illustrates the impressive growth of health insurance coverage in Ethiopia.

From the above, the 'bridge-building' function of the *Iddirs* appears obvious. The members of the *Iddir* mostly belong to the informal economy (which, in Ethiopia, represent 85.2 per cent of the labour force). The *Iddirs* themselves are formalized and officially registered. It is through them that the members get access to health insurance, and benefit from community development initiatives.

Figure 8: Coverage of the Ethiopian CBHI



Source: EHIA, 2020

A national street vendors' association in India

The National Association of Street Vendors of India (NASVI) was founded in the mid-1990s in the State of Bihar, where two NGOs, ADITHI and the Self-Employed Women's Association (SEWA) promoted the formation of an alliance of unorganized street vendors under the name 'Nidan' (a Hindi word for 'solution'). Nidan soon became NASVI; in 2001 NASVI successfully advocated for the formulation of a national policy on street vending, and joined the drafting committee that formulated the policy, which was finally approved by the Indian Cabinet in January 2004[8]. The policy:

- Created a legal status for street vendors.
- Provided civic facilities for urban spaces identified as vending zones.
- Promoted organizations of street vendors.
- Created a participatory planning service that incorporates civil society, local authorities, and street vendors.
- Encouraged street vendors to self-regulate and self-organize.
- Promoted access to skill development programs for street vendors.

NASVI's next challenge consisted of ensuring the effective implementation of the policy in all Indian States. This struggle was greatly supported by a verdict issued by the Supreme Court of India in October 2010 stipulating that street vendors had the fundamental right to carry on their businesses under Article 19 (1) g of the Indian Constitution, and directing Government to enact legislation for vendors by 30 June 2011. After a long struggle led by NASVI the President of India promulgated, in February 2014, the Street Vendors (Protection of Livelihood and Regulation of Street Vending) Act, 2014[9].

The enactment of this law, perhaps the first of its kind in the world, was a resounding success for NASVI; this accomplishment can be attributed to NASVI's associational power (the association currently represents 952 affiliate organizations with 658,129 members), its policy of exercising relentless pressure on government and law-makers through campaigns, mass demonstrations and protests, its clever use of both traditional and modern media, as well as a strong team of legal advisors (Singh & Kumar, 2016).

The Indian street-vending policy and legislation has nudged the street-vending profession a bit closer to 'formality' on the continuum; this would have been impossible without their national association, NASVI.

Vertical integration

The bridge-building function of the SSE can be strengthened and broadened through the formation of sectoral, regional, national or international unions, federations and alliances of primary SSE entities. The aforementioned NASVI is one of them, as is the Kenya National Alliance of Street Vendors and Informal Traders (KENASVIT), which serves as an umbrella organization of urban associations of street vendors. In most countries cooperatives and credit unions have formed national federations which play a representational, societal and policy-making role. These organizations clearly belong to the formal economy, but they represent the interest of individuals that earn their livelihoods in the informal economy. In some instances, national informal economy associations build global networks, such as:

- Global cooperative bodies, namely ICA and the World Council of Credit Unions (WOCCU).
- Global mutual insurance associations, namely the International Association of Mutual Benefit Societies (AIM) and ICMIF.
- Global informal economy advocacy bodies, including StreetNet International, Women in Informal Employment: Globalizing and Organizing (WIEGO), the Global Alliance of Waste Pickers and the International Domestic Workers Federation.

The formation of higher-level structures, also referred to as 'vertical integration', has the potential to increase the economic benefits of organization building through greater economies of scale, its social benefits through a broader sharing of risks, and its political benefits through larger bargaining power.

Conclusions

The informal economy is omnipresent in sub-Saharan Africa; it is much larger than the formal economy and employs ten times more people than the latter. The informal economy is here to stay and will not disappear. The informal economy is not unorganized; it is rather self-organized and self-regulated since the State is unable to reach out, monitor and support the hundreds of millions of informal micro-businesses that flourish everywhere on the continent. Informal economy actors have formed a plethora of associations, self-help groups, savings clubs and cooperatives which provide essential economic, social and societal functions. These autonomous, voluntary and democratically managed entities of the social and solidarity economy have proven their effectiveness in reducing decent work and sustainable development deficits that prevail in the informal economy, thereby nudging the informal economy actors and entities towards formality. Most importantly, they constitute an interface that enables the state and the private sector to interact with the millions of informal workers which cannot be reached individually.

Policymakers, governments and development partners should pay greater attention to the agency and potential of these SSE entities and their federations, because they constitute the most cost-effective means to build a bridge between informality and formality. The majority of SSE entities are not *cooperatives*, but alternative types of organizations that nevertheless operate according to cooperative principles and observe cooperative principles. It would be desirable for the Africa Office of the International Cooperative Alliance and the Ministries in charge of cooperatives in the region to seek ways of reaching out to national SSE federations, and to support them in their efforts to improve the lives of the continent's informal economy actors.

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Notes

[1] The 'Union Economique et Monétaire Ouest-Africain' (UEMOA) covers eight West African countries (Bénin, Burkina Faso, Côte d'Ivoire, Guinée-Bissau, Mali, Niger, Sénégal and Togo); in 2018, UEMOA carried out a very comprehensive survey of the informal economy in those eight countries ((UEMOA, 2018)

[2] Some aggregate data for sub-Saharan Africa exist, however: the share of informal employment in non-agricultural employment grew from 66.5 per cent in 1980 to 73.7 per cent in 1990 and 76.8 per cent in 2016 (Kanté, 2002; ILO,

2018a)
[3] Green and Khan (1990) report that from US$8 billion in 1970, the total external debt of African countries (excluding arrears) had by the end of 1987 risen to US$174 billion, including short-term debt estimated at US$12 billion.
[4] The term 'empresas recuperadas' is typically associated with the Argentinian experience, but they exist in several African, Asian, European, and North American countries as well (Vieta, 2019)
[5] A term coined by John Williamson (2009)**.** in early 1989, to describe a standard package of ten economic reform measures, including those mentioned in this paragraph. The Washington Consensus was never formally adopted, but the term was commonly used in the 1990s and the first decade of the 21st century.
[6] In the first two surveys (Kenya and Benin), sports associations were listed as an option; those were replaced for the remaining countries with neighborhood or residential groups as a more popular type.
[7] This is in stark contrast to the data published by the Kenya Bureau of Statistics which, in 2016, reported a total of 10.8 million cooperative members in the country – equivalent to 39 per cent of the population in the age bracket 15 to 64.s
[8] The policy was revised in 2009 and accompanied by a model law that federal States could use to support its implementation.
[9] The law *inter alia* defines the rights and obligations of street vendors, protects them from unlawful eviction, guarantees their legal recognition, and clarifies their relationship with municipal authorities.

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Redefining Member Economic Participation: The Potential of Pension Contributions in the Cooperative Economy

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Abstract: This research paper explores the potential of reinvesting a portion of the £665 million per annum paid by UK cooperatives as pension contributions back into the cooperative economy. Current investment practices leave the cooperative economy devoid of these substantial funds. The study argues for the development of cooperative financial instruments to funnel investment from 'friendly' cooperative investors, under existing guidelines for cooperative principle three, member economic participation. The paper proposes the inclusion of non-voting listed equity from cooperatives on stock exchanges, paired with listed cooperative bond instruments, as a plausible resolution. Moreover, the paper advocates for convincing index providers to incorporate these financial instruments into their indexes or encourage large mutuals to create custom indexes. Finally, the study urges the explicit recognition of this practice, termed here as 'member economic participation plus', in a future cooperative identity review.

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Keywords: pension funds, cooperative economy, cooperative financial instruments, financial indexes

Introduction

Pensions, as a critical element of socio-economic structure in the United Kingdom, have significant implications for individuals' long-term financial security. The pension system is designed as a long-term savings scheme, providing advantageous tax treatment to encourage and facilitate the populace's financial preparation for later life. As a key source of retirement income, pensions provide financial security for individuals in their later years and reduce reliance on public welfare systems. Private pensions also play a critical role in macroeconomics, influencing national savings, investment, long-term fiscal sustainability, and the labour market. Notably, pension funds are increasingly looking at Environmental, Social and Governance (ESG) factors when making investment decisions and some are looking to grow their percentage of assets involved with impact investing – the act of investing in projects, companies, or funds with the intention of generating both a financial return and a measurable, beneficial social or environmental impact.

Cooperatives *also* play an essential role in macroeconomics, offering economic resilience, promoting social inclusivity, and contributing significantly to GDP in many economies worldwide. Cooperatives, by nature, are one of the business forms most aligned with ESG ideals. 20.8% of the UK's population of 67m (Office of National Statistics, 2021) are members of cooperatives (14m) (Cooperatives UK, 2022) and 250,128 people are employed by cooperatives in the UK (Cooperatives UK, 2021). Coops are encouraged to consider paying a portion of their surpluses into a fund to found and strengthen other co-operatives (ICA, 2015) and one of the most important activities that members can – and should – choose to support, is to promote an economic environment favourable to the further development of the co-operative movement, locally, nationally, regionally, and internationally (ICA, 2015).

Given that cooperatives support private pensions by providing workplace pensions for their employees, the purpose of this paper is to research how private pensions do or could 'complete the circle' by supporting cooperatives. After a broad overview of the pension system in the UK, the paper makes a case that facilitating investment in cooperatives from pension funds is a way of supporting the cooperative economy that would both be compliant with the cooperative principle of member economic participation and generate ESG compliant pension returns. It investigates the current context and explores potential regulatory and cooperative principle changes that could improve pension

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fund investments in cooperatives. The research is intended to encourage debate within the cooperative movement about whether cooperatives can serve as an alternative to the entrenched system without providing pathways for private pensions to bolster them as well as to stimulate further research on measures to provide those pathways.

The Pension System in the UK

The Structure of the Pension System

The UK pension system can be broadly classified into three distinct categories: State Pension, Private Occupational Pensions, and Private Personal Pensions.

State Pensions

The State Pension, a governmental provision, becomes accessible upon reaching the State Pension age and is calculated based on an individual's National Insurance record. The concept of providing for the elderly can be traced back to the Elizabethan Poor Law of 1601 (UK Parliament, n.d.-a), although the first state pension in the UK wasn't introduced until the 1908 Old Age Pensions Act was passed, providing a non-contributory old age pension for eligible people over 70. The 1946 National Insurance Act replaced the former act with provisions for a contributory state pension, a significant departure from the earlier means-tested approach. Subsequent legislation in 1961 and 1978 made earnings-related additions to the state pension, aiming to give people a better standard of living in retirement. A means-tested benefit was introduced in 2003 to provide extra income for pensioners on low incomes. In April 2016, a new state pension system was introduced to simplify the previous system, providing a 'flat-rate' pension based on an individual's National Insurance record.

Private Pensions

Occupational Pensions, falling under employers' jurisdiction, follow two frameworks. Defined Benefit (DB) Pensions, or 'final salary' pensions, guarantee the employee a fixed sum until death in a similar way to the state pension. Conversely, Defined Contribution (DC) Pension payments are contingent on the sum of contributions from both the employer and the employee and their collective growth over time. Occupational pensions, provided by employers to their employees began to appear in the 19th century in sectors like the civil service, railways, and large industrial firms in the UK and the number grew substantially following World War II. In the 1970s and 1980s, the UK government introduced new regulations to better protect the rights of private pension scheme members.

In the 1980s, the Conservative government under Margaret Thatcher also encouraged the development of personal pensions as an alternative to occupational pensions. Personal pensions are arranged by individuals, offering flexibility in contribution levels, with the final pension value influenced by the contribution quantum and the investment performance in a similar way to occupational DC schemes. On retirement, individuals can select from various options to access their funds: lump-sum withdrawal, annuity-based guaranteed income, adjustable income, cash-in-chunks, or a combination of these options.

The Pension Schemes Act (1993) introduced significant changes to private pensions, establishing a regulatory framework for them and aiming to protect members' interests. Further protections were introduced in the Pensions Act 1995 and 2004, including the establishment of a minimum funding requirement for defined benefit schemes. Automatic enrolment, a revolutionary policy reform introduced in the Pensions Act 2008, mandates UK employers to enrol eligible workers into a pension scheme.

Frameworks

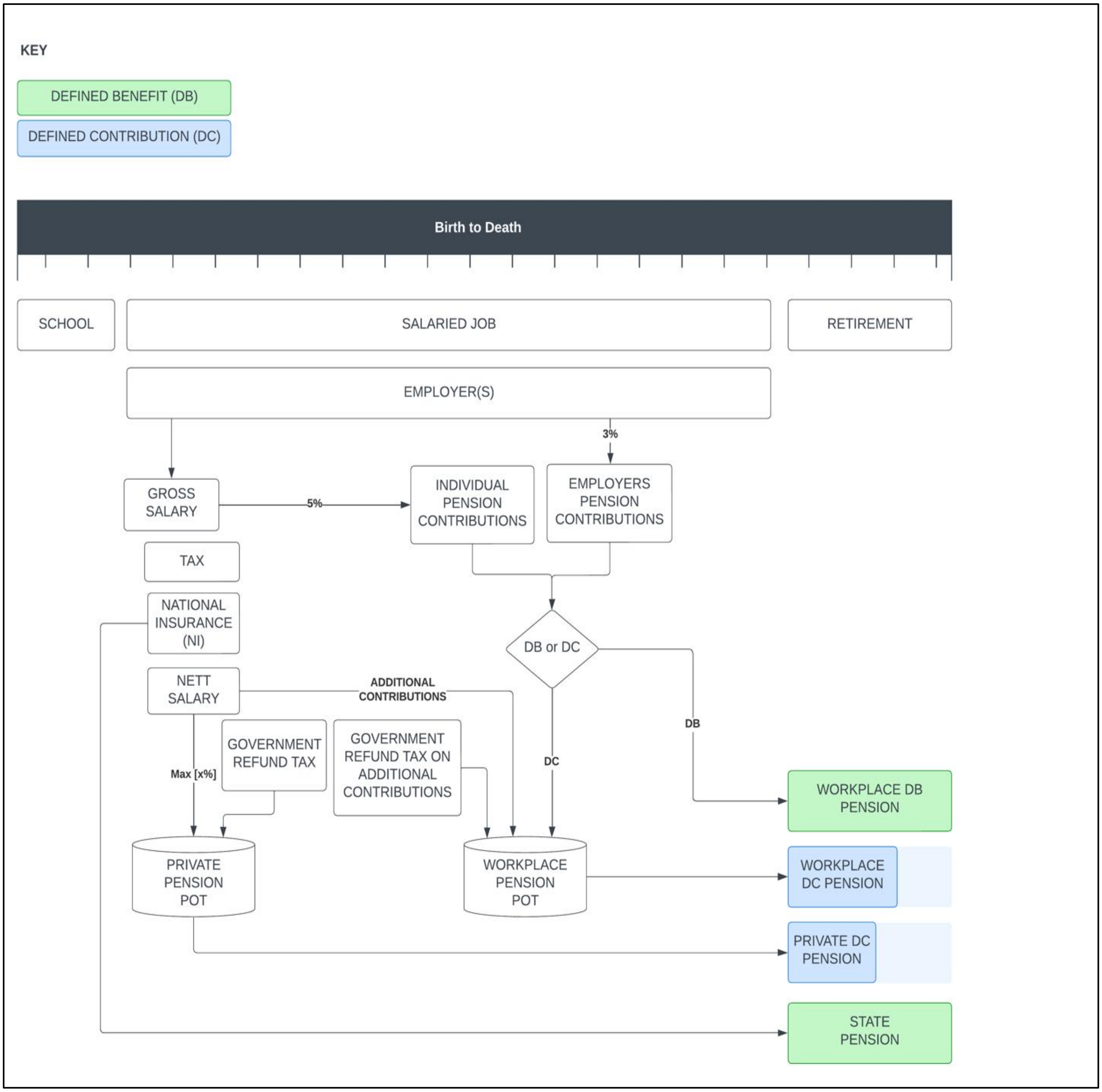
Given that around half of the working age population don't feel they understand enough about pensions to make decisions about saving for retirement (Money & Pensions Service, 2022), this paper breaks down the concepts behind pensions into two simple parts:

- Individual's income over time
- Pension Fund to Pension Providers

Splitting it this way illustrates more clearly who ultimately has control over whether money feeds back into the cooperative economy, and what parameters they need in order to do so.

Framework 1: Individual's income over time

Figure 9: Framework 1 (Birth to Death Income for UK residents)



An employee entering the workforce and their employer are legally required to opt into a workplace pension plan. The employee is mandated to contribute at least 5% of their total earnings before taxes, and an additional 3% is to be provided by the employer over and above the employee's gross income. Monthly deductions for income tax and employee's national insurance contributions are made from the gross salary, and the net salary is deposited into the employee's bank account. The workplace pension plan can be a DB scheme or a DC scheme.

Apart from the workplace pension plan, employees have the option to make additional contributions from their net income to their workplace pension or to another private pension. The government also supports these contributions by offering tax refunds, making them effectively equivalent to those made from gross salary. It should be noted that because DC pensions' retirement payout is dependent on how the investment performs while the employee is still working, there is an inherent risk of exhausting the funds prior to the individual's demise. In addition to private pensions, the employee is eligible for a state pension, the amount of which is capped and depends on the national insurance contributions made over their employment duration.

Framework 2: Pensions

Pension schemes are split into 2 types: trust-based pension schemes where the employer (or employers) have a contract with the trust (on behalf of their employees), and contract-based pension schemes where the individuals have a contract directly with the pension provider (e.g., insurance company). A diagram of Framework 2 may be found in the Appendix.

