

# **The Theory and Praxis of Workers Cooperatives as Models of the Social Economy and Paradigm for Capital Innovation**

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## **ABSTRACT**

Anchored on presenting the theory and praxis of workers cooperatives as models of the social economy, the researchers believe that cooperative enterprises, the most humanist type of organization to thrive in the last two centuries, were able to change poor people's and marginalized worker's lives by providing employment opportunities, thus uplifting their socioeconomic condition. The hypothesis is that a firm competing within the mainstream, local, and/or global markets can survive not only because of the profit orientation of the business enterprise but more due to its social characteristics and value for the member-worker-owner of the cooperative firm, which is contrary to the dominant business model exposed by Friedman, whose major concern is the profit bottom line. It is also asserted that the organizational coherence and adherence to the universally accepted cooperative principles are some of the reasons why these cooperative business organizations exist.

keywords: social economy, workers co-op, social enterprises, theory and praxis, capital innovation

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## **INTRODUCTION**

The Republic of the Philippines is facing many challenges—the most serious of these are poverty and unemployment. The rate of unemployment remains high at 11 percent. It cannot be denied that despite efforts by the Philippine Government and the private sector to address these issues and concerns, the problems still remain. The workers cooperative has become a new source of inspiration as it gives hope to laborers and workers to form their own organization and thereby, address their predicament not only in the country but on a global scale.

The passage of Republic Act No. 9520, otherwise known as the Philippine Cooperative Code of the Philippines, has been instrumental for the labor sector, where the recognition of the workers cooperative

organizations are enshrined, as it enables co-ops to cope with the fast-paced changes in the environment where they operate, as well as recognizes the important role played by cooperatives in the economy. The Cooperative Code of the Philippines expresses the state's commitment to advance social justice and meet economic needs through the empowerment of individuals. Specifically, it states that "it is the declared policy of the State to foster the creation and growth of cooperatives as a practical vehicle for promoting self-reliance and harnessing people power towards the attainment of economic development and social justice."

This research study is intended to understand and document workers cooperatives in the Philippines and abroad, specifically focusing on Asia Pro Workers Coop of the Philippines, Mondragon Corporacion Cooperativa of Spain and NTUC Income Insurance of Singapore. The study is qualitative in nature as it dwells on the critical analysis of the depth of the nature of these successful models of workers cooperatives.

The concepts of solidarity and self-help as governing principles of the cooperative movement will also be studied. Pertinent cooperative by-laws, principles, philosophy and legal basis will also be exhaustively tackled as part of the study. The overall frame is geared towards social economy models via workers cooperative formation, which would bring about social capital innovation, economic development, and ultimately, would alleviate people from their present poverty situation. As such the study is measurable in terms of both the assets and growth of the workers cooperatives local and abroad.

Performance and impact to people's lives—mostly, workers and laborers and their families—will be discussed in this study.

The problem of unemployment persists in the country, and elsewhere today. Unemployment rate is pegged at 11% (Ibon Databank, 2013), aside from the fact that the presence of underemployment even further aggravate the problem. It is in this context that the researchers would like to find ways on how the problem could be solved. Specifically, it will answer the issue of, first, how to address the persistently high unemployment and socioeconomic problems, and second, on how workers cooperative organizations are responding to these problems of

unemployment and providing venues where people, most especially workers, are able to address their own predicament.

According to the International Cooperative Alliance (2005), the highest governing body that unites all cooperative organizations all over the world, through the formation of workers' cooperatives, the members are enabled to render work or labor as the product, service or business thereof, and in return, not only do these individual members earn from their own labor, but also benefit from the labor or work of the other members. This form of business is clearly in keeping with the essence of a cooperative, which is an organization voluntarily formed by individuals for their mutual benefit and support, who equitably share in the capital, participate in the services and become entitled to a fair share of benefits, as well as in the other consequences of the undertaking.

Workers' cooperatives follow the Rochdale Principles and values, which are a set of core principles for the operation of cooperatives. They were first set out by the Rochdale Society of Equitable Pioneers in Rochdale, England, in 1844 and have formed the basis for the principles on which cooperatives around the world operate to this day (Nito, Felipe-San Gabriel, 1998).