Trust based schemes

Trust based pension schemes, which could be DC or DB, tend to give the employer greater control over the scheme design and potentially investment choices, particularly in the case of single employer trusts, and, as a result, they can provide flexibility in terms of structure, benefit design and investment strategy.
Trust-based pension schemes are managed by asset managers such as insurance companies, traditional asset managers (e.g. BlackRock, Vanguard or Fidelity), passive asset managers (e.g., Vanguard or BlackRock), Active Fund Managers (e.g., Fidelity), or Robo advisors (e.g., Wealthify or Nutmeg) and are split into three types:

- master trusts;
- industry wide, e.g., teacher's pension;
- single employer trusts – common for larger enterprises.

For industry wide and single employer trusts, the employer (or industry) creates the trust and appoints the trustees (individuals or corporate trustees) who own the assets, have a legal duty to act in the best interests of scheme members, and are responsible for managing the scheme, including overseeing its investment strategy. While setting up a single-employer trust-based pension scheme can provide more control and enable the employer to tailor the scheme more closely to the needs of its employees, it can be more complex and costly to administer. In contrast, a master trust enables multiple employers unconnected with each other to participate in their own segments of a larger pension scheme set up under trust and governed by a board of trustees who are independent of both the employers and the provider.

A trust's asset managers invest the funds in the pension scheme via a strategy agreed with the pension scheme's trustees. The scheme's strategy may be passive, active or a combination of the two. In a passive strategy, the asset managers will attempt to match an index, published by index providers such as Morgan Stanley Capital International (MSCI). Indexes comprise a list of pre-determined shares and/or bonds assigned a defined percentage of the whole, e.g., 4.3% in Microsoft shares. Matching an index establishes a fund price per unit, which represents the value of the fund's assets at a certain point of time. New members in the fund buy in at the current value and their cash is used to acquire further shares maintaining the ratios roughly in line with the index.

In an active strategy, the asset manager will invest the pension scheme's funds as per the strategy but without following a specific index. For example, they may choose to hold 10% as Microsoft shares, or 1%, or none. They may choose to sell shares when the price is high and rebuy when the price is lower. Often, the shares are held on behalf of the scheme's trustees by an asset custodian such as State Street, BNY Mellon, JP Morgan or HSBC.

Some pension funds don't buy assets directly, but instead buy units in mutual funds, investment vehicles that enable multiple investors –including pension funds – to invest in a diversified portfolio.

Contract based schemes

Contract based pension schemes do not have the same governance as trust based schemes, although some providers offer oversight by an Independent Governance Committee (Standard Life, 2023). The assets of a contract-based pension scheme are owned by a pension provider, such as an insurance company. Contract-based pension schemes are all DC.

They are split into five types:

- self-invested personal pensions (SIPPs);
- stakeholder pensions (SHPs) – for individuals;
- stakeholder pensions (SHPs) – for employers;
- personal pensions;
- group personal pensions (GPPs).

With the exception of SIPPs, most contract-based pension schemes are provided for and managed by insurance companies. Similar to master trusts, a Group Personal Pension (GPP) is an alternative for small businesses or those without the resources to establish and manage a single-employer trust-based scheme. GPPs provide a pension scheme in which the employer chooses the provider, and each employee has a contract with that provider. SIPPs are provided by specialist suppliers such as Interactive Investor because the individual invests in the shares, bonds or funds themselves.

Political and Economic Context

State pension systems in the UK and elsewhere have historically been intended to provide a safety net - a level of income below which no one would fall in their old age – rather than to replace the need for personal financial management or savings. The International Labour Organisation (ILO, 2000) sees "old-age pensions as a responsibility of the State" but has warned that the global situation is unsustainable – "90 per cent of the world's working-age population is not covered by pension schemes capable of providing adequate retirement income". Professor David Blake (n.d., as cited by Hill, 2017) goes further, suggesting that we will [soon] have a generation who can't really afford to retire. In the UK, The Office for National Statistics' (2018) latest projections show that the UK population has been steadily getting older and that in 50 years' time, "there are likely to be an additional 8.6 million people [in retirement]", making relying on working-age people [to fund those in retirement] all but impossible. Because public pension systems are "teetering on the brink of bankruptcy" all over the world (Weiss, 2015), governments need to urgently find a solution to impeding this collapse. The risk is high that governments will soon no longer be able to alleviate the issue of poverty amongst the elderly and, therefore, the private pension will no longer ensure a higher standard of living in retirement but instead be essential to have any standard of living in retirement.

Private Pensions, whether personal or occupational, serve as a cornerstone of retirement income systems in many countries, supplementing state pensions and personal savings. Private pensions are significant contributors to national savings. The capital accumulated through these pensions can boost the national saving rate, positively influencing the total amount of funds available for investment in the economy. By diverting a portion of current income into pensions, employees are effectively transferring consumption from the present to the future – and at the same time, transferring income tax from the present to the future, which gives the benefit of compounded returns. This process promotes a culture of saving, and, in a macroeconomic sense, encourages capital formation. Personal pensions, both DC and DB, hold an advantage over savings accounts, because the growth of the 'pot' is tax free (Volz, 2019).

As sizable institutional investors, private pension funds also play a vital role in financial markets. They often invest in equities, bonds, and property, contributing to the liquidity and stability of these markets. Given their long-term investment horizon, pension funds can absorb short-term market volatility, thus providing patient capital that can facilitate sustainable economic growth. Furthermore, private pensions can indirectly influence labour markets. Employees might choose to remain longer in the workforce to maximize their retirement benefits, which could increase the overall labour force participation rate, particularly among older workers. However, private pensions can also incentivize early retirement if they provide sufficient income replacement. The effect on labour markets hence depends on the specific design of the pension system.

Private pensions require rigorous regulation and governance to ensure they fulfil their role reliably. Mismanagement or failure of private pensions can lead to severe financial insecurity for retirees, which may necessitate costly state interventions or end in a dramatic drop in living standards for the retirees. Furthermore, the investment activities of pension funds can contribute to asset price bubbles if not adequately managed. In the context of strained public pensions systems, private pensions can help mitigate public finance pressures by sharing the burden of retirement income provision. However, the efficacy of this mitigation depends on the coverage and adequacy of the private pensions in question.

Private pensions can also affect income distribution, both within and across generations. Higher-income individuals tend to benefit more due to their higher propensity and ability to save, which can exacerbate wealth inequality. Similarly, private pensions can raise intergenerational equity issues, especially when, in the case of defined benefit schemes, current workers bear the brunt of pension fund deficits.

Individuals who have a DC plan are fully exposed to market risk. Over the past few decades there has been a gradual shift towards DC pensions and, in some countries, DC plans now account for the majority of invested assets in private sector occupational pension plans and “shifting investment risk from the corporate sector to households …. [who] are therefore becoming increasingly exposed to financial markets, and retirement income may be subject to greater variability than before” (Broadbent, 2006). Orlova et al. (2015) suggest that “the transition … has left workers forced to make choices that may decrease their financial resources in retirement”.

Cooperative Capital in relation to Pension and Wealth Creation

Cooperatives also play an essential role in macroeconomics, offering economic resilience, promoting social inclusivity, and contributing significantly to GDP in many economies worldwide. In an ever-globalizing economy, cooperatives provide a unique counter-narrative to conventional capitalist structures. They emphasize stakeholder participation, democratic decision-making, and profit-sharing, advocating for a more equitable and sustainable economic model. However, their role in the pension eco-system is less clear. The potential of cooperatives there is not fully realised due to a lack of understanding and support from policymakers, inadequate legal frameworks, and insufficient access to finance.

Cooperative law began with the Industrial and Provident Societies Act of 1852. The legislation facilitated the creation of societies or entities which could amass capital through member contributions. This move represented a shift from the prevailing dependence on loans or investments from external entities, thereby embedding the foundational principles of modern cooperatives. The subsequent update to the Industrial and Provident Societies Act in 1893 ushered in a more structured legal framework for cooperatives. Not only did the Act confer recognition on these entities as cooperative businesses, but it also introduced the concept of limited liability. This ensured that members' financial responsibilities towards the cooperative's debts were limited to their initial investments. In the aftermath of World War II, the cooperative landscape experienced a paradigm shift with the advent of consumer cooperatives. These cooperatives functioned primarily on a mutual credit system. Members would contribute to a shared fund which could be accessed as and when required. This practice marked a departure from the earlier model of capital accumulation through member investments. Nonetheless, the legal framework governing these cooperatives still predominantly relied on the tenets of the Industrial and Provident Societies Acts. The 21st-century has seen significant legislative alterations with the enactment of the Cooperatives and Community Benefit Societies Act in 2014, which amalgamated previous legislations while simultaneously introducing critical changes to the cooperative law landscape. In terms of capital management, the Act allowed cooperatives to issue withdrawable share capital, effectively creating a novel and simplified method to acquire capital from members. It also permitted members to potentially earn a return on their investment, subject to certain restrictions. While most coops in the UK are formed under cooperative law, there are some that are formed under company law with cooperative articles of association.

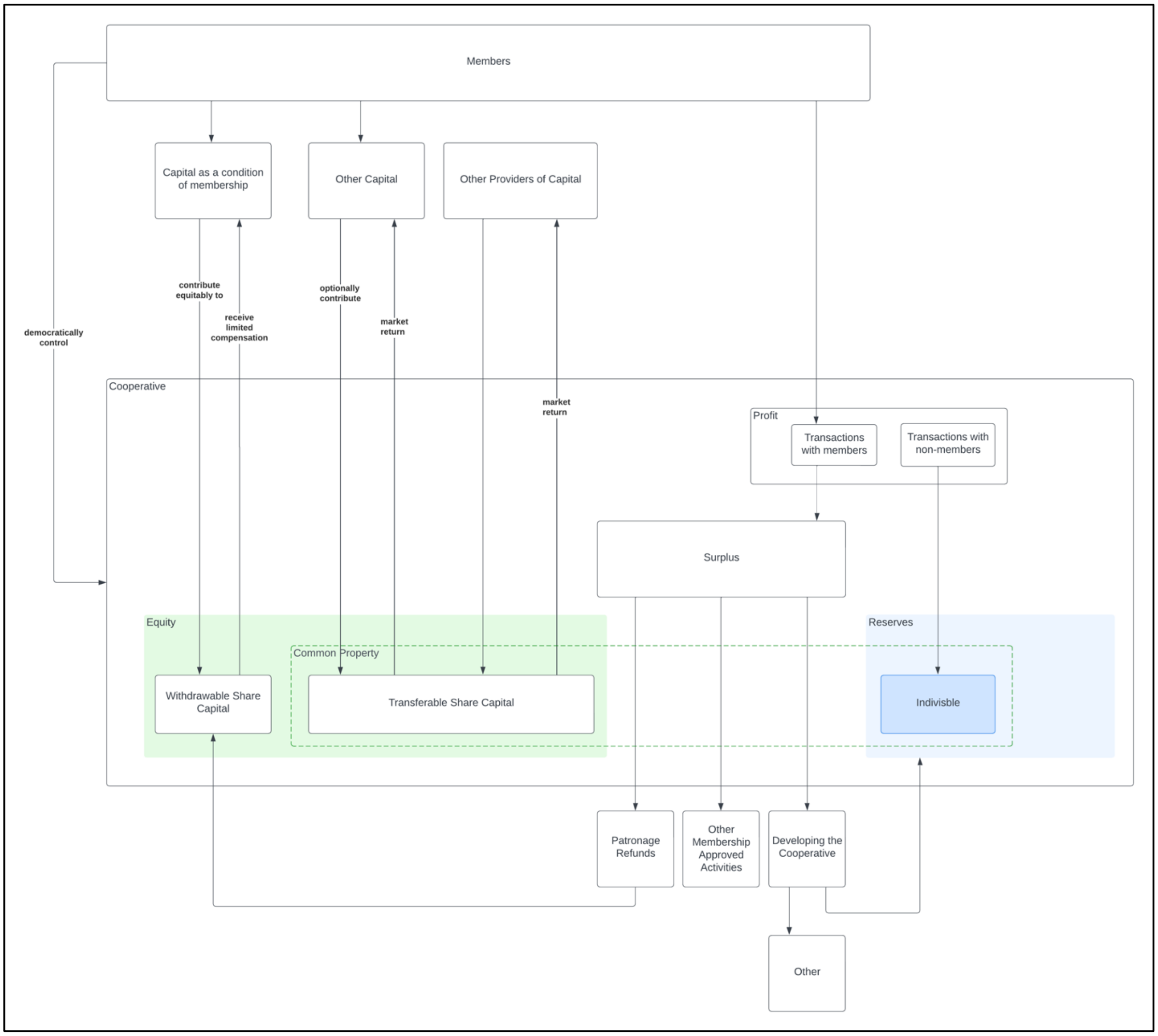
The principle of "Member Economic Participation" in the co-operative movement has evolved from the International Co-operative Alliance’s (ICA) 1895 adoption of the Rochdale Pioneers' principle of "Distribution of Surplus". This principle meant that profits or surpluses were to be shared among members in a fair and proportional manner, reflecting their individual transactions with the co-operative. In 1966, the ICA redefined this principle as "Member Economic Participation," indicating a shift in focus towards democratic control of capital and the equitable contribution of members to their co-operative's capital. The change marked a significant advancement in the co-operative ethos, placing members' participation and democratic control at the heart of co-operative management, while also stressing the importance of adequate capitalization to ensure co-operative sustainability and development.

In the 1995 revision of the co-operative principles, ICA offered more explicit and expanded guidelines regarding member economic participation and the deployment of co-operative capital, reflecting subtle yet influential shifts in the understanding of the co-operative model. While maintaining the focus on members' equitable contributions and the democratic control of capital, the revised principle unequivocally stated that part of the capital should be recognized as the common property of the co-operative. Moreover, the 1995 principles provided more explicit directions on the handling of surpluses. The new guidelines outlined a series of approved uses for surplus capital: development of the co-operative, establishment of reserves, and support for other member-approved activities. The revised principle continued to impose restrictions on the return on share capital and reaffirmed the precept that the needs of the co-operative and its members took precedence over returns on capital. The current definition of principle three, member economic participation, is as follows:

> *Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership. (ICA, n.d.)*

Of relevance to this paper is the concept of sharing distributable surplus with non-members, where that distribution is to aid members of other coops, and of raising capital via cooperative bonds. The guidance notes, published in 2015 by the ICA, offer more detail on the principles. It is noteworthy that the ICA defines earnings from transactions with members as surplus, whereas earnings from transactions with non-members is profit – with the latter being put into indivisible reserves.

Figure 2 – Member Economic Participation as described by the ICA's Guidance Notes



The 'sustainability turn' in pension systems

Environment, Social and Governance (ESG)

ESG refers to standards used by conscientious investors and corporations to screen potential investments for their sustainability and ethical impact. ESG factors allow businesses and investors to evaluate companies based on how they manage these critical aspects in addition to their financial performance. By considering ESG criteria, investors are better equipped to anticipate potential risks and opportunities beyond traditional financial analysis. Environmental criteria assess how a company performs as a steward of the natural world, considering issues such as a company's energy use, waste, pollution, natural resource conservation, and treatment of animals. Social criteria examine how a company manages relationships with its employees, suppliers, customers, and the communities where it operates, considering aspects like human rights, labour standards, health and safety, and relations with local communities. Governance involves a company's leadership, executive pay, audits, internal controls, and shareholder rights and can encompass issues such as corruption, tax strategy, and corporate structure. Historically, the concept of ESG has roots in the broader field of socially responsible investing (SRI), which emerged in the 1960s as part of the broader civil rights and anti-war movements. Over the past decade, ESG investing has grown exponentially. Driven by an increasing awareness of climate change, social inequality, and the importance of good corporate governance, investors have recognized the materiality of ESG factors in business performance and long-term investment returns. ESG assets under management globally have grown into tens of trillions of dollars, and this trend shows no sign of abating.

Cooperatives are one of the business forms most aligned with ESG ideals. They often prioritise environmental stewardship as they are typically community-based, with a vested interest in protecting local ecosystems. The social element is inherent to the cooperative philosophy, which is grounded in the commitment to the well-being of their members and communities. Cooperatives embody governance transparency and accountability, integral to ESG considerations. Their democratic decision-making processes ensure a level of participation and oversight not typically found in other corporate structures. Every member has an equal vote, ensuring fair representation, and promoting a system of checks and balances. Thus, cooperatives align seamlessly with ESG objectives, fostering a business model that is intrinsically focused on long-term, equitable growth.

Impact Investing

Cooperatives similarly represent a business model that naturally aligns with the principles of impact investing. Impact investing involves directing funds into companies, organisations, and sectors with the intent of earning financial returns and generating measurable and positive social or environmental effects. Unlike traditional investments, this strategy, defined by the Global Impact Investing Network (GIIN), emphasizes dual goals: profitability and beneficial impact. This approach engages diverse investors, from individuals to institutions, who aim to combine fiscal and societal gains.

Why research is needed

Equation 1) shows that UK Cooperatives contribute £665 million per annum to the UK Pension system.

Equation 1 – Cooperatives contribution to UK Pension System by employees (per annum)

$$(52p(d+e))a = b$$

Where:
a = the 250,128 employees working for coops in the UK (Coops UK, 2021), n;
p = £640 median weekly pay for full-time employees (Office for National Statistics, 2022), £;
d = 5% minimum percentage of employee’s gross salary mandated by law to be put in a pension, £;
e = 3% minimum percentage of employee’s gross salary mandated by law to be put in a pension for the employee, £;
b = the value put into the UK pension system by members of cooperatives, £.

Whilst this UK specific data only represents a ‘slice’ of the pension market, it is a useful proxy for the global situation. Equation 22) shows that **£745 billion** flows into the *global* pension system per annum from people employed by cooperatives.

Equation 2 – Cooperatives employees worldwide contribution to Global Pension System (per annum)

$$(52p(d+e))k = b$$

Where:
k = the 280 million people that cooperatives provide jobs or work opportunities to, n;
p = £640 median weekly pay for full-time employees (Office for National Statistics, 2022), £;
d = 5% minimum percentage of employee’s gross salary mandated by law to be put in a pension, £;
e = 3% minimum percentage of employee’s gross salary mandated by law to be put in a pension for the employee , £;
b = the value put into the UK pension system by members of cooperatives, £.

According to the Thinking Ahead Institute (2023), the top 22 pension markets combined have USD 47.1 trillion of assets under management (AUM) which is mostly made up of equity in organisations (transferable shares) and debt; government debt (in the case of the UK, gilts); and organisation debt (bonds). The UK has USD 2.568 trillion of AUM, of which 33% is equity, 56% bonds, 2% in cash and 9% in other AUM (e.g., property). 81% of the UK's pension AUM are in DB pension schemes and 19% in DC pension schemes. Given that cooperatives and their employees are paying £665 million (Equation 1) to pension funds, that co-operatives are encouraged to consider paying a portion of their surpluses into a fund to found and strengthen other co-operatives (ICA, 2015), and that pension fund capital contributes to growth and jobs ("Pensions Europe", n.d.), research is required to find out how much, if any, of this money ends up 'completing the circle', back into the cooperative economy, founding and strengthening other co-operatives.

The link between cooperatives and pensions -- particularly the concept of how cooperatives could support pension funds by either sharing a portion of surplus through dividends to non-voting investor shares (equity) or by reducing available surplus due to paying interest on cooperative bonds – is not extensively researched. Bajo and Roelants (2011) showed that the 2008 global economic crisis exposed the unsustainability of the debt-based economic model, where economic growth is powered by increasing levels of debt. They questioned the logic of a system that leads to such crises and explored cooperatives as a possible alternative, including examples such as Mondragon's Eroski that issues cooperative bonds.

In its guidance notes to the Co-operative principles, the ICA (2015) explained that a limited return on capital is justified to compensate members but return to *members* beyond that would prevent the coop from developing its business by reducing its operating surplus. However, it also noted that the third principle allows for a *market return* on capital otherwise invested by members, i.e., on capital not required as a condition of membership. Cooperatives with high capitalisation requirements (for regulatory reasons, or otherwise) may need to go beyond what is possible to raise from members and source debt or equity capital from the financial markets *implying* a market return. The guidance notes state that large well established cooperatives have done this by listing non-member shares on stock markets. They also suggest that one of the most important activities members can and should do is promote an economic environment favourable to the further development of the co-operative movement and encourage coops to consider paying a portion of their surpluses into a fund to found and strengthen other co-operatives.

ICA (2017) in its Capital Conundrum report suggests that cooperative capital should not be seen as purely limited to the cooperative itself. Capital can be boosted by patient capital – instruments of "quasi equity" such as bonds that provide investors in the social economy with a fixed *minimum* remuneration and a variable additional amount indexed to the enterprise's results. Rabobank, a large financial coop in the Netherlands, did this, and the capital instrument qualified as Common Equity Tier 1 under European regulation. The bonds, which carried a substantial premium due to their subordinated nature, were traded on a Rabobank internal network. The report suggests that such instruments could be issued to match members' investments, thereby encouraging further capitalisation by members (the more the members invest, the more can be raised externally). It points out that to keep the costs of servicing such quasi equity instruments as low as possible, a high level of capitalisation and therefore credit rating, is paramount, and that high capitalisation enables cooperatives and mutuals to take advantage of immediate, tactical acquisitions. It also states that allowing external non-member investor capital is not incompatible with co-operative philosophy and cooperative business models, as long as care is taken to ensure the core purpose of the coop is not to pay dividends to investors and that demutualisation is impossible.

Methodology: Pension Fund Review

A review of selected pension schemes supported by UK cooperatives was conducted to determine how funds are invested and to what extent they complete the circle to support the cooperative economy.

Description of data collection plan

Collection Methods

The primary method of data collection was document analysis. All data were collected from the public domain. Relevant sources of information included official websites of master trusts, pension providers, mutual funds, and index providers; regulatory filings; and financial and investment reports. Secondary sources like financial news websites, articles, and databases were also utilised.

Purposive Sampling

The sampling process was purposive, a pivotal non-probability sampling methodology. This technique entails the deliberate selection of research participants predicated upon their distinctive characteristics or qualities. Given the sheer number of pension funds in the UK, the decision was made to focus the research on a very specific part of the pensions market: master trust based auto enrol pensions that offered ethical funds.

How the data was analysed

The data gathered was systematically analysed following the multi-stage process of selection, which incorporated both vertical and horizontal processes. The vertical selection process involved the selection of pension schemes based on specific criteria aligned with the study objectives. Upon identifying the 37 authorised master trusts in the UK, a categorical analysis was performed to discern which of these accepted auto-enrolment. The resultant subset of master trusts was then scrutinized to elucidate the pension providers they utilise. Any schemes that lacked pertinent information on their pension provider or the funds offered were eliminated. Further stratification was carried out to distinguish the providers that operate on a mutual basis, and a thematic analysis was performed on the tax relief arrangements of the remaining master trusts.

The horizontal selection process involved a cross-sectional analysis across the pension funds described as 'ethical' from pension schemes, aiming to compare, contrast, and assess them on multiple dimensions. It further refined the study group or dataset, ensuring comprehensive representation and diversity in line with the focus on auto-enrolment. Ethical funds were singled out based on the premise that cooperatives, if present in any of the funds, were most likely to be part of the ethical fund. The ethical funds were then classified as either actively managed, or passively managed and analysed to determine each pension fund's method of investment, either direct purchase of assets, or acquisition of units in a mutual fund. For the passive funds, an index analysis was performed, examining the indexes tracked by the mutual funds and the index providers. The final stage of the analysis involved a content analysis of publicly available information to ascertain whether cooperatives form a part of these indexes, or, in the absence of such information, to explore plausible reasons why cooperatives might not be included.

Analysis / Results

Master Trusts

There are 37 regulated Master Trusts in the UK. Of the 37, nine offer auto enrol pension schemes that small coops and other small businesses can enrol their employees into (highlighted in blue in Table 1 below). All 37 are DC schemes.

Table 2: List of the 37 Regulated Master Trusts (auto enrol in blue)

Aegon Master Trust	The Crystal Trust	LifeSight	Smart Pension Master Trust
The Aon MasterTrust	Ensign Retirement Plan	Mercer Master Trust	Standard Life DC Master Trust
Atlas Master Trust	FCA Pension Plan	National Employment Savings Trust (NEST)	Stanplan A
Aviva Master Trust	Fidelity Master Trust	National Pension Trust	Superannuation Arrangements of The University Of London (SAUL)
The Baptist Pension Scheme	HSBC Master Trust	NOW: Pensions Trust	Universities Superannuation Scheme
BCF Pension Trust	Industry-Wide Defined Contribution Section (Railways Pension Scheme)	Options Workplace Pension Trust	The University of Oxford Staff Pension Scheme
The Cheviot Pension	The ITB Pension Funds	The Pensions Trust (TPT Retirement Solutions)	Workers Pension Trust
Combined Nuclear Pension Plan	Legal & General WorkSave Mastertrust	The People's Pension	
Creative Pension Trust	Legal & General WorkSave Mastertrust (RAS)	Scottish Widows Master Trust	
Cushon Master Trust (trading as The Salvus Master Trust)	The Lewis Workplace Pension Trust	The SEI Master Trust	

Source: *https://www.thepensionsregulator.gov.uk/en/master-trust-pension-schemes/list-of-authorised-master-trusts*

Providers for the approved Auto Enrol Pension Schemes

Table 2 lists the Pension Provider used by each of the nine Pension Schemes. Standard Life are large enough to be their own provider. The schemes highlighted in red have been excluded from further analysis due to limited reach or inadequate public information.

Table 3: List of Regulated Master Trust Auto Enrolment schemes (highlighted in red are schemes removed from the results)

Automatic enrolment pension scheme	Partnership (Provider)
Creative Pension Trust	Scottish Widows
The Crystal Trust (appears to be trading as Evolve) https://evolvepensions.co.uk/	Legal and General
The Lewis Workplace Pension Trust https://lewismastertrust.co.uk	Legal & General
National Employment Savings Trust (NEST)	Legal & General CM (BMO)
NOW: Pensions	
The People's Pension	State Street
Smart Pension Master Trust	Legal & General
Standard Life Workplace Pension	Standard Life
Workers Pension Trust	

Source: The Pensions Regulator, 2023

The Ethical Pension Funds

Crystal Trust (2023) indicates its most 'ethical' fund is the Lifestyle Strategy: "Following a review … the Trustee implemented a change to ensure that the Legal & General Investment Management (LGIM) Lifestyle strategy have a much improved ESG score" (Evolve Pensions, 2023). Their Trustee designs the LifeStyle Strategy, which is made up of funds from Legal & General (Crystal, 2022).

The Lewis Workplace Pension Trust offers an "Auto Enrolment Responsible Investing Portfolio" (Lewis Investment, 2023) which appears not to be a portfolio but a single fund – the "Legal & General MSCI World Socially Responsible Investment (SRI) Index Fund" (Lewis Investment, 2023).

NEST offers an ethical growth fund. Figure 3 shows the breakdown of the fund.

Figure 3: NEST Ethical Growth Fund Breakdown

Nest Ethical Growth Fund	**100.0%**
BMO Responsible Global Equity Fund	62.5%
BMO Responsible Sterling Bond Fund	20.1%
LGIM Managed Property Fund	10.1%
LGIM Sterling Liquidity Fund	3.2%
Octopus Renewables Infrastructure Partnership V L.P.	1.3%
Octopus Renewables Infrastructure SCSp	2.7%

The People's Pension offer 8 funds, one of which is their 'ethical fund'. "This fund invests 100% in Global Shares. The fund's investments are weighted towards companies that demonstrate a strong track record of managing environmental, social and governance ('ESG') risks and opportunities." (People's Pension, 2023). 100% of this fund is invested in its provider's "State Street World ESG Index Equity Fund".

Smart Pension offers 17 funds, 9 of which take into account ESG factors. This research focusses on their "Smart Ethical and Climate Fund" which "aims to track a filtered index, which excludes companies that operate in industries that breach certain ethical criteria" (Smart Pension, 2023). Its underlying fund is the "Legal & General FTSE TPI Global (ex Fossil Fuels) Equity Index Fund" (Smart Pension, 2023).

Standard Life are a large supplier of workplace and private pensions and allow auto enrolled employees to choose any of their funds. Their default ethical fund is called "Standard Life Sustainable Multi Asset Growth Pension Fund". They note that "With most workplace pension scheme members opting to stay in their scheme default, it's important that it has a comprehensive yet clear strategy to meet most member's needs" (Standard Life, 2023) and "our default" investment option is designed for the majority of members. It aims to help members achieve a good outcome when they come to retire by … focusing on ESG factors we believe are financially material" (Standard Life, 2023).

In summary, there are five funds from Legal & General used by auto enrol master trust pension schemes, two funds from CT (BMO) and one fund from State Street. Standard Life, being its own provider, has many funds available. However, the default and main ethical fund for its Master Trust pension scheme is the Standard Life Sustainable Multi Asset Growth Pension Fund, which is made up of 13 different funds – 11 passive and 2 active funds. Table 3 lists the funds, the provider and the scheme which uses each fund and indicates whether the funds are under active or passive management. It is important to note that only pension schemes can invest in these funds.

Table 3: List of Pension Funds and their Providers (passive in green, active in red)

Pension Fund	Provider	Automatic enrolment pension scheme
Legal & General Global Equity Index Fund	Legal & General	The Crystal Trust
Legal & General MSCI World Socially Responsible Investment (SRI) Index Fund		The Lewis Workplace Pension Trust
FTSE TPI Global (ex Fossil Fuels) Equity Index Fund		Smart Pension Master Trust
LGIM Managed Property Fund		NEST
LGIM Sterling Liquidity Fund		
CT [BMO] Responsible Global Equity Fund	CT (BMO)	
CT [BMO] Responsible Sterling Bond Fund		
State Street World ESG Index Equity Fund	State Street	The People's Pension
Standard Life Sustainable Index US Equity Pension Fund	Standard Life	Standard Life Workplace Master Trust
Standard Life Sustainable Index UK Equity Pension Fund		

Pension Fund	Provider	Automatic enrolment pension scheme
Standard Life Sustainable Index European Equity Pension Fund		
SL abrdn Short Dated Global Corporate Bond Tracker Pension Fund		
Standard Life Sustainable Index Japan Equity Pension Fund		
SL PUTM Bothwell Emerging Market Debt Unconstrained Pension Fund		
Standard Life Sustainable Index Asia Pacific (ex Japan) Equity Pension Fund		
Standard Life Sustainable Index Emerging Market Equity Pension Fund		
SL Sustainable Global Property Securities Asset Fund		
SL Vanguard Global Corporate Bond Index Pension Fund		
Standard Life Property Pension Fund		
SL PUTM Bothwell Global Bond Pension Fund		
SL abrdn Global Inflation-Linked Bond Tracker Pension Fund		

Source: Authors own research

Mutual Funds

As opposed to buying shares and bonds directly, some pension funds are made up of units in mutual funds. All of Standard Life's passively managed pension funds are made up of units in mutual funds provided by Standard Life – for example, the Standard Life Sustainable Index UK Equity Pension Fund is made up of units in the PUTM ACS Sustainable Index US Equity Fund. Table 4 shows which pension funds are just units in another mutual fund.

Table 4: List of Pension Funds and related mutual fund, if applicable (passive in green, active in red)

Pension Fund	Mutual Fund
Legal & General Global Equity Index Fund	
Legal & General MSCI World Socially Responsible Investment (SRI) Index Fund	
FTSE TPI Global (ex Fossil Fuels) Equity Index Fund	
LGIM Managed Property Fund	

Pension Fund	Mutual Fund
LGIM Sterling Liquidity Fund	
CT [BMO] Responsible Global Equity Fund	
CT [BMO] Responsible Sterling Bond Fund	
State Street World ESG Index Equity Fund	
Standard Life Sustainable Index US Equity Pension Fund	PUTM ACS Sustainable Index US Equity Fund
Standard Life Sustainable Index UK Equity Pension Fund	PUTM ACS Sustainable Index UK Equity Fund
Standard Life Sustainable Index European Equity Pension Fund	PUTM ACS Sustainable Index European Equity Fund
SL abrdn Short Dated Global Corporate Bond Tracker Pension Fund	PUTM ACS Sustainable Index European Equity Fund
Standard Life Sustainable Index Japan Equity Pension Fund	PUTM ACS Sustainable Index Japan Equity Fund
SL PUTM Bothwell Emerging Market Debt Unconstrained Pension Fund	PUTM Bothwell EMD Unconstrained Fund
Standard Life Sustainable Index Asia Pacific (ex Japan) Equity Pension Fund	PUTM ACS Sustainable Index Asia Pacific ex Japan Equity Fund
Standard Life Sustainable Index Emerging Market Equity Pension Fund	PUTM ACS Sustainable Index Emerging Market Equity Fund
SL Sustainable Global Property Securities Asset Fund	
SL Vanguard Global Corporate Bond Index Pension Fund	Vanguard Global Corporate Bond Index Fund
Standard Life Property Pension Fund	
SL PUTM Bothwell Global Bond Pension Fund	PUTM Bothwell Global Bond Fund
SL abrdn Global Inflation-Linked Bond Tracker Pension Fund	abrdn Global Inflation-Linked Bond Tracker Fund

Source: Authors own research

Indexes

Thirteen of the funds that directly invest in equity and debt instruments are passive, meaning they track an index from an index provider – the index tells them what to buy. The other eight are actively managed, meaning investment decisions are based on an investment strategy decided by the fund manager. Two of the eight actively managed funds report against an index although the fund manager actively decides whether and what to invest in other securities. Table 5 lists the 13 funds and their corresponding index, with the actively managed but index tracked funds in red.