Even though there is no universally accepted definition of a workers' cooperative, they can be considered to be businesses that make a product, or offer a service, to sell for profit where the workers are members or worker-owners.

## **STATEMENT OF THE PROBLEM**

The research dwells on how the low and middle income groups and the workers sector were able to alleviate their living condition through the formation of workers cooperatives.

The problem of unemployment persists in the country. It is in this context that the researchers would like to find ways on how the problem could be solved, and to determine the impact created by workers cooperative organizations. Specifically, it will answer the issue of:

1. How to address the persistently high unemployment problem in the country?

2. What are the characteristics and principles and best practices of workers cooperatives and the impact that they create in the lives of workers and their families? What is its role in national economic development and in alleviating poverty?
3. In terms of business policy formulation, what role will the government and cooperatives have in the task of reducing the poverty and employment problem in the country?

### **SIGNIFICANCE OF THE STUDY**

The significance of this study is to add to the body of knowledge on workers cooperatives by documenting and highlighting their business practices. Also, the study would justify that workers cooperatives serve as a new model of the social economy in addressing the problem of unemployment. The creation of a theory on social capital innovation is one of the most important contributions of this study to the business discipline and the field of social economy.

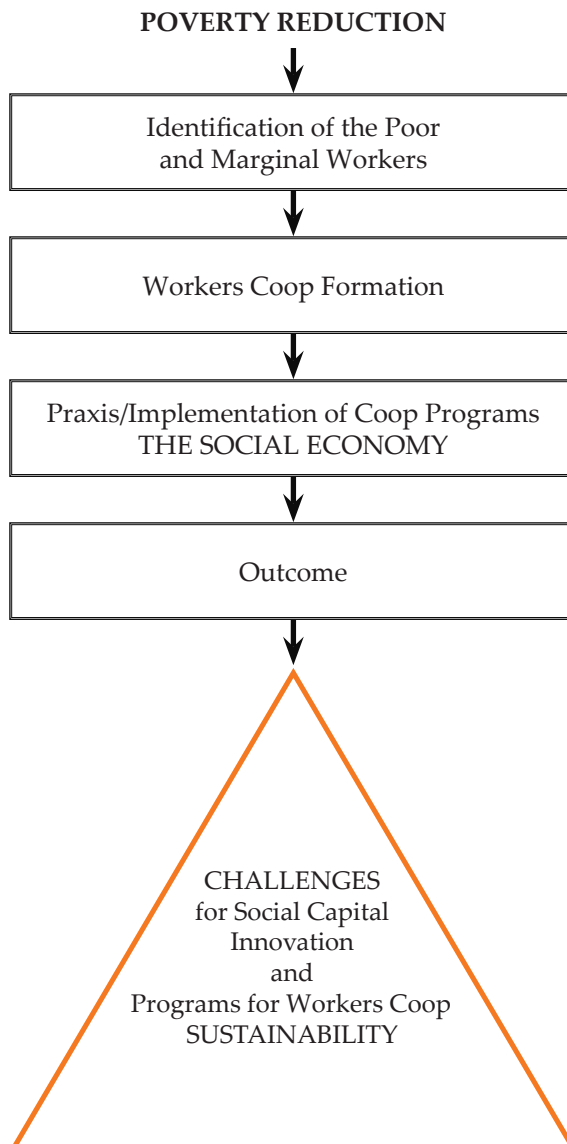
A paradigm is a model or pattern for something that may be done or may be copied. It is actually a theory or may be conceptual in nature as it could mean a group of ideas about how “something” could actually be concretized, done, or made.

The researchers focus on studying the aspect of new modes of the social economy in the formation and development of workers cooperatives locally and abroad. The research is well in line with possible theoretical and policy formulation to further develop and enhance the environment wherein workers cooperative could thrive, with the view of informing leaders in government, business, civil society and academe.

The study will cite an overview on the workers’ problems of unemployment in the country. Although there are a number of workers cooperatives globally, the researcher would dwell on the National Trade Union Income Insurance of Singapore and the Asia Pro Workers Cooperative in the Philippines and triangulate with data from the Mondragon Cooperacion Cooperativa. Further, these workers cooperatives are very well known in their respective countries, and served as models for the social economy concept as presented in this research. Through critical analysis, the study will present the initiatives of the men and women who

comprise their respective workers-owned and managed organizations. The study will include focus group discussion with the officers of the coop and members who benefitted from the project, as well as how they were able to address their problems and turned it into an economic opportunity.