Table 5: List of Passive Funds (Pension or Mutual) and their corresponding index

Fund	**Index**
Legal & General Global Equity Index Fund	FTSE World Index
Legal & General MSCI World Socially Responsible Investment (SRI) Index Fund	MSCI World SRI Index
FTSE TPI Global (ex Fossil Fuels) Equity Index Fund	FTSE TPI Climate Transition Index Series: - FTSE All-World TPI Transition ex Fossil Fuel ex Tobacco ex Controversies Index - FTSE All-World ex Japan TPI Climate Transition Index - FTSE Developed TPI Climate Transition ex Coal ex Controversies ex Nuclear ex Tobacco Index - FTSE Developed ex Korea TPI Climate Transition Index - Russell 1000 TPI Climate Transition Index - FTSE Japan TPI Climate Transition Index - FTSE Global Core Infrastructure TPI Climate Transition Index
CT [BMO] Responsible Global Equity Fund	MSCI World TR Index
CT [BMO] Responsible Sterling Bond Fund	Markit iBoxx Sterling Non-Gilts Index
State Street World ESG Index Equity Fund	MSCI World ESG Universal Index
PUTM ACS Sustainable Index US Equity Fund	MSCI USA Select ESG Climate Solutions Target Index
PUTM ACS Sustainable Index UK Equity Fund	MSCI UK IMI Select ESG Climate Solutions Target Index
PUTM ACS Sustainable Index European Equity Fund	MSCI Europe ex UK Select ESG Climate Solutions Target Index
PUTM ACS Sustainable Index European Equity Fund	Bloomberg Global Aggregate Corporate 1 to 5 year index
PUTM ACS Sustainable Index Japan Equity Fund	MSCI Japan Select ESG Climate Solutions Target Index
PUTM ACS Sustainable Index Asia Pacific ex Japan Equity Fund	MSCI AC Asia Pacific ex Japan Select ESG Climate Solutions Target Index
PUTM ACS Sustainable Index Emerging Market Equity Fund	MSCI Emerging Markets Select ESG Climate Solutions Target Index
Vanguard Global Corporate Bond Index Fund	Bloomberg Barclays Global Aggregate Float Adjusted Corporate Index
abrdn Global Inflation-Linked Bond Tracker Fund	Bloomberg World Government Inflation-Linked Index

Source: Authors own research

Table 6 lists the four index providers and the breakdown of the 21 associated indexes.

Table 6: List of Index Providers and the number of associated tracked funds

Index Provider	Number of indexes
FTSE Russell	8
MSCI	9
Markit	1
Bloomberg	3

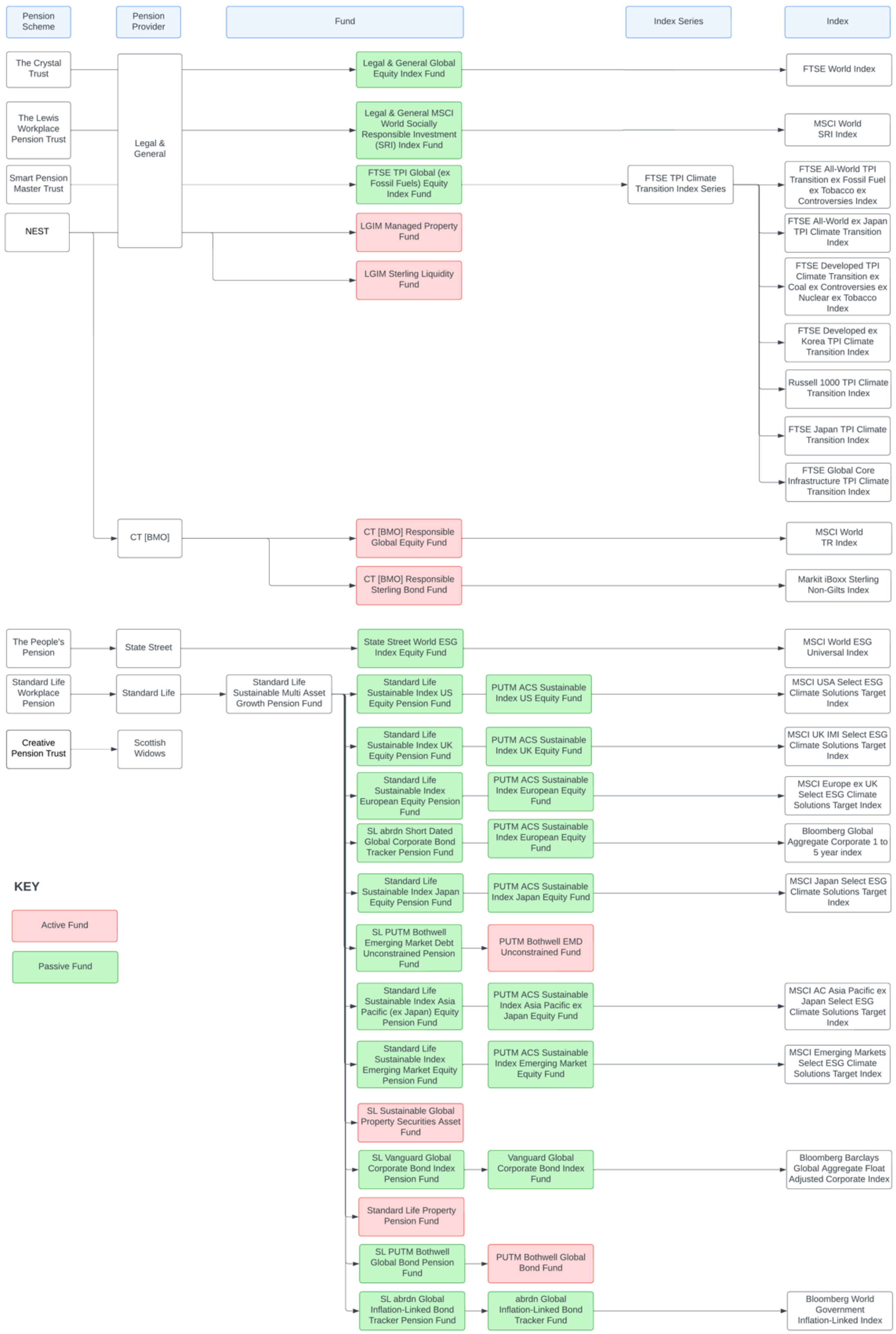
Source: Authors own research

Indexes are protected as a form of intellectual property. While the raw data used in the construction of an index (e.g., the prices of individual stocks) cannot be copyrighted, the specific methodology providers use to compile and weight its index can be. This prevents other entities from directly copying indexes. While the methodologies are publicly available, the constituents that make up the index are not, bar the top 10. However, "constituents of MSCI equity indexes are *listed companies* [emphasis added], which are included in or excluded from the indexes according to the application of the relevant index methodologies" (MSCI, 2022). This indicates that a cooperative's transferable equity or bonds would need to be listed on a stock exchange before it could be eligible for inclusion into an index. Given that the Cooperative Group (the UK's largest coop) is the only one with listed bonds, it is, then, reasonable to assume that almost *none* of the money UK cooperators pay into pensions per annum completes the circle back into the cooperative economy.

Results in diagram form

Figure 4 below presents the results visually.

Figure 4: Schemes to Providers to Funds to Indexes Diagram



Discussion

There are a number of factors that require further exploration to understand the potential for co-operatives to attract investment by pension funds and how to strengthen it.

Active vs Passive Investment

A majority of the pension funds analysed are passive in nature and the move from active to passive investment is a wider phenomenon. Crane and Crotty (2018) found that, "The number of index funds and underlying indices has grown tremendously over the last 20 years" and that "active funds no longer outperform index funds".

A study by Chen et al. (2019) discovered that index "additions have significantly positive abnormal returns, while deletions have significantly negative returns in the interval from the announcement date to one day before the implementation". Thus, index providers' ability to affect the market significantly cannot be underestimated. For example, MSCI, the largest index provider, has a history of creating custom indexes such as the MSCI World Select Climate Target Index (MSCI, n.d.), which is based on the stock exclusions defined by Länsförsäkringar.

If the indexes that passive funds follow don't include cooperatives, it is improbable that the investment made in such funds would contribute financially to the cooperative economy. Therefore, for cooperatives to benefit from these investments, they need to be listed on a stock exchange and included in these indexes.

Member Economic Participation 'Plus'

As described earlier in the paper, the guidance notes on the third cooperative principle, member economic participation, provided by the International Co-operative Alliance (2015) support the presumption that the principle does not rule out generating market returns from the financial markets. Interestingly, the ICA notes that several well-established, large-scale co-operatives have already ventured into raising additional capital by issuing equity shares (transferable) to non-member investors. These shares are listed and traded on stock exchanges, thus making them a part of the mainstream financial market (ICA, 2015). It therefore seems reasonable to conclude that co-operatives have the potential to issue non-voting equity and cooperative bonds that yield market returns.

Listed versus non listed financial instruments

Pension funds, like the ones available to auto enrol schemes, can invest in non-listed bonds, also known as private debt – debt investments that are not publicly traded on a stock exchange, and instead are typically issued by private companies or organizations. They must ensure that their investment in private debt is compliant with regulatory requirements, such as limits on the proportion of the fund that can be invested in illiquid assets. Therefore, investment in unlisted cooperative bonds is possible, but subject to enhanced regulatory requirements and it is a lot easier for pension funds to invest in listed bonds. As noted earlier, in the UK, only one coop has listed bonds – the Cooperative Group (tCG).

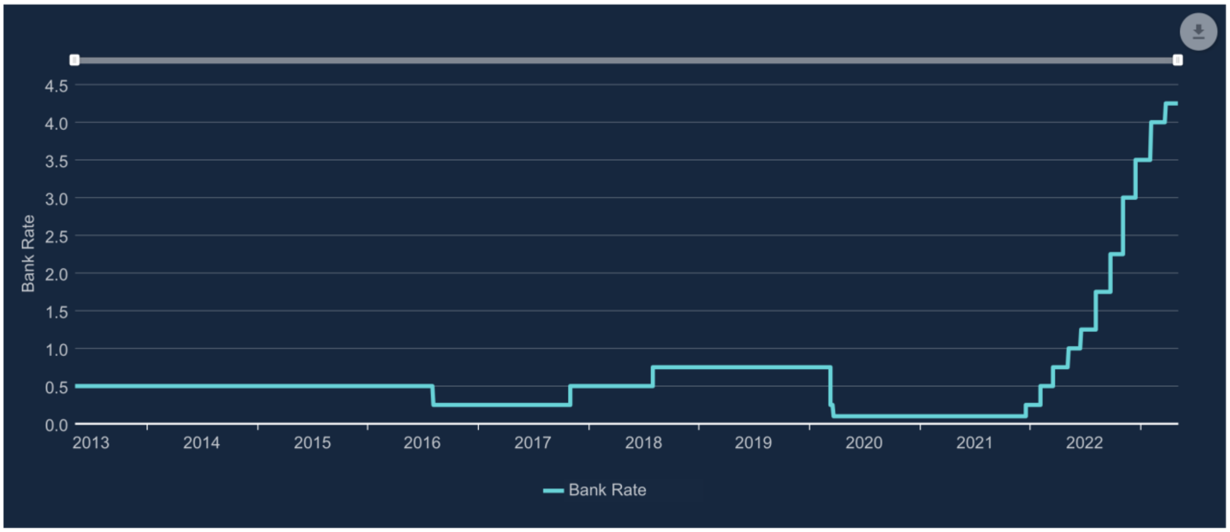
Given that most pension funds in the sample are passive and therefore linked to an index which requires listing as a pre-requisite to join the index, the importance of exploring a cooperative stock exchange is clear. Regulation 4 and Schedule 3 of the Individual Savings Account Regulations 1998 provide detail on qualifying investments for Stocks and Shares ISAs. The legislation specifies that the shares or securities must be officially listed on a recognized stock exchange in the UK or another European Economic Area (EEA) state, or on any stock exchange outside the EEA that is recognised by the UK Treasury.

Shares vs bonds (equity vs debt)

The topic of cooperative investor shares (equity) as compared to cooperative bonds (debt) warrants comprehensive examination. Cooperative bonds are a well-documented method of capital acquisition, with Rabobank, for instance, holding one third of its liabilities in bonds and other debt instruments primarily purchased by institutional investors at the time it was reviewed in *The Capital Conundrum for Co-operatives* (ICA, 2017). Conversely, there is a paucity of instances of cooperative non-voting investor shares.

The Thinking Ahead Institute's 2023 report states that 33% of the United Kingdom's pension funds' assets are invested in shares and 56% in bonds. The proportion of bonds has increased by 19 percentage points from 37% in 2012. This heightened allocation to bonds may change in the future since the United Kingdom's interest rates, as depicted in Figure 5, have been at historically low levels over the past decade, but have demonstrated a consistent incline since 2022.

Figure 5 - Bank of England Base Rate History



Bond prices and interest rates have an inverse correlation: an augmentation in interest rates precipitates a decrease in bond prices and vice versa. This relationship is particularly salient for government bonds, as they are considered risk-free investments, and their yield often forms the baseline interest rate in an economy. With respect to non-government bonds – corporate bonds, which includes cooperative bonds – interest rates are also influenced by the credit risk of the issuing organization. As the risk-free rate (derived from government bonds) escalates, corporations must proffer higher yields to attract investors, compensating for the additional risk undertaken. Therefore, corporate bonds are impacted not only by fluctuations in the general interest rate milieu, but also by organization-specific factors such as financial solvency and industry prognosis.

There are complex dynamics between cooperative investor shares (equity) and cooperative bonds (debt) in the context of fluctuating interest rates. The inverse relationship between bond prices and interest rates suggests that high interest rates make issuing bonds more expensive for cooperatives, potentially making equity more attractive despite its inherent risks (due to its dependence on the cooperative's performance). This study hypothesizes that issuing investor shares may be more beneficial for cooperatives during periods of high interest rates, while issuing bonds may be preferable during periods of low interest rates. However, the implications for pension funds are less clear, particularly due to the requirement for equity to be listed for purchase.

The relationship between elevated interest rates and the escalating costs associated with cooperatives' bond issuance is elucidated by an illustrative case from Midcounties Coop, as depicted in Table **Error! No bookmark name given.**6. A notable increase in their three-year rate from 4.08% to 6.5% has been observed. Despite this, they have successfully minimized the differential over the Bank of England base rate from 3.98% in 2020 to a relatively lower 2.25% in 2023.

Table 6 – Midcounties Coop historical bond rates

	GROSS				
Date	1 year	2 years	3 years	BoE Rate	Diff
12/08/2020	3.50%	3.68%	4.08%	0.10%	3.98%
17/01/2021	3.50%	3.68%	4.08%	0.10%	3.98%
23/06/2021	2.75%	3.19%	3.61%	0.10%	3.51%
02/01/2022	2.50%	2.95%	3.38%	0.25%	3.13%
29/05/2022	2.75%	3.25%	3.75%	1.00%	2.75%
14/08/2022	3.00%	3.50%	4.00%	1.75%	2.25%
28/11/2022	4.00%	4.50%	5.00%	3.00%	2.00%
16/03/2023	5.00%	5.50%	6.00%	4.00%	2.00%
08/05/2023	5.50%	6.00%	6.50%	4.25%	2.25%

Source: wayback machine (web.archive.org)

There are many arguments about fixed income versus equity, but there is a clear argument for a portion of surplus, perhaps partially from non member transactions that are normally recommended to go into indivisible reserves, to be ring-fenced for distribution to other cooperatives, and the best way to achieve this is to allow cooperative and mutuals to invest some of their pension funds – thereby completing the circle. Cooperatives could issue non-voting equity, and cooperative bonds, with, importantly, market returns. Bonds are higher risk for the society and therefore their members – because even in hard times, bonds are repayable. Issuing equity shares the risk and strengthens the coop's balance sheet at the same time.

The problem with a Coop Pension Scheme – Employer related investments (ERI)

The Pensions Regulator insists that "not more than 5% of the current market value of pension scheme assets may at any time be invested in employer related investments" (The Pensions Regulator, 2023). This is not relevant to auto enrol pension schemes using master trusts, but should a coop become large enough to run its own scheme, this would restrict them from effectively investing in themselves. In addition, employer-related loans or guarantees and ERI transactions at an undervalue are prohibited (The Pensions Regulator, 2023). What is particularly interesting, and potentially of concern, is that ERIs are defined as "shares or other securities issued by the scheme employer *or by any person who is connected with, or an associate of, the employer* [emphasis added]" (The Pensions Regulator, 2023). In theory, it could restrict the ability of a coop or mutual to invest in the bonds of another coop when it is a *member* of that coop. Equally, they may need to be a member in order to purchase bonds – so this presents a dichotomy.

Risk-adjusted returns – advantage coops

According to the Thinking Ahead Institute (2023), the top 22 pension markets combined had USD 47.1 trillion of assets under management (AUM) in 2022 – a 17% reduction from the previous 12 months. The volatility demonstrated by this reduction indicates a greater risk, as it signifies more uncertainty in the returns of the investment. Volatility is typically measured by the standard deviation of a security's or portfolio's returns. Advanced measures of risk such as the Sharpe ratio and Zero Risk Beta offer nuanced insights into the risk-return tradeoff, enabling more informed decision-making.

The Sharpe ratio quantifies the risk-adjusted returns of investment portfolios, empowering investors to adjust their portfolios towards an optimal balance of risk and return. Cooperatives, especially those well-established within their communities, can often provide stable, albeit potentially lower, returns. In such cases, the Sharpe ratio may be comparably high, indicating an efficient risk-return tradeoff, particularly for investors interested in stable, long-term investments.

Zero Risk Beta adjusts the traditional Capital Asset Pricing Model (CAPM) Beta, which measures the systematic risk of a portfolio relative to the market, by considering a hypothetical scenario where the risk-free rate is zero. It provides a more reliable and realistic portrayal of the portfolio's market risk under extreme market conditions, such as those involving near-zero interest rates. Cooperatives might demonstrate lower Zero Risk Beta if their performance is less tied to broader market fluctuations, which is often the case for localized cooperatives insulated from global market dynamics. This potentially lower correlation could mean a lower Zero Risk Beta, suggesting that the cooperative represents an opportunity in an investment portfolio.

The Fonterra dairy coop is New Zealand's largest exporter of dairy products, and one of the largest dairy manufacturers in the world. In November 2012, it listed units in the Fonterra Shareholders' Fund (FSF) on the New Zealand and Australian stock exchanges, where "the primary objective was to remove the obligation of the co-operative to issue and redeem its shares, which had posed significant balance sheet risk" (ICA, 2017). It is of interest that, "growth is funded primarily by retained earnings, [which] has resulted in a more cautious approach now used to value the units and the appearance of a risk beta not dissimilar in size to the one used when [member] shares were valued before [the fund]" (ICA, 2017). Figure 6 shows the performance of the FSF fund since inception, illustrating that although the price has fallen from the initial 5.21 to 3.23 in June 2023, volume has dramatically decreased recognising that these units represent income from retained earnings.

Figure 6 – FSF performance since Nov 12 to Jun 23

Widening wealth inequality

It's generally recognised that the current economic paradigm is widening wealth inequality, yet it's a legal requirement for cooperatives to contribute to the problem. Braun (2021) explains that "whereas the comparative political economy literature has long treated dispersed ownership and weak shareholders as core features of the U.S. political economy, a century-long process of re-concentration has consolidated shareholdings in the hands of a few very large asset management companies". He goes on to underline that these companies' holdings are diversified and that they are disconnected from the corporations whose stock they hold.

Toporowski (2000) thinks that a focus on maximising capital gains "rather than dividends or interest, makes financial investors relatively more indifferent to the management of the companies that pay those dividends or interest and more concerned with following conventional speculative trends in order to maximise capital gains." This shift in focus has made them indifferent to the management of the companies they own, leading to a disregard for wealth distribution.

Furthermore, the transition from defined benefit (DB) to defined contribution (DC) employer-sponsored plans, contrary to popular belief, has not been a significant driver of wealth inequality. The Federal Reserve, the central bank of the United States, suggests that “both DB and DC wealth are highly concentrated near the top of the wealth distribution (and have been for the past three decades)” (Volz, 2019). The Federal Reserve’s own data shows that the wealthiest quartile, which already receives substantial private pensions, places the largest burden on the social security system, further deepening the wealth gap.

Cooperatives –the natural choice for ESG compliance

This research has highlighted that cooperatives are the natural home for ESG, but a generally accepted cooperative financial instrument hasn’t been created yet. Paul Skinner’s work (described in Hadfield, 2022) suggests that businesses, particularly co-operatives, social enterprises, and B Corps, can be powerful agents of positive change, but that their adoption doesn't guarantee optimal purpose. Despite the potential for ethical and socially useful business practices, many companies, such as Apple, continue to promote harmful consumption. Meanwhile, the UK government's report indicates that most employers prefer to offer ESG schemes as optional due to concerns about potential risks and poor investment returns. This demonstrates the complexity and challenges of integrating ESG compliance into mainstream business and investment practices.

Risk transfer from Employer to Employee

The shift from DB pensions to DC pensions is increasing in the private sector (Thinking Ahead Institute, 2023). While the Federal Reserve concluded that both DB and DC schemes contributed to widening wealth inequality, it failed to recognise that the risk of the fund not delivering enough to retire comfortably now rests with the employee, not the employer or the government. Compounded returns and percentage minimums (as stipulated by the UK government) will always benefit those who earn more and in doing so will only *exacerbate* wealth inequality. Coops also need to be careful, because “The Pensions Regulator carried out research into DC schemes which found that 95% of members stay in the default investment” (Standard Life, 2023). It would be easy for this to be missed because it is the employee who has to change from the default, not the employer. Weiss (2015) noted that, despite individuals acting responsibly as savers and citizens, they increasingly bear the risk of market uncertainties, a development at odds with long-standing expectations of economic security offered by capitalism and capitalist governments. This shift in the risk landscape and its impacts represent not only the failure of the system to protect its workers but also the source of individuals’ discontent with their pension providers.

Conclusion

The study findings definitively illustrate a lack of support for the co-operative economy by the master trust based pension schemes that offer automatic enrolment. The discussion highlights factors that should be addressed to develop the potential for cooperatives to tap into such support. Including non-voting listed equity from cooperatives on stock exchanges, paired with listed cooperative bond instruments, is a plausible resolution. Convincing index providers to incorporate these financial instruments into their indexes or encourage large mutuals to create custom indexes is also important. ICA research and guidance suggest that such actions can be undertaken in a way that is consistent with the third cooperative principle, member economic participation.

With this in mind, should we propose that if the cooperative movement’s intention is to present itself as a viable alternative to the current system, as opposed to reliant on it, then it logically follows that private pension contributions should be channelled back into the cooperative economy, thereby closing the loop?

Further research

There is a pressing need to investigate whether the findings from the examination of selected UK master trusts also apply in other areas of the pension system in the UK and it would be beneficial to expand the scope of the research to other countries.

Further research is also required on the third cooperative principle, member economic participation, and what the guidance notes mean by encouraging coops to use a portion of their surplus to found and strengthen the cooperative economy, along with promoting an economic environment favourable to the development of the co-operative movement. There is also a significant need for comprehensive research to explore the dynamics between cooperative bonds and cooperative equity, in various economic scenarios, including recessions and cost of living crises.

Finally, research is required into the cooperative movement's perception of itself as an alternative to the prevailing economic system. Bollier (2015) posited a pertinent question:

> *How are we to imagine and build a radically different system while living within the constraints of an incumbent system that aggressively resists transformational change? Our challenge is not just articulating attractive alternatives, but identifying credible strategies for actualizing them.*

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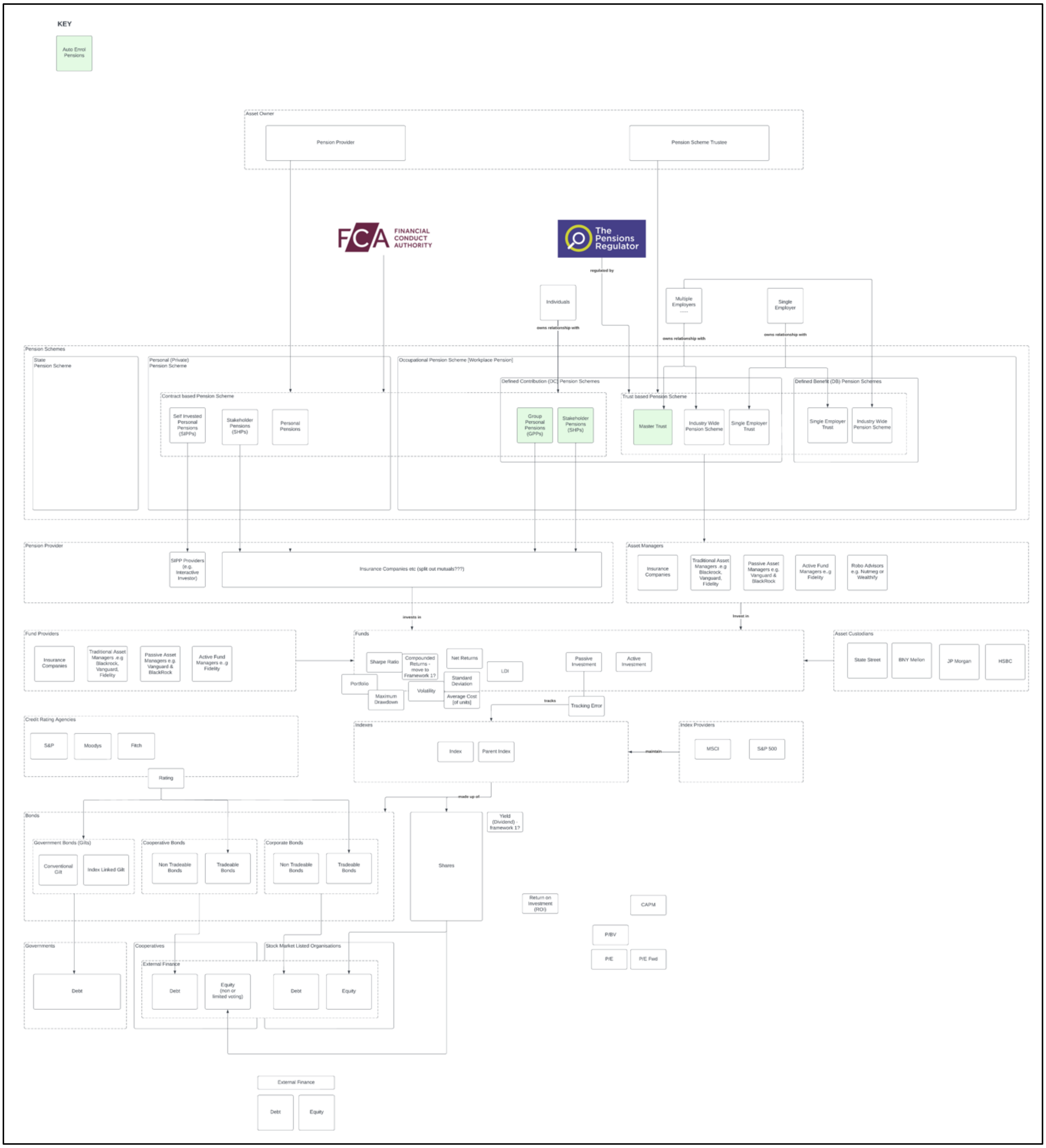
Appendix

Framework 2: Pension Scheme to Pension Providers



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Literature Review on Measuring and Reporting on the UN Sustainable Development Goals by Co-operatives

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Abstract: This literature review aims to uncover existing tools and frameworks for measuring and reporting on the United Nations (UN) Sustainable Development Goals (SDGs) in co-operatives. The existing scholarship indicates limited results, although there is a greater awareness of the potential benefits of and barriers to compliance internationally. Existing tools covered in scholarship include the Global Reporting Initiative (GRI), World Cooperative Monitor (WCM), Clean Development Mechanism (CDM) tool, SDG Compass tool, and the United Nations Research Institute for Social Development (UNRISD)'s Sustainable Development Performance Indicators (SDPI). Co-operatives are uniquely positioned to embrace a collaborative approach to developing and implementing a standardized approach to measuring and reporting as sites of global environmental, economic, and social impacts. This process aligns with, firstly, the UN's (2015) call to action to move co-operatives forward on sustainability and, secondly, the seven co-operative principles that guide co-operatives in their operations, although the latter is not clearly outlined in existing frameworks.

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Keywords: co-operatives; sustainable development goals; seven co-operative principles; measuring; reporting; tools; standards; compliance

Introduction

This literature review outlines findings on measuring and reporting mechanisms and/or approaches used by co-operatives around the world in efforts to gain feedback on their alignment and progress with the United Nations Sustainable Development Goals (SDGs) and the Co-operative Principles. Examining how co-operatives are using these results to inform their operations, management, governance, and practices fills a gap in existing literature. There is concern regarding how to quantify and standardize the measurement of sustainability in co-operatives. Some existing tools that do this include the Global Reporting Initiative (GRI), World Cooperative Monitor (WCM), Clean Development Mechanism (CDM) tool, SDG Compass tool, and the United Nations Research Institute for Social Development (UNRISD)'s Sustainable Development Performance Indicators (SDPI). However, these tools are made for private enterprises and do not reflect the co-operative difference nor the co-operative principles. The literature suggests various motivations for reporting, such as: monitoring global impact of co-operative commitment to sustainable practices; creating comparable data and research to fill existing gaps; considering the impacts of co-operative size on monitoring and reporting the SDGs; monitoring social innovation in relation to sustainability; strengthening communication, engagement, and support with stakeholders as well as relationships and partnerships

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with governmental organizations. This literature review also reveals potential barriers to reporting, such as: quantifying and addressing social impact; limited access to sustainability reports/metrics; limited geographical scope; and potential bias in co-operatives.

Co-operatives are in a key position to embrace reporting on the SDGs and work together to create a standardized method to report on global environmental, economic, and social issues. The 2030 Agenda for Sustainable Development extends to co-operative businesses and will take collective efforts to achieve, as noted by the UN (2015): "We acknowledge the diversity of the private sector, ranging from micro-enterprises to cooperatives to multinationals. We call on all businesses to apply their creativity and innovation to solving sustainable development challenges" (Section *Means of implementation and the Global Partnership*, no. 67). Forming and building partnerships between cooperatives, government, and stakeholders are necessary steps when tracking and measuring co-operative commitment to the SDGs. It is critical to consider motivations for reporting and how these factors influence chosen methods of measuring and reporting that are in place.

Background

There is a growing interest in examining how to approach reporting climate-related activities and results using sustainability reporting. This can be seen on an international scale through the sustainability disclosure standards developed by the International Sustainability Standards Board (ISSB) (IFRS Foundation, 2024a) and the International Public Sector Accounting Standards Board (IPSASB, 2022a). The ISSB was formed in 2021 in response to an increased interest in developing standards and guidelines within organizations independently. The ISSB operates within the International Financial Reporting Standards Foundation (IFRS). In addition, the IFRS develops accounting standards through the International Accounting Standards Board (IASB) (IFRS Foundation, 2024a). The ISSB has issued two standards, the IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information, and IFRS S2 Climate-related Disclosures. These standards consider governance, strategy, risk management, metrics and targets (IFRS Foundation, 2024b).

Chartered Public Accountants (CPA) Canada (2024) has summarized a related national commitment in Canada through the work of the Canadian Sustainability Standards Board (CSSB), Canadian Securities Administrators (CSA), Office of the Superintendent of Financial Institutions Canada, Autorité des marchés financiers, and the Competition Act. The CSSB was formed in 2022 and is operated by CPA Canada. The CSSB develops Canadian Sustainability Disclosure Standards (CSDS) that align with standards outlined by the ISSB. In March 2024, the CSA stated that once the CSSB standards are finalized, the CSA will ask for feedback on a revised rule setting out climate-related disclosure requirements. The CSA notes their apprehension over greenwashing in sustainability reporting (CPA Canada, 2024). In the United States, the Securities and Exchange Commission (SEC) (2024) adopted final rules for the Enhancement and Standardization of Climate-Related Disclosures for Investors indicating the requirement to add climate-related details in registration statements and annual reports. In the European Union, the Corporate Sustainability Reporting Directive also addresses the aim to combat greenwashing and increase reporting of non-financial factors impacting organizational operations (European Parliament and the Council of the European Union, 2022).

Although there is an increase in accountability measures and some overlap in aims and scope, there are still multiple standards at play, which opens the door for varying results. One of the main challenges is there may be specific reporting needs for a company based on the sector and structure in which it operates that may not be accounted for in an overarching standardized approach to sustainability disclosure standards.

This study considers ties to both the United Nations (2015) Sustainable Development Goals Framework and the seven co-operative principles, as described by the International Cooperative Alliance (2024). The following sub-sections introduce these goals and principles.

United Nations SDG Framework

The 2030 Agenda for Sustainable Development provides 17 Sustainable Development Goals (SDGs) (Table 1) for the United Nations (UN) Member States to address. All SDGs were considered in this analysis.

Table 1: UN Sustainable Development Goals

SDG	Name
1	No Poverty
2	Zero Hunger
3	Good Health and Well-being
4	Quality Education
5	Gender Equality
6	Clean Water and Sanitation
7	Affordable and Clean Energy
8	Decent Work and Economic Growth
9	Industry, Innovation, and Infrastructure
10	Reduced Inequalities
11	Sustainable Cities and Communities
12	Responsible Consumption and Production
13	Climate Action
14	Life Below Water
15	Life on Land
16	Peace, Justice, and Strong Institutions
17	Partnerships for the Goals

Source: United Nations (2015). *Transforming our world: the 2030 Agenda for Sustainable Development.* https://sdgs.un.org/2030agenda.

Seven Co-operative Principles

The International Cooperative Alliance (2024) outlines seven co-operative principles to guide the cooperative movement.

Table 2: The Seven Co-operative Principles

1	Voluntary and Open Membership	"Cooperatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination."
2	Democratic Member Control	"Cooperatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected

		representatives are accountable to the membership. In primary cooperatives members have equal voting rights (one member, one vote) and cooperatives at other levels are also organised in a democratic manner."
3	Member Economic Participation	"Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership."
4	Autonomy and Independence	"Cooperatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy."
5	Education, Training, and Information	"Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation."
6	Cooperation among Cooperatives	"Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures."
7	Concern for Community	"Cooperatives work for the sustainable development of their communities through policies approved by their members."

Source: International Cooperative Alliance (2024) *Cooperative identity, values & principles.* https://ica.coop/en/cooperatives/cooperative-identity.

Methodology

This study responds to Rixon and Duguid's (2022) report on co-operative leadership and their responsibility to adopt the SDGs on a global and local scale: "To help co-operatives better understand their impact in terms of the SDGs, various co-operative industry associations should promote not only adopting SDG initiatives, but also champion a framework to design, measure and report on the co-operative sector's SDG impact. Accountability is enhanced when co-operatives compare their SDG performance to their peers" (p. 3).

The literature review follows a semi-systematic approach to find related articles on measuring and reporting the SDGs. As Snyder (2019) notes, "a semi-systematic review approach could be a good strategy ... [to] map theoretical approaches or themes as well as identifying knowledge gaps within the literature" (p. 334). Initial research took place from January to May 2024. The primary database utilized was Scopus. The following keyword terms were used: 'cooperative,' 'cooperatives,' 'co-operatives,' 'co-op,' 'sdg,' 'sustainable development goal,' 'non-profit,' 'measure,' 'reporting.' Additional sources were discovered in the International Journal of Co-operative Accounting and Management as well as PortailCoop. Approximately 90 articles were identified during the initial review.