## CONCEPTUAL FRAMEWORK



Job security is now an open question in the context of today's economic order. The current economic system, neo-liberalism, is characterized by technological advancement, specifically dominated with the power of information and the birthing of the internet. Neo liberalism is market-driven. Indeed, recent developments tend to be inhospitable to the growth of collective interest from below. Middle income and salaried workers which include employees, teachers, and seasonal workers are becoming poorer and poorer in the context of their being unable to avail of or access services and financial institutions.

It is in this context where social enterprises such as cooperatives could play an important role in people's lives. This is where cooperative projects as a paradigm should be given a second look as an alternative to a structure that has long been existing and has farther widened the gaps between the rich and the poor. The possibility of giving value and engaging the benefits and privileges of social enterprises and workers cooperatives into people's lives could mean new hope for many underprivileged members of society. Since the cooperative movement has been in existence for the past 150 years, it can not be denied that people from different culture and walks of life have embraced the cooperative spirit and way of life. The challenge therefore, is for this type of organization to flourish and for governments to be able to help in terms of healthy regulatory environment for the cooperative movement. Academic institutions should also play a role in terms of propagating advocacy researches and policy formulation to support the initiatives of these type of social enterprises.

Recent developments tend to be unreceptive to the growth of communal interest from below. Middle and low income workers have slowly been diminishing. They are now becoming poorer and poorer in the context of their inability to avail of basic goods and services. Despite the fact that there are development interventions, the mechanisms are not adequate. On a global scale, thousands of people live on just two dollars a day, creating a peace and security problem. The market economy has many flaws. Uneven development is a manifestation of the capitalist system (Smith, 1990); capitalism creates problems that is hard to solve, the most classic is that of the exclusion of class and also the widening of the gaps in economic development. One of the problems of the market economy is that it becomes selective in terms of poor people's access to opportunities.

There is also the presence of high inequality, and unemployment (Olive, 1987).

Corporations could contest that by doing business, they also provide employment opportunities. It cannot be denied that the dominant context of Friedman (1962) that the social responsibility of the business is to make profit. Interestingly, the profit making mentality has come to the point of exploiting and abusing workers in a way that they work so hard, and still earn less. It is in the context of profit maximization that the dominant system works badly in regulating the distribution of public goods. The other concern is the fact that when managers make decisions, they can be exclusively focused on issues related to economic performance. Friedman (1962) also accepts the problems of capitalism, but from his perspective, capitalism only creates fewer problems, and that these problems could be solved by the system. In other words, capitalism minimizes our problems and any attempt to eradicate capitalism will fail.

A different model therefore, from that of the dominant capitalist system, is viewed as something that may work or may not work. It is as well considered as somewhat “reactive” or “reactionary” to an approach that has been perpetuated and accepted. According to Olive (1987) it is not easy to make “profit driven” companies convert into “principle-driven” ones. The challenge is to find an alternative approach that only reduces the problems brought about by the dominant model and avoid creating new problems. Thus, this is where social economy could come in the framework.

Social economy is defined as a third sector among economies between the private and public sectors. A significant proportion of the global economy is intended to make profits for people other than investors or owners. The ‘social economy’ model is known worldwide; it includes organizations such as cooperatives, mutual societies, non-profit associations, foundations, charities and social enterprises. They operate a very broad number of commercial activities, provide a wide range of products and services across the European single market and generate millions of jobs. Social enterprises are also the engine for social innovation. A social enterprise is an operator in the social economy whose main objective is to have a social impact rather than make a profit for their

owners or shareholders. Social enterprises operate by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives. It is managed in an open and responsible manner and, in particular, involve employees, consumers and stakeholders affected by its commercial activities. The following are the types of business:

1. those for which the social or societal objective of the common good is the reason for the commercial activity, often in the form of a high level of social innovation,
2. those where profits are mainly reinvested with a view to achieving this social objective, and
3. where the method of organization or ownership system reflects their mission, using democratic or participatory principles or focusing on social justice.