The goal of the study is to determine how co-operatives measure and report on the SDGs and what systems or practices are in place to do so in various industries (International Cooperative Alliance, 2024). Although much of the literature did not explicitly tie back to the SDG framework, there were commonalities, such as strong ties to cooperation and partnership, managing and sharing information, and concern for community in relation to sustainability. Some of the tools used to measure sustainability in co-operatives surfaced during these initial searches, while others came through consultation with Dr. Fiona Duguid and Dr. Daphne Rixon.

Existing Literature

This section outlines trends found in existing literature. Trends discussed in this section include measurement tools for the SDGs and associated research.

Tools used to measure SDGs in Co-operatives

SDG Compass tool

One study was found that addresses the SDG Compass tool. Campillo-Alhama and Igual-Antón (2021) outline the results of a descriptive and exploratory study from 2019 on 28 electric co-operatives in Spain regarding corporate social responsibility (CSR) strategies. Their article addresses measuring and reporting on CSR and introduces readers to the SDG Compass tool, "which associates the GRI Indicators (Global Reporting Initiative) with the targets associated with each SDG" (Campillo-Alhama and Igual-Antón, 2021, p. 12). As the authors noted, "[a] semi-structured questionnaire was designed and implemented as a methodological tool to evaluate five key aspects of the strategic management of CSR in electric cooperative organizations: corporate governance, policies and strategies, stakeholder engagement, processes, and commitments and partnerships" (p. 13). This tool addresses common threads in existing literature on sustainability in co-operatives on a global scale.

GRI

Three articles address GRI in reporting sustainability in co-operatives. Carini and Gotz (2020) mention the GRI, which, in 2016, published its first GRI

Sustainability Reporting Standards including economic, social, and environmental metrics and indicators for companies. The UN Global Compact, on the other hand, does not specify guidelines or indicators to measure company progress on its ten principles. Duguid (2020) performed a content analysis of annual reports and websites to determine if co-operatives harness the SDG framework and sustainable practices. She provides an overview of reporting types, such as third party audited, indicator-based frameworks (i.e., GRI) to report on sustainability indicators as well as self-reporting.

Rowlston and Duguid's 2020 article introduces a reporting model for co-operative sustainability, including ties to both co-operative principles and SDGs. The model is designed so that "co-operative organizations can utilise the Principles and the stratification of interests, mission, goals and activities into Economic, Social and Environmental categories to develop an aligned process of delivering impact in all areas and to each set of stakeholders. The development of the stratified mission, goals and activities determines the relevant outcomes and required reporting" (p. 16). The paper takes into consideration other tools, such as GRI reporting used to measure CSR.

World Cooperative Monitor

One article addresses the World Cooperative Monitor (WCM), which is ran by Euricse and the International Cooperative Alliance (ICA): "Within the scope of recent WCM reporting, Euricse and the ICA have analyzed the practices related to achieving the SDGs implemented by cooperatives ranked in the [2018] Top 300 largest cooperative and mutual organizations" (Carini and Gotz, 2020, p. 45). This article offers tools for co-operatives to track their progress with reaching the SDGs.

CDM SD tool

One article addresses the CDM SD tool. Olsen, Arens, and Mersmann (2018) discuss a CDM SD tool for Article 6.4 of the Paris Agreement. As noted by the authors, "This article will discuss solutions to the challenge of designing a robust SD assessment system for the new SMM [Sustainable Mitigation Mechanism] based on lessons learned from the CDM SD tool. The argument is that recommendations for a reformed CDM SD tool can have a lighthouse-effect on the development of provisions for SD assessment in the SMM" (Olsen et al., 2018, p. 384).

UNRISD's Sustainable Development Performance Indicators

Measuring SDGs within the social and solidarity economy is also addressed in the literature. For instance, the UNRISD's Sustainable Development Performance Indicators (SDPI) project, which ran from 2018–2022 "aims to contribute to the measurement and evaluation of the performance of economic entities in both the mainstream and social and solidarity economy (SSE) in relation to the vision and goals of the 2030 Agenda" (Yi et al., 2022, p. 2). The SDPI follows a two-tier approach in which there is a focus on economic, socioeconomic, environmental, social, and institutional factors in efforts to work towards context-based sustainability accounting. There is a focus on SDG 8 (Decent Work and Economic Growth) and SDG 10 (Reduced Inequalities), referenced ten times each under socioeconomic area, followed by SDG 16 (Peace, Justice, and Strong Institutions), listed nine times under Institutional area, which are categorized under Tier 2: context-based and transformative disclosure indicators (Yi et al., 2022). This resource is a reminder to examine contextual factors impacting co-operative operations to address gaps in SDG reporting.

Organization Impression Management Tactics

Callagher and Garnevska (2023), in a study of agri-food co-operatives in New Zealand, examine Organization Impression Management (OIM) tactics in relation to People, Profit, Planet through an analysis of annual reports (including Chairperson statements). Their approach provides a multi-stakeholder perspective on sustainable development within cooperatives. They conclude that, "OIM scholarship shows key differences between organizations that talk about sustainable development and those that 'do.' Thus, examining how co-operatives use impression management alongside other managerial responses to achieve sustainable development requires closer attention" (p. 17).

Additional Tools

Utting and O'Neill (2020) list the following initiatives: *Science Based Targets Initiative (SBTi)* (2015), *SDG Compass* (2015), *Net Positive Project* (2016), *GRI Global Reporting Standards* (2016), *Business Reporting on the SDGs Action Platform* (2017), *European Commission Guidance on Non-Financial Reporting* (2017), *r3.0* (2018), *World Benchmarking Alliance* (2018), *UNCTAD's Guidance on Core Indicators* (2018), and *IRIS+ system* (2019). They also list a number of tools available for reporting on corporate sustainability. One example is the *Reporting on the SDGs Action Platform* made available through the United Nations Global Impact. According to United Nations Global Impact (n.d.):

> *Reporting on the SDGs leverages the GRI Standards — the world's most widely used sustainability reporting standards — and the Ten Principles of the UN Global Compact. By doing so, businesses are able to incorporate SDG reporting into their existing processes, ultimately empowering them to act and make achieving the SDGs a reality. The Principles for Responsible Investment (PRI) initiative is also a partner of the platform, helping to increase the value of corporate sustainability disclosures for the financial community.*

The European Commission Guidance on Non-Financial Reporting offered by the Directorate-General for Financial Stability, Financial Services and Capital Markets Union (2019) reflects mandatory compliance with the 2014 EU Directive by companies. There is also the *World Benchmarking Alliance,* a voluntary process to track progress towards SDG benchmarks, including Social (Gender Benchmark and Corporate Human Rights), Food and Agriculture (Seafood Stewardship Index and Access to Seeds Index), Climate and Energy (Just Transition), Nature, Digital Inclusion, Financial System, Urban, and Companies (World Benchmarking Alliance, n.d.). The *United Nations Conference on Trade and Development* (UNCTD) (2019) provides a guide for implementing sustainable development goals. There is a focus on SDG 8 (Decent Work and Economic Growth), which aligns with the trends in academic papers, followed by SDG 9 (Industry, Innovation, and Infrastructure) and SDG 16 (Peace, Justice, and Strong Institutions).

Discussion

This section outlines links to the Seven Co-operative Principles, motivations for reporting, and examining ties to other sustainability and social frameworks. Results indicate that there is increased movement in the financial sector regarding implementing sustainability standards.

Links to the Seven Co-operative Principles

There appears to be a gap in tools available for measuring the seven co-operative principles, although suggestions on how to approach this surfaced in the existing literature. Five articles address the impacts of measuring the seven co-operative principles in co-operatives. Conde and Rodríguez (2020) approach Social and Solidarity Economy-based economy (SSE) measurement in relation to Colombian co-operatives. The main principles related to achieving the SDGs included Concern for Community, and Education, Training, and Information. They conclude that pursuing a network analysis will show connections between the Cooperative Principles and the SDG framework. Their study confirms that “there is evidence that cooperatives contribute to the fulfillment of the SDGs by virtue of the enhancement of their principles” (Conde and Rodríguez, 2020). Corrigan and Rixon (2017) note the lack of reporting on the seven co-operative principles in a case study of electric co-operatives in the United States. Instead, co-operative performance indicators, such as key performance indicators (KPIs), help gauge “impression management goals and operational demands rather than reporting on fulfillment of the ‘Seven Cooperative Principles’ that are fundamental to the cooperative movement” (p. 60). Although this article does not directly address SDGs, it provides valuable insights on senior management and control of KPIs.

Adderley et al (2021) confirm that accounting and reporting in co-operatives in the United Kingdom do not clearly address “economic, social, and cultural goals” (p. 45). They propose implementing a co-operative accounting Statement of Recommended Practice (SORP) to address gaps in reporting. They state, “SORPs, issued by ‘SORP-making bodies’, are recommendations on financial reporting, auditing, and actuarial practices developed for specific sectors or industries, such as charities, higher education, and pension schemes,” as noted by the Financial Reporting Council (2021). They believe in addressing non-performance (aligning with Maddocks, 2019), and sharing results with internal and external stakeholders to demonstrate alignment with the seven principles and the organizational mandate.

Ravichandran (2020) directly addresses the benefits of co-operatives measuring the seven co-operative principles and SDGs. He highlights the importance of examining economic, social, and environmental impacts in relation to the SDGs:

> *Cooperative institutions explicitly have economic and social bottom-lines, as they are both associations and enterprises. The 7th Cooperative Principle, Concern for Community, states that “Cooperatives work for the sustainable development of their communities”. Secondly, the SDGs cover all economic activities (agriculture, industry, housing, health, education, production, consumption, etc.), and address all vital global concerns (poverty, equality, employment, gender, climate change, peace, etc.). Cooperative institutions could contribute to all SDGs, both because they are actively involved in these economic sectors and because their impact contributes substantially to the global concerns mentioned by the SDGs. (p. 98)*

Ravichandran’s article confirms that the co-operative principles are interconnected with the SDGs. Bickford (2020) also comments on how environmental sustainability falls under the seventh principle. He identifies a gap in the Statement on the Co-operative Identity in which the notes indicate that environmental sustainability is listed as only a part of sustainable development. Guillotte and Charbonneau (2020) confirm that cooperatives’ obligation to sustainable development should be a formalized commitment through policy, which is accepted by the cooperative membership – this is not yet the case in forestry cooperatives in Quebec and Honduras who participated in their study although many practices are in place geared towards SDGs. This confirms there must be a greater emphasis on examining the relationship between the SDGs and co-operative principles amongst co-operatives and revisiting how sustainability is defined.

Rixon and Duguid (2022) worked with co-operatives to develop an evaluation framework for measuring SDGs and alignment with co-operative principles. There is a focus on SDG 11, then SDG 16 and SDG 8.

Motivations for reporting

Monitor global impact of co-operatives commitment to sustainable practices

A common theme amongst the literature is that co-operatives must be recognized not only for their contributions to the local community, but also their global impact (Rixon & Duguid, 2022; Ravichandran, 2020; Conde & Rodríguez, 2020; Utting & O'Neill, 2020; Pérez Piñán & Vibert, 2019). Conde and Rodríguez's 2020 study on Colombian co-operatives reveals the importance of looking at meso and macro elements in efforts to address micro elements more effectively. The authors measure the "Release of Resources, Social Surpluses and Merit Goods of Cooperativism." Examining global impacts will reveal important insights on community impacts.

Create comparable data and research to fill existing gaps

Carini and Gotz's study (2020) reveals that reporting on sustainability efforts regarding social and economic factors is a part of ethical business practices and will strengthen the pool of comparable data on a global scale. The more these practices are encouraged, the more data will become available for comparison, eliminating discrepancies, such as those documented in the banking sector. Tan (2021) notes limitations of comparing sustainability results in banking in British Columbia: "Vancity [credit union] does benchmark against other financial institutions for some of its environmental sustainability metrics; however, it is not a perfect comparison" (p. 35). Limited access to information in various reporting methods is addressed under potential challenges. Muthumariappan and Palanisamy (2023) use case studies to highlight how co-operatives can embrace SDGs to face economic and social challenges. Although international examples are provided, specific measurement tools are not the focus of this article, which recognizes the lack of global data on cooperatives and their progress on SDGs, such as creating employment opportunities.

Consider the impacts of co-operative size on monitoring and reporting the SDGs

It is important to consider the impacts of co-operative size on capacity and resources to report. Duguid and Rixon's 2023 article highlights the need to develop a tool for micro co-operatives, which was identified as a gap in their earlier research that addressed the financial challenges of developing co-operative benchmarks in small to medium-scale co-operatives (Rixon & Duguid, 2018). Ravichandran (2020) confirms that "[a]lthough cooperatives, with their focus on members and local needs, are central to the realization of sustainable development worldwide, they have not always been proactive in national and international debates" (p. 98). This sentiment is shared by Muthumariappan and Palanisamy (2023) who believe "cooperatives are central to the realization of sustainable development around the world with their focus on sustainable livelihoods. With little visibility at national and international levels, the potential and importance of the contribution that cooperatives can make to the design and realization of SDGs seems to have been missed by policy makers at respective levels" (p. 15). Ravichandran (2020) and Rowlston and Duguid (2020) confirm that co-operatives often focus on micro-level impacts, which leads to operations being disjointed from macro-level sustainability goals. This may be caused by the lack of measurement tools for SDGs at the micro-level as well as by innovation being viewed as a barrier. Diaz-Sarachaga and Ariza-Montes (2022) discuss using a rating system, which they believe would be beneficial to those involved in social entrepreneurship: "Scoring could help to rank social enterprises according to different preferences: overall ranking, by category, by country and so on" (p. 245). If co-operatives are ranked, it is also important to consider the size of the co-operative and how this impacts operations and fulfillment of the SDGs.

Monitor social and responsible innovation in relation to sustainability

Multiple studies highlight the opportunity to monitor innovative practices within co-operatives in relation to measuring sustainability. Parrilla-González and Ortega-Alonso (2022) discuss the SDGs' role in diversification and economic growth within the olive oil cooperative sector in Andalusia, Spain as well as the role of social innovation in agri-food: "the heads of the organizations assigned scores [in response to a survey] to each of the 17 SDGs based on how important they consider these goals to be for the olive oil industry" (p. 36). Imaz and Eizagirre (2020) discuss responsible innovation in relation to the SDGs in the Social and Solidarity Economy. Their article addresses implementation of SDGs in co-operative firms. The UN (2015) confirms the need to strive for "innovative and people-centred economies" to obtain sustainable growth and improved quality of life and infrastructure on a global scale.

Strengthen communication, engagement, and support from stakeholders

Co-operatives must demonstrate how the SDGs align with stakeholder values and needs to increase commitment and use of the SDG framework. Tan's (2021) case study on Vancouver City Savings Credit Union (Vancity)'s environmental sustainability program supports the idea of connecting employee performance to sustainability metrics to demonstrate their personal ties to the larger SDG framework within the organization. Tan (2021) proves that sustainability reporting can heighten accountability and motivation in financial co-operatives, which aligns with the UN (2015) outlook on collective action and accountability amongst stakeholders being key to achieving the SDGs. Rowlston and Duguid (2020) confirm that there is an important link between personal and organizational values amongst stakeholders in co-operatives.

Examining values in co-operatives provides insights on stakeholder needs and engagement. Campillo-Alhama and Igual-Antón (2021) state "[t]he implementation of CSR models and the evaluation of their impact on the creation of corporate value and reputation allows organizations to identify priorities to implement future business strategies aimed at balancing stakeholders' needs" (p. 15). Imaz and Eizagirre (2020) address the significance of shared vision and collaboration. Campillo-Alhama and Igual-Antón (2021) believe in engaging with stakeholders when evaluating ties to the SDGs within electric cooperative operations in Spain. They note that learning from stakeholder communication and management practices would prove beneficial in co-operatives so that SDGs are better reflected in reports and policies. Mozas-Moral et al.'s (2020) study on second-degree olive oil cooperativism in Spain highlights the use of information and communication technologies in relation to the SDG framework. Yi et al. (2022) state the importance for stakeholders to grasp the "the impacts of economic entities on environmental and social resources needed for sustainable development" (p. 2). The SDPI project report confirms the need to address any hesitation in tracking and measuring social factors impacting cooperative sustainability in relation to sustainability accounting (Yi et al., 2022). Battaglia et al. (2020) discuss the SDGs in relation to consumer co-operatives in the food retailing industry in Italy through their analysis of annual sustainability reports.

Strengthen relationships and partnerships with governmental organizations

Examining partnerships between government and organizations in pursuit of monitoring sustainability is threaded throughout the existing literature (Diaz de León et al., 2021; Pérez Piñán & Vibert, 2019; Ravichandran, 2020). Partnership between the UN, International Labour Organization, and government agencies is one possible solution for finding pathways to measuring the SDGs and social benefits in cooperatives, as noted by Diaz de León et al.'s 2021 study of 134 co-operatives in Mexico City. Ravichandran's (2020) micro-level study on Primary Agricultural Cooperative Credit Societies (PACS) and SDGs in Tamil Nadu, India provides insights on agriculture and rural development on a smaller scale. Ravichandran (2020) believes "PACS' role in SDGs can be measured in terms of their role in implementing various government schemes and programmes" (p. 106).