Essentially, these social enterprises are first, businesses providing social services and/or goods and services to vulnerable persons (access to housing, health care, assistance for elderly or disabled persons, inclusion of vulnerable groups, child care, access to employment and training, dependency management, among others). These social enterprises are also businesses with a method of production of goods or services with a social objective (social and professional integration via access to employment for people disadvantaged in particular by insufficient qualifications or social or professional problems leading to exclusion and marginalization), but whose activity may be outside the realm of the provision of social goods or services.

Cooperatives are community-based formations in general characterized by trust, reciprocity and mutuality. Their processes help people understand their needs and abilities, and their markets take up the character of the culture and social structure in which they operate. Their legal, political and economic dimensions have created a broad and powerful consensus for social change, have brought together formal and informal alliances between all sorts of interest groups in society, and are linked to a political movement which could help bring about structural reforms in the economy and the political system. As for a clear comparison between a workers coop and other organizations, it could be noted that



there are significant differences in the ends and means between firms where capital controls labour, and firms where the state controls both labour and capital. Worker-ownership has been described as the “Third Way” and distinctions are easily seen when measured by essential elements of commerce: purpose, organization, ownership, control, sources of capital, distribution of profits, dividends, operational practices, and tax treatment.

Workers and laborers who are members of the cooperative own the business. A workers cooperative is a business entity that is owned and controlled by the people who work in it. In a cooperative, decisions are made democratically by the people who do the work. ‘Workers’ refers to those who derive their livelihood chiefly from the rendition of work or services in exchange for compensation, which shall include members of the workers cooperative performing a job, task or duty for a person, corporation, association, entity or institution. Workers cooperatives have been in existence since the 1930s, initially formed by hat makers, bakers and garments workers. The first cooperative ever formed in the history of the movement was actually a workers cooperative by its very nature because they were mat weavers who voluntarily pooled one pound each to form a start-up capital of 28 pounds and establish the so-called Rochdale Pioneers Society in England (Felipe-San Gabriel, Nito, 1998). At present, workers cooperatives are globally recognized, with hundreds established in Europe, North America, the Middle East and India. Among the more famous ones, in addition to the Mondragon Cooperative in Spain, are Cheque Dejuener and Acome in France, Kantega in Norway, Suma Wholefoods in the UK, Egged-Israel Transport Cooperative Society in Israel, Indian Coffee Houses in India, and Cooperative Drapner RL and Cooperative Nacional de Ahorro y Prestamo in Venezuela. The National Trade Union Income Insurance of Singapore is also one classic example as it provides workers with insurance and other support. Italy has about 8,000 existing workers cooperative. In North America, workers cooperatives have organized the United States Federation of Workers Cooperatives and the Canadian Workers Cooperatives Federation. A concrete model of a workers cooperative in the Philippines is Asiapro Cooperatives that already has thousands of workers, and services some 200 businesses in the Philippines engaged in agribusiness; merchandising and quick service; auxiliary, property and other institutions; manufacturing and special projects.

## **METHODOLOGY**

### **Research Design**

Descriptive type of research is used in this study. This design requires precise and factual information and does not use personal prejudice and judgment. The study covers the historical account of how the cooperative movement started. Reality and actuality governs this type of research. The objectives in the study are carried through the application of qualitative research design which is an inquiry process that makes phenomenological occurrence easier to understand. The researchers get relevant information via focus group discussion, data analysis and case study as its convention of inquiry.

### **Research Method**

Triangulation is used as a method of research in this study. The research method uses the input-process-output model, and complements the descriptive, evaluative, critical and comparative analysis by reviewing existing facts available. The research is also historical in nature. It also utilizes a secondary data analysis. Data analysis takes account of looking into models, and patterns, and identifying components. Data collection procedure is via focus group discussion and key informant interview. Data from the websites of different international development agencies are also utilized in this study to triangulate the information. The set of data on cooperatives from other countries is gathered and requested from the International Cooperative Alliance and some of the local data on workers cooperatives are gathered from the Cooperative Development Authority. International studies have shown important historical highlights of the workers cooperative that have helped shape the contour of the research regarding the robust global cooperative movement.

Most importantly, the impact evaluation study done by the researchers to both worker cooperative organizations, namely Asiapro Workers Coop and National Trade Union Income Insurance Coop, is utilized in this study, and critical data analysis procedure is done. There is also a thorough review of existing documents and literature on workers cooperatives.

With data analysis and triangulation, and the eventual use of synthesis, the researchers are able to explain, connect, classify, use metacognition, and integrate all the information and data that have been generated in the conduct of the study.

## CHALLENGES AND ISSUES FOR WORKERS COOPS

The recent passage of Republic Act. No. 9520, otherwise known as the Philippine Cooperative Code of 2008, shows strong government intent to reduce the problem of poverty and unemployment. The government saw the need to amend R.A 6938, which established the Cooperative Code of the Philippines, to enable co-ops to cope with the fast-paced changes in the environment where they operate. R.A. 9520 expresses the state's commitment to advance social justice and meet economic needs through the empowerment of individuals. The act reads as follows: "It is the declared policy of the State to foster the creation and growth of cooperatives as a practical vehicle for promoting self-reliance and harnessing people power towards the attainment of economic development and social justice."

A distinct advantage of emerging markets like the Philippines in the next two to three decades is the demographic dividend that endows them not only with large domestic markets but also with a young and growing work force, in contrast with the aging societies in the developed world (Villegas, 2012). Even in this era of highly advance technology, human labor will continue to be a competitive advantage for the so-called "breakout" nations, to use the term of Ruchir Sharma of Morgan Stanley. It is important, therefore, that there be more innovative approaches to organizing workers for both productive and inclusive growth. One of these innovations has already been introduced in the Philippines by some pioneering labor leaders and these developments will further strengthen the standard of protection and enhancement of the welfare of self-employed workers and craftsmen and the promotion of the social economy via workers cooperatives and social entrepreneurship.

In the World Declaration on Worker Cooperative by International Cooperative Alliance in a general assembly in Cartagena, Colombia on Sept. 23, 2005:

Among the modalities of worker ownership, the one being organized through worker cooperative has attained the highest level of development and importance at present in the world, and is structured on the basis of the universal cooperative principles, values and operational methods enshrined in the Statement on the Cooperative Identity (Manchester, 1995), agreed upon within the framework of the International Cooperative Alliance (ICA), and incorporated in the ILO Recommendation 193/2001 on the Promotion of Cooperatives.

Workers cooperatives are committed to being governed by the cooperative movement's statement on the cooperative identify. Moreover, it has become necessary to define at the world level some basic characters and internal operational rules that are exclusive to this type of cooperative, which has specific goals and purpose different from cooperatives belonging to other categories. This definition will enhance the coherence and universal identity of cooperative worker ownership, stimulate its development, and produce recognition at the global level of its social and economic function, such as provision of decent and sustainable jobs. To focus on the importance of cooperative worker ownership, the promotion of worker cooperatives, and their relations with cooperatives belonging to other categories, as well as with the State, international organizations, the entrepreneurial world and the trade unions is necessary to guarantee the development and promotion of worker cooperatives, as well as the full recognition of their role as actors in the solution of the problems of unemployment and social exclusion, and as proponents of one of the most advanced, fair and dignifying modalities of labor relations, generation and distribution of wealth, and democratization of ownership and of the economy.

It is obvious that the attempts to develop workers cooperatives in the Philippines as one of the possible modalities of organizing workers for productive and inclusive growth are in consonance with international

agreement sanctioned by both the cooperative and labor movements all over the world.

The Philippine Cooperative Code of 2008 provides the general framework and the binding rule and authority that will henceforth govern the worker coop sector and movement. Loosely defined, a co-op is a duly registered association of at least 15 persons with a common bond of interest who voluntarily join together to achieve a lawful, common social and economic end. According to the CDA, a co-op is organized by members who equitably contribute the required share capital and accept a fair share of the risks and benefits of their undertakings in accordance with universally accepted co-op principles and practices. Possible classifications of co-ops are consumer, producer, credit, marketing, service, and multi-purpose agricultural or non-agricultural co-ops such as electric, etc.