In response to concerns surrounding the Gulf ecosystems, Al-Saidi (2021) discusses regional environmental cooperation in relation to the SDGs and the Gulf Cooperation Council (GCC), which includes Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates. Al-Saidi (2021) reveals the lack of contemporary sustainability topics being addressed by the GCC: "the GCC's architecture seems … not to provide political or policymaking powers to bodies other than the Supreme Council as the highest GCC authority" (pp. 11-12). Al-Saidi (2021) believes GCC member countries are underperforming in terms of attaining the SDGs. This literature reinforces the need to grow partnerships with government agencies to increase awareness and reporting of the social benefits and to address policies.

Chaves-Avila and Gallego-Bono (2020) discuss the role of public policies in relation to the social economy (SE) and reaching the SDGs. They note the history of public policies that foster the SE (PPFSE) and related organizations, such as "the United Nations and the European Institutions to the Global Social Economy Forum (GSEF) and International Center of Research and Information on the Public, Social and Cooperative Economy (CIRIEC), two alliances of governments and community stakeholders and policymakers that are aligned with SE promotion" (p. 2). Chaves-

Avila and Gallego-Bono's 2020 study includes cases about transformative policies for the social and solidarity economy (TPSSE) in Europe and Spain. It includes work with experts and focus groups as well as policy documents. It appears that limited cooperation amongst government and co-operatives creates barriers for such policies.

Examining ties to other sustainability and social frameworks

Examining existing literature on sustainability in co-operatives led to the discovery of related studies on corporate social responsibility (CSR), sustainable development (SD), circular economy (CE), Social and Solidarity Economy-based economy (SSE), and intangible assets (IA), which offer insights on measuring and reporting sustainability. Castilla-Polo and Sánchez-Hernández (2020) present a theoretical model for intangible assets and sustainable development. They believe "that cooperatives and their innate CSR maintain a close relationship with SD through the creation of solid and stable linkages with their members and the community, which translates into social IA" (p. 8). Cavicchi and Vagnoni (2022) provide an example of a measurement tool for circular economy strategy used by co-operatives on a large scale, demonstrating that larger operations have the capacity and support to implement standardized measures and explore connections to the SDG framework. Their analysis reveals a link between circular economy policies and the SDG framework and encourages further exploration of SDG alignment within cooperatives. Flamand (2022) discusses the opportunity for The Co-operators Group Limited to navigate circular insurance in Canada and recommends developing environmental measurements within property circular claims management guidelines.

Pérez Piñán and Vibert (2019) and Tan (2021) address goal-setting. Pérez Piñán and Vibert note concerns around goal setting and the Millennium Development Goals (MDGs), recognizing that "[t]he SDGs emerged from a more democratic and inclusive process of consultation than the MDGs" (p. 438). Interviewees in Tan's (2021) case study on Vancouver City Savings Credit Union's environmental sustainability program noted: "[t]o achieve long-term outcomes internal metrics are important. Subthemes for metrics and reporting that surfaced included: goal-setting and the continuing challenge of choosing the best sustainability reporting tools" (Tan, 2021, p. 34-35). Imaz and Eizagirre (2020) believe that SSE firms discuss the power of transforming business models that align with the SDG framework.

Results

Ties to the SDGs in existing literature

Not all literature offers ties to formal reporting and measuring frameworks, but solid approaches and suggestions to move co-operatives towards more consistent sustainability reporting are presented. The data presented in this article focus on trends found in academic literature (as seen in Appendices A-C). Ties to the SDG framework identified in existing literature are listed in Appendix A. The most addressed SDG in existing literature is SDG 8 (decent work and economic growth) found in eight articles, SDG 12 (responsible consumption and production) found in seven articles, and SDG 2 (zero hunger), SDG 3 (good health and well-being), SDG 4 (quality education), SDG 5 (gender equality), and SDG 13 (climate action) found in six articles. Rixon and Duguid (2022) highlight commonly reported "SDG 8, [as it] is not reflected in the seven principles even when stretching our understanding of the principles. This is concerning since most co-operatives are associated, correctly or incorrectly, with providing reasonable wages and good working conditions" (p. 5). It is interesting to note that although there is no co-operative principle related to decent work or creating decent workplaces, the results in this literature review point to SDG 8 as being a common concern amongst co-operatives. All offer strong ties to the agricultural sector.

Literature reviews and case studies are the most common approaches to studying measurement of the SDGs in co-operatives. Common methods throughout the literature include: analyzing reports, including financial performance reporting (Corrigan & Rixon, 2017; Lafont-Torio, Calderon-Monge, and Ribeiro-Soriano, 2023); annual reporting (Callagher & Garnevska, 2023; Duguid, 2020; McCarthy, 2021); annual sustainability reporting (Battaglia et al., 2020); self-reporting (Duguid, 2020); sustainability reporting (Carini & Gotz, 2020); external reporting (Cavicchi & Vagnoni, 2022). Maddocks (2019) considers the non-profit accountability model developed by Andreaus and Costa (2014) and suggests a new model that involves analyzing co-operative mission, co-operative resources, and social responsibilities found in annual reporting. In addition, use of interviews with stakeholders (Bickford, 2020; Corrigan & Rixon, 2017; Olsen et al., 2018; Lafont-Torio et al., 2023; Cavicchi & Vagnoni, 2022; Tan, 2021), questionnaires

(Carini & Gotz, 2020; Conde & Rodríguez, 2020; Campillo-Alhama & Igual-Antón, 2021), survey and multi-stage random sampling (Ravichandran, 2020), and working groups/workshops (Conde & Rodríguez, 2020; Chaves-Avila & Gallego-Bono, 2020; Guillotte & Charbonneau, 2020; Rixon & Duguid, 2022) are documented. Alternate approaches include analyzing company yearbooks (Lopes et al., 2022) and information on websites (Duguid, 2020; McCarthy, 2021; Herranz & García, 2021). Appendix B lists the trends in data collection methods found in the existing literature.

Herranz and García's 2021 article examines how social economy organizations communicate about the SDG framework with "particular attention to organizations with greater economic relevance and representation in Spain, according to CEPES (Confederación Empresarial Española de la Economía Social-Spanish Enterprise Confederation for Social Economy)" (p. 166). The article is in Spanish with an expanded abstract in English. This study uses websites, social media, news, and reports to analyse operations of nearly 100 companies (January 2018 to September 2020). The results indicate that there is limited information regarding SDGs on websites, except for co-operative organizations, such as COBADU, COPISO, CAJAMAR, Amiab Group, and Espriú Foundation. Diaz-Sarachaga and Ariza-Montes (2022) suggest examining corporate reporting and social enterprises in future studies. Guillotte and Charbonneau (2020) state, "the contribution of forestry cooperatives to the SDGs is envisaged from the angle of actions intentionally implemented by cooperatives to generate positive effects or reduce negative effects of their activities in the social, economic and ecological areas of intervention targeted by the SDGs" (p. 25). However, they recognize the limitations of this study, such as the lack of measurement of the SDGs and related actions.

Deng et al. (2022) offer a study on groundwater protection in relation to co-operatives in China. Methods include analyzing national survey data for 29 provinces from the Social Science Survey Centre of Zhongshan University. As noted by Deng et al. (2022), "[t]he findings of this study could create a link between cooperatives and the health of farmers, which could in turn help to improve the human capital of farmers and enhance the sustainable development capabilities of farmers" (p. 10). Although the methods do not specifically reference the SDGs, this study identifies age, gender, health, education, income, and labour as factors, so it has been included.

Existing literature about frameworks for measuring sustainability in co-operatives suggests an emphasis on analyzing reports and interviewing stakeholders. Arranging the results by industry reveals important trends in approaches. Analyzing reports appears in agriculture, banking, retail, and electric co-operatives. Interviews with stakeholders is most prominent in agriculture, banking, and electric co-operatives. Existing research on measuring the SDGs also recommends examining websites for information. There is sparse literature on how to evaluate progress with the co-operative principles in co-operatives. This finding aligns with co-operatives not collectively prioritizing documenting progress on the SDG framework and sharing their results in internal and external reports on a global scale. See Appendix C for details.

Potential challenges in quantifying and measuring social impact and sustainable development

Quantifying and addressing social impact

A reoccurring trend in existing literature includes the challenges faced by cooperatives to quantify and address social impacts/responsibilities. Rixon and Duguid (2018) reveal limited literature on benchmarks for multi-sectoral co-operatives and the lack of focus on social and environmental markers. This aligns with Rowlston and Duguid's (2020) position two years later that "[n]ew measures of value in the areas of Social and Environmental activity need to be developed in order to deliver useful reporting on total co-operative performance" (p. 10).

Utting and O'Neill (2020) from UNRISD discuss the significance of sustainability accounting and how "[t]oday's global crises—financial, climate and health—as well as the Sustainable Development Goals (SDGs) have raised the bar in terms of expectations regarding corporate sustainability performance" (p. 1). Their findings suggest addressing (un)sustainable development in organizations to fill gaps in current measuring: "[p]articularly important are conditions associated with distributive (in)justice, inequality and skewed power relations, which are often neglected within the field of corporate sustainability" (p. 2). Yi et al. (2022) confirm the need to address any hesitation in tracking and measuring social factors impacting cooperative sustainability.

Diaz-Sarachaga and Ariza-Montes' (2022) case study of Mondragon Corporation, a Spanish co-operative, examines a new system "to appraise the impact of social businesses on the fulfilment of the Sustainable Development Goals

(SDGs)" (p. 242). They recognize the gap in tools used to measure SDGs in social enterprises, which aligns with Lafont-Torio et al.'s 2023 study on the agrifood supply chain in social economy enterprises in Spain. Lafont-Torio et al. (2023) make note of social economy enterprises creating their own tools to monitor and measure SDGs: "The absence of indicators to measure the degree of implementation of the SDGs leads the analysed companies to continue working towards these goals. However, some companies, such as CONSUM, are developing their own internal tools to measure the impact of the SDGs on their business activity" (p. 3863). Interviews with managerial staff at Anecoop S. Coop (ANECOOP) and Consum (CONSUM) highlight challenges faced when attempting to measure the SDGs in this sector. ANECOOP respondents support the SDG framework as it heightens awareness and adaptation in operations. In this case, internal reports, such as financial reports may offer key insights. Audits can be completed by external firms, as was the case for ANECOOP. Lafont-Torio et al. (2023) recognize the challenges of "measuring return on investment in the implemented SDGs because not all impacts can be easily quantified" (p. 3863). Maddocks (2019) adds to the discussion of accountability by analyzing social and general interest co-operatives, moving beyond the non-profit accountability model developed by Andreaus and Costa (2014). Maddocks notes accountability dimensions of co-operatives in the proposed model include: co-operative mission, co-operative resources, and social responsibilities, which would all be a part of annual reporting. Although this article does not directly address the SDGs, it discusses the importance of reporting on social and environmental responsibilities, which impacts internal and external stakeholders.

Limited access to sustainability reports/metrics

The accessibility of policies and reports is also telling of the cooperatives' commitment to their values and sustainable development as well as their commitment to sustainability plans. Duguid (2020) addresses potential limitations, such as limited access to internal and external reporting. Diaz-Sarachaga and Ariza-Montes' 2022 study of the Mondragon Corporation "revealed serious difficulties in collecting all information necessary from corporate reports, in particular data related to the performance on the SDGs" (p. 249). Tan (2021) indicates that leadership, employee engagement, and publicly available metrics/reporting would need to be prioritized for the Vancouver City Savings Credit Union's environmental sustainability program to be sufficiently integrated. Similar studies have been done that embrace analyzing cooperative reporting. For instance, Battaglia et al.(2020) discuss the SDGs in relation to consumer co-operatives in the food retailing industry in Italy. Methods include a content analysis of SDGs from the co-operative's annual sustainability reports (2014-2019). I believe it is critical to look at a variety of reports that may capture SDGs in order to address gaps.

Research suggests gaps in considerations around Equity, Diversity, Inclusion and Accessibility in cooperative performance (Lopes et al., 2022; Pérez Piñán & Vibert, 2019). Lopes et al. (2022) address racial and gender equity in relation to Brazilian cooperativism and the SDG framework. Methods include documentary research and content analysis, including Brazilian Cooperatives (OCB) yearbooks from 2019-2020. The authors recognize the "lack of adequate data on gender and the lack of information on racial belonging" (p. 67) and recommend partnerships within higher education and working groups to address gaps in statistics and policies. Pérez Piñán and Vibert's 2019 case study of a co-operative vegetable farm in the Limpopo Province, South Africa addresses gender in relation to measurement and accountability of global goals. The researchers address challenges, such as: "[e]mphasis on profit over all else; forms that speak an inaccessible language; costly demands for duplicate cheques, competitive quotations, and elusive government documentation; [and] insensitivity to gender roles and to circumstances of resource scarcity and spatial location" (p. 445). These barriers hinder cooperative progress with the SDGs and "in all these ways the state and development agencies repeatedly undermine the sustainability- and community-oriented goals of the women" (p. 445). These issues must be addressed to strengthen existing partnerships between government agencies and co-operatives.

Lack of standardisation/requirement to report on the SDGs

Much of the literature discusses the challenges co-operatives face, such as lack of requirements and standardization for measuring and reporting the SDGs, which leads to inconsistencies. Duguid and Rixon (2023) note the lack of resources to develop a measuring tool for small to medium co-operatives. This aligns with Ravichandran's study (2020), which identifies the following challenges that contribute to the success of the SDGs: external environment, size, professional management, innovation, and entrepreneurial competencies (Ravichandran, 2020, p. 112-113). McCarthy's 2021 article addresses measuring and reporting on social impact in credit unions in Ireland. She notes the lack of obligation and standardized method to complete the evaluations. Methods include a content analysis of annual reports (sponsorship/donations, co-operative governance, services) and websites. Results indicate barriers to implementing social impact measurement, such as it not being seen as a "strategy tactic," yet there is a draw to it because of its ability to increase the co-operative's legitimacy; McCarthy indicates there was interest in a standardized template and measures as a result.

This review reveals opportunities to review social economy policies for connections to measuring the SDGs in cooperatives (Chaves-Avila & Gallego-Bono, 2020; Diaz-Sarachaga & Ariza-Montes, 2022; Lafont-Torio et al., 2023). Parrilla-González and Ortega-Alonso (2022) highlight the lack of sustainability policies in olive oil co-operatives in Andalusia, Spain. Campillo-Alhama and Igual-Antón (2021) believe that implementing clear CSR policies and stakeholder engagement is important to gauging progress with SDGs within electric cooperative operations in Spain. Al-Saidi (2021) reveals the lack of contemporary sustainability topics being addressed by the GCC and flaws in policy: "the GCC's architecture seems to prioritize loose policies and not to provide political or policymaking powers to bodies other than the Supreme Council as the highest GCC authority" (p. 11-12). There appears to be concern regarding control of policies (or lack thereof) that impact co-operative operations and sustainability efforts. Examining ties between policy and sustainability more broadly in the future would prove beneficial.

Additional challenges

Co-operatives also encounter financial challenges when measuring SDGs (Duguid and Rixon, 2023; Rixon and Duguid, 2018); potential bias (Diaz-Sarachaga and Ariza-Montes, 2022); and limited geographical scope (Diaz-Sarachaga and Ariza-Montes, 2022; Duguid, 2020; Mozas-Moral et al., 2020; Lafont-Torio et al., 2023; Campillo-Alhama & Igual-Antón, 2021; Herranz & García, 2021; Adderley et al., 2021). Parrilla-González and Ortega-Alonso (2022) highlight how olive oil co-operatives in Spain can be linked to green tourism due to their location near heritage sites and rural landscapes; this proximity can contribute to economic growth.

Duguid (2020) indicates that adoption of the SDGs is greater on an international scale than in a Canadian context. In addition, "[b]ased on the international top 50 co-operatives and Canadian co-operatives scans and ignoring differences like size and industry, European and Japanese co-operatives seem to be far ahead of North American co-operatives. … this raises the question of how much country context matters" (Duguid, 2020, p. 67). Our findings indicate that there is a greater focus on SDG adoption and metrics in Europe, including several studies on co-operatives in Spain. Although this is the case, Adderley et al. (2021) confirm that accounting and reporting in co-operatives in the United Kingdom do not clearly address "economic, social, and cultural goals" (p. 45).

Conclusion

This literature review confirms that measurement tools for the United Nations SDG framework in co-operatives and ties to the seven co-operative principles are limited. Currently available tools include GRI, WCM, CDM tool, SDG Compass tool, and UNRISD's SDPI.

More literature on SDGs being addressed by co-operatives exists in the agricultural sector. Although there is a greater awareness and response to the SDG framework internationally, the lack of regulations for measuring and reporting causes challenges for co-operatives pursuing the SDGs. Standardizing the process and quantifying the SDGs are common concerns amongst stakeholders. The literature suggests various motivations for reporting, such as monitoring global impacts, creating comparable data and research, considering co-operatives' size and impacts on operations, monitoring social innovation, and strengthening communication, engagement, and support from stakeholders and governmental organizations. This literature review also reveals potential barriers to reporting such as quantifying social impact, limited access to reports/metrics, limited geographical scope, and potential bias.

Co-operatives have a direct impact on global environmental, economic, and social issues. There is a greater need to document their progress on social impacts. Measuring and reporting the SDGs is a necessary response to the UN's (2015) call to action to move co-operatives forward on a sustainable path while embracing innovative and inclusive practices.

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Appendix A: Ties to the SDG framework in existing literature

SDG	Name	Total	Author(s)	Data Type(s)
1	No Poverty	5	Rixon and Duguid (2022); Guillotte and Charbonneau (2020); Carini and Gotz (2020); Diaz de León et al. (2021); Ravichandran (2020)	Examples of Frameworks/Ties to the cooperative principles; Agriculture; Examples of Frameworks; Ties to the cooperative principles; Agriculture
2	Zero Hunger	6	Guillotte and Charbonneau (2020); Biggeri et al. (2022); Pérez Piñán and Vibert (2019); Battaglia et al. (2020); Ravichandran, (2020); Parrilla-González and Ortega-Alonso (2022)	Agriculture; Agriculture; Agriculture; Retail; Agriculture; Agriculture
3	Good Health and Well-being	6	Rixon and Duguid (2022); Guillotte and Charbonneau (2020); Deng et al. (2022); Carini and Gotz (2020); Diaz de León et al. (2021); Parrilla-González and Ortega-Alonso (2022)	Examples of Frameworks/Ties to the cooperative principles; Agriculture; Environment; Examples of frameworks; Ties to the cooperative principles; Agriculture
4	Quality Education	6	Rixon and Duguid (2022); Guillotte and Charbonneau (2020); Biggeri et al. (2022); Mozas-Moral et al. (2020); Diaz de León et al. (2021); Parrilla-González and Ortega-Alonso (2022)	Examples of Frameworks/Ties to the cooperative principles; Agriculture; Agriculture; Agriculture; Ties to the cooperative principles; Agriculture
5	Gender Equality	6	Rixon and Duguid (2022); Guillotte and Charbonneau (2020); Pérez Piñán and Vibert (2019); Lopes et al. (2022); Diaz de León et al. (2021); Parrilla-González and Ortega-Alonso (2022)	Examples of Frameworks/Ties to the cooperative principles; Agriculture; Agriculture; Examples of frameworks; Ties to the cooperative principles; Agriculture
6	Clean Water and Sanitation	3	Rixon and Duguid (2022); Guillotte and Charbonneau (2020); Deng et al. (2022)	Examples of Frameworks/Ties to the cooperative principles; Agriculture; Environment
7	Affordable and Clean Energy	5	Rixon and Duguid (2022); Guillotte and Charbonneau (2020); Campillo-Alhama and Igual-Antón (2021); Ravichandran, (2020); Parrilla-González and Ortega-Alonso (2022)	Examples of Frameworks/Ties to the cooperative principles; Agriculture; Energy; Agriculture; Agriculture

SDG	Name	Total	Author(s)	Data Type(s)
8	Decent Work and Economic Growth	8	Rixon and Duguid (2022); Guillotte and Charbonneau (2020); Mozas-Moral et al. (2020); Battaglia et al. (2020); Carini and Gotz (2020); Diaz de León et al. (2021); Ravichandran, (2020); Parrilla-González and Ortega-Alonso (2022)	Examples of Frameworks/Ties to the cooperative principles; Agriculture; Agriculture; Retail; Examples of Frameworks; Ties to the cooperative principles; Agriculture; Agriculture
9	Industry, Innovation, and Infrastructure	4	Rixon and Duguid (2022); Guillotte and Charbonneau (2020); Mozas-Moral et al. (2020); Parrilla-González and Ortega-Alonso (2022)	Examples of Frameworks/Ties to the cooperative principles; Agriculture; Agriculture; Agriculture
10	Reduced Inequalities	5	Rixon and Duguid (2022); Guillotte and Charbonneau (2020); Lopes et al. (2022); Carini and Gotz (2020); Ravichandran, (2020)	Examples of Frameworks/Ties to the cooperative principles; Agriculture; Examples of frameworks; Examples of frameworks; Agriculture
11	Sustainable Cities and Communities	2	Rixon and Duguid (2022); Guillotte and Charbonneau (2020)	Examples of Frameworks/Ties to the cooperative principles; Agriculture
12	Responsible Consumption and Production	7	Rixon and Duguid (2022); Guillotte and Charbonneau (2020); Mozas-Moral et al. (2020); Battaglia et al. (2020); Carini and Gotz (2020); Diaz de León et al. (2021); Parrilla-González and Ortega-Alonso (2022)	Examples of Frameworks/Ties to the cooperative principles; Agriculture; Agriculture; Retail; Examples of frameworks; Ties to cooperative principles; Agriculture
13	Climate Action	6	Rixon and Duguid (2022); Guillotte and Charbonneau (2020); Mozas-Moral et al. (2020); Campillo-Alhama and Igual-Antón (2021); Carini and Gotz (2020); Parrilla-González and Ortega-Alonso (2022)	Examples of Frameworks/Ties to the cooperative principles; Agriculture; Agriculture; Energy; Examples of frameworks; Agriculture
14	Life Below Water	1	Rixon and Duguid (2022)	Examples of Frameworks/Ties to the cooperative principles
15	Life on Land	5	Rixon and Duguid (2022) Guillotte and Charbonneau (2020) Mozas-Moral et al. (2020);	Examples of Frameworks/Ties to the cooperative principles; Agriculture; Agriculture;

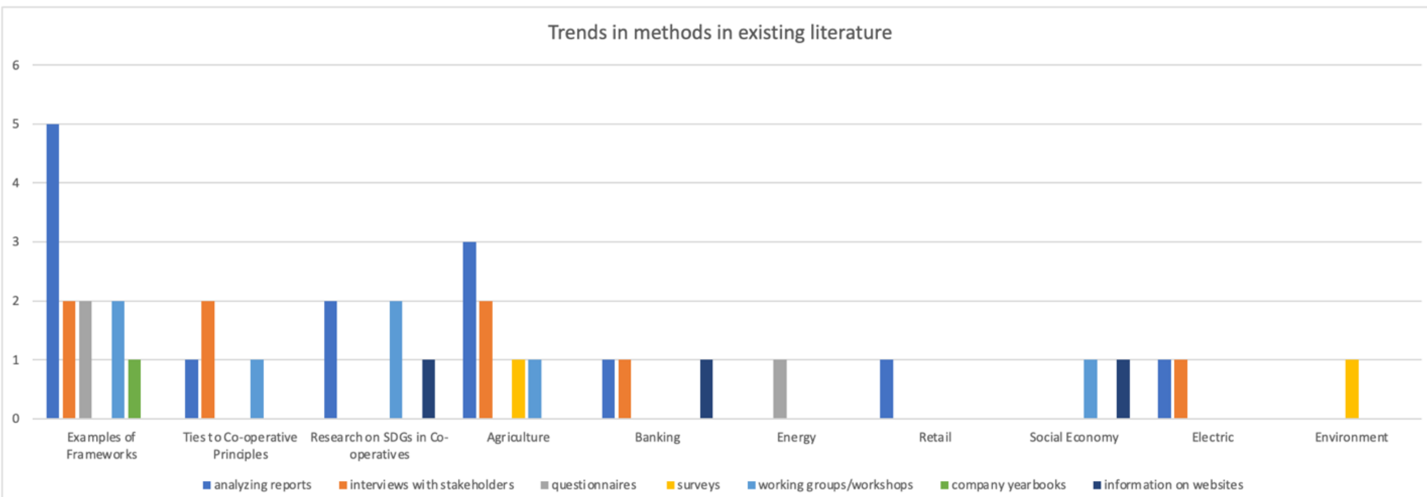
SDG	Name	Total	Author(s)	Data Type(s)
			Ravichandran, (2020); Parrilla-González and Ortega-Alonso (2022)	Agriculture; Agriculture
16	Peace, Justice, and Strong Institutions	3	Rixon and Duguid (2022) Guillotte and Charbonneau (2020); Biggeri et al. (2022)	Examples of Frameworks/Ties to the cooperative principles; Agriculture; Agriculture
17	Partnerships for the Goals	3	Rixon and Duguid (2022) Guillotte and Charbonneau (2020); Parrilla-González and Ortega-Alonso (2022)	Examples of Frameworks/Ties to the cooperative principles; Agriculture; Agriculture

Appendix B: Trends in data collection methods in existing literature

Trend	Total	Author(s)	Data Type(s)
analyzing reports (i.e., financial performance reports, annual reports, annual sustainability reports, self-reporting, sustainability reports, external reports, corporate reports)	10	Callagher and Garnevska, 2023; Corrigan and Rixon, 2017; Lafont-Torio et al., 2023; Duguid, 2020; McCarthy, 2021; Battaglia et al. 2020; Carini and Gotz, 2020; Cavicchi and Vagnoni, 2022; Maddocks, 2019; Diaz-Sarachaga and Ariza-Montes (2022)	Examples of Frameworks/Agriculture; Electric/Examples of Frameworks/Ties to co-operative principles; Examples of Frameworks; Research on SDGs in Co-operatives; Banking; Retail; Examples of frameworks; Agriculture; Examples of frameworks; Agriculture
interviews with stakeholders	6	Bickford, 2020; Corrigan and Rixon, 2017; Olsen et al. 2018; Lafont-Torio et al. 2023; Cavicchi and Vagnoni, 2022; Tan, 2021	Ties to co-operative principles; Electric/Examples of Frameworks/Ties to co-operative principles; Examples of Frameworks; Agriculture; Agriculture; Banking
questionnaires	3	Carini and Gotz, 2020; Conde and Rodríguez, 2020; Campillo-Alhama and Igual-Antón, 2021	Examples of frameworks; Examples of frameworks; Energy
survey	2	Ravichandran, 2020; Deng et al. (2022)	Agriculture; Environment

Trend	Total	Author(s)	Data Type(s)
working groups/workshops	4	Guillotte and Charbonneau, 2020; Conde and Rodríguez, 2020; Chaves-Avila and Gallego-Bono, 2020; Rixon and Duguid, 2022	Agriculture; Examples of frameworks; Social Economy; Examples of Frameworks/Ties to co-operative principles/ Research on SDGs in Co-operatives
company yearbooks	1	Lopes et al., 2022	Examples of frameworks
information on websites	3	Duguid, 2020; McCarthy, 2021; Herranz and García, 2021	Research on SDGs in Co-operatives; Banking; Social Economy

Appendix C: Trends in methods in existing literature



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Structured Collaboration: Realising Opportunities in the Credit Union Sector

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Abstract: In an interconnected world, collaboration is essential to business sustainability in many contexts and sectors. Effective collaboration requires a structured approach, and the Institute for Collaborative Working (ICW) has been at the forefront in the development of a methodology and international standards for collaborative working. This paper provides an overview of ICW's methodology and how it has supported a group of Credit Unions to adopt a structured approach in their evolving collaboration.

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Frank Lee, FICW, joined ICW as Chief Executive Officer at the start of 2023. He started his career at CIBA Geigy where he worked as a chemist in pharmaceutical research. He then spent over 30 years with BSI, where he started as a client manager, and went on to become Operations Director for Continental Europe Middle East and Africa region, then Regional Director for the Northern European region then EMEA Compliance & Risk Director. In 2021, he moved into the role of UK&I product Certification Director and was responsible for the introduction into the BSI Portfolio of a number of new products including integrated management systems, OHSAS 18001 (now ISO 45001), BS 11000 (now ISO 44001). He developed the ISO 44001 Certification scheme now used for the certification of organisations to ISO 44001.

Adrian Miller, BA(Hons), MBA, FICW, is the Membership Services Director and Fellow of the ICW, responsible for ensuring the Institute provides relevant support, in the form of events, organisational development, training, collaboration services and professional development for its members. He has over 30 years' experience in strategic procurement, supply chain management and developing collaborative relationships. He chairs the UK ISO 44001 committee (Collaborative Business Relationships) and acts as the UK representative on the International Standards Committee.

Bill Taylor MSc, CEng, FICW, FCMI, MIET, is the Technical Director and Fellow of the ICW. He is also the United Kingdom Accreditation Service (UKAS) Technical Assessor and Expert on the ISO 44001 collaboration framework standard. Bill has extensive experience from his military, industry and academic career where has held very senior positions. Bill is a trained executive coach and has coached, mentored and helped senior leaders across a full array of business sectors and government departments.

The Institute for Collaborative Working (ICW) is a purpose-driven, non-profit organization dedicated to advancing collaboration to create positive outcomes. We believe that effective collaboration between organizations can deliver additional value, both commercially and economically, while also generating real social value from the projects and relationships they engage in. Our members work more effectively with their supply chains and ecosystems, supporting sustainability objectives and progressing towards a net-zero economy.

Keywords: credit unions, collaborative working, ISO standard 44001, Institute for Collaborative Working**,** Structured Collaboration

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Introduction

Collaboration is essential in today's interconnected world, especially in complex and dynamic sectors, for high-risk projects and alliances and when managing critical supply chains to address the challenges that all of these bring. And, of course, today's business environment is not just about financial outcomes: The way we support our people, deliver social value, and meet sustainability targets are all part of how modern organisations must operate and perform. Evidence[1] has shown that collaboration needs structure and a different mindset in order to be effective and sustained. Effective structured collaboration is a key tool in the armoury for delivering strategic outcomes. Indeed, it is said that collaboration without structure simply amounts to wishful thinking!

The key elements of any effective collaborative structure are systems, processes, competence, and culture which, when combined with appropriate leadership, facilitate effective collaboration. Effective collaboration must, in turn, facilitate the alignment of resources - people, processes, systems, and assets - within suitably aligned commercial arrangements across the enterprise and the business eco-system, to deliver on the benefits and added value that collaboration can bring.

The Institute for Collaborative Working (ICW) has refined a client-tailored, structured, and staged approach to collaboration that has proven to be highly effective in fostering successful collaborative relationships. This methodology has had enormous success in helping organisations bring focus, clarity, and direction to their collaborative endeavours, and forms the bedrock of the International Organization of Standardization (ISO) standard 44001 for collaborative working. This collaborative business relationship standard provides the essential assurance wrapper and focus for continual improvement and a demonstration to stakeholders of rigour and confidence of success.

Recently ICW's ability to support organisations was demonstrated in the evolving collaboration within the Credit Union Sector as it helped Credit Unions (CU's) that are seeking to collaborate to maintain the presence and future capability required to preserve and deliver improved services to their members within their communities. It has enabled them to address regulatory changes, increased transparency of social value and sustainability drivers, higher costs, and the need for efficiencies, and to be responsive to dynamic market conditions.

Purpose and Direction

At the core of ICW's approach is the identification and alignment of shared purpose and outcomes. By tailoring its strategy to the specific needs and objectives of their clients and members, the ICW ensures that all parties involved have a clear understanding of the collaboration's drivers and aims. For the CUs, this initial stage was crucial in establishing a unified vision and creating a solid foundation for the desired collaborative relationship.

Strategic Planning

Once the purpose and direction are established, ICW's approach emphasizes the importance of strategic planning. This involves mapping out the collaboration's long-term goals and the steps required to achieve them. Context is a critical factor in any collaboration and the ICW approach has supported the CUs, who had particular cultural and historical context that needed to be factored in, in order to achieve the desired outcomes. For the CUs, this has meant developing a comprehensive strategy that detailed how the collaboration would evolve over time, addressing potential challenges, and outlining the key milestones. This strategic clarity allows all participants to focus their efforts on common objectives, enhancing efficiency and effectiveness while maintaining each CU's individual identity and the trust of their members.

Organisational Structure

A well-defined organisational structure is vital for any collaborative effort. ICW's methodology includes the design of a structure that supports the collaboration's objectives and facilitates smooth operations. In the case of the CUs, ICW helped them address the organisational framework that would delineate roles and responsibilities clearly, ensuring that each party understood their contributions and how they fit into the larger picture. This structure was essential for maintaining coherence and coordination among the collaborators.

Supporting an organisation in developing its collaborative capability is typical of ICW's non-traditional approach of capacity building within their clients. It has included the coaching and training of various groups and teams within the CUs to establish and distribute collaborative capital across the collaboration to support, implement and embed transformational change. Over time this will mean that they become the leading collaborative experts in their sector.

Governance Options

Effective governance is another cornerstone of successful collaboration. ICW provides governance options again tailored to the collaboration's specific context, supporting effective oversight and decision-making processes. For the CUs, ICW recommended governance models that promoted transparency, accountability, and shared leadership. This governance framework not only supports the ongoing management of the collaboration but will also build trust among the partners, which is crucial for long-term success.

Sustained Collaborative Relationships

By bringing together purpose, direction, strategy, organisational structure, and governance, ICW's approach fosters sustainable and resilient collaborative relationships. For the CUs, this holistic methodology, underpinned by ISO 44001, will ensure that the collaboration will succeed not only in the short term but also positions them for the long-term challenges by facilitating the reframing of their founding values and principles to bring relevance to how they operate in today's and future societies. Doing so has not only provided renewed purpose and meaning to today but also positioned the CUs to benefit from future regulatory and marketplace challenges.

Conclusion

The ICW's client-tailored, structured, and staged approach to collaboration known as 'Structured Collaboration' is a proven and powerful methodology which when coupled with its underpinning 'Growth Pathway' brings focus and clarity to collaborative endeavours. This is ideal for the Credit Union Sector, who are presently undergoing a form of renaissance / transformation to meet the challenges of the modern age. Adopting a structured approach to collaboration is allowing the CUs to tap into the collective skills and resources of the group. Being better together provides benefits from economies of scale through joint gainshare and mitigates risk through joint risk management.

Structured collaboration presents a different way of doing things beyond the traditional. By addressing the critical elements of purpose, strategy, structure, and governance, ICW helps organisations like the CUs build strong, effective, trusting, and sustainable partnerships. This approach not only enhances collaborative success but also signals to stakeholders and potential partners a credibility and integrity that support long-term resilience and agility, essential in today's fast-paced and uncertain world.

Note

[1] For further details see www.instituteforcollaborativeworking.com