### **Cooperatives as Instruments for Alleviating Poverty**

Co-ops are seen as instrument for alleviating poverty and for people empowerment and, hence, essentially for national development. Nito and Felipe (1998) outlined eight important and essential functions that co-ops are capable of doing. These are as follows: (1) give people access to credit sources other than the so-called “loan sharks”; (2) counterbalance market imperfections often created by local monopolies; (3) rationalize production and marketing activities; (4) provide services which government fail to provide; (5) make modern technology available to co-op members who would otherwise not have access to it; (6) raise income levels; (7) mobilize local savings and human resources; and (8) provide goods and services of higher quality at lower cost.

At the start, the Philippine co-op sector movement faced a dilemma on the government’s role in the movement. The establishment of the government agency CDA through R.A 6939 by President Corazon Aquino in March 1990 settled this question. The creation of CDA paved the way for easier registration and supervision of Philippine cooperatives. Previously, the Bureau of Agricultural Cooperatives Development of the Department of Agriculture (BACOD-DA) and the Regional Cooperatives Development Assistance Offices, among other government agencies, were in-charge of the registration of co-ops, depending on the type of co-op to be formed. The

landmark law, Republic Act 6939, governing the co-op sector movement in 1990 were designed and passed to advance social justice and move the country one step toward achieving national economic development. Most of CDA's regulatory responsibilities deal with registration, supervision, and quasi-judicial functions governing the Philippine co-op sector movement. This outline of CDA functions shows that the government agency is at the heart of the entire co-op sector movement. The CDA performs regulatory functions such as taking charge of registration, imposing fines and penalties, and implementing the Cooperative Code. It also performs the developmental functions of providing management and organization training, providing technical support to cooperatives, and the like. One current issue we have in the Philippine cooperative movement right now is the fact that the government is keen on taxing all cooperatives, thereby removing the incentives that these cooperatives are enjoying right now.

## **THE SOCIAL ECONOMY AND THE PRAXIS OF WORKERS COOPERATIVES**

The social economy employs over 11 million people in the European Union, accounting for 6% of total employment. It covers bodies with a specific legal status (cooperatives, foundations, associations, mutual societies), many of which are also social enterprises in terms of the characteristics referred to above, as well as social enterprises in the form of an ordinary private or public limited company. The specific legal status of the social economy are particularly suited to social enterprises as their method of governance favors participation and openness.

These social economy models otherwise known as social enterprises and cooperatives are governed by the members of the cooperative's businesses that are owned and democratically controlled by their members.

The members of the cooperatives, who invest capital for the operation of the social organization as well as their sweat equity—or social capital, make up a very classic formula for the eventual success of the cooperative organization. These members, who own the enterprise, are also the customer and consumers of the coop. They are the same people who buy their goods or use their services.

Cooperative business enterprises operate on the principle of “one member, one vote.” It is a democratic institution that—unlike in investor-owned businesses where voting rights are based on ownership share—gives each member of a cooperative the same voting power. And unlike investor-owned businesses, they return profits to their members proportionate to their use of the cooperative, not proportionate to ownership share. Cooperatives follow seven internationally recognized principles:

1. Voluntary and Open Membership
2. Democratic Member Control
3. Member Economic Participation
4. Autonomy and Independence
5. Education, Training and Information
6. Cooperation Among Cooperatives
7. Concern for Community

In 2009, a study made to assess the share of the population involved in social entrepreneurship reveals the following percentages: 4.1% in Belgium, 7.5 % in Finland, 3.1 % in France, 3.3 % in Italy, 5.4 % in Slovenia and 5.7 % in the United Kingdom. Approximately one in four businesses found in Europe would be a social enterprise. This figure rises to one in three in Belgium, Finland and France. These companies are often more productive and competitive than one might think. This is due to the very high level of personal commitment on the part of their employees and the better working conditions that they provide. Social enterprises contribute to growth by coming up with social innovation to needs that have not yet been met; they create sustainable growth by taking into account their environmental impact and their long-term vision; they are at the heart of inclusive growth due to their emphasis on people and social cohesion. In other words, the aim is to effect social and economic transformation. The various characteristics of social enterprises mean that, for the most part, they exhibit an especially high level of social and environmental responsibility. There is also some level of application of corporate social responsibility adopted by European enterprises that gives prestige as it provides additional social value, for example, in Italy, a medical centre provides high-level specialised assistance, including cultural mediation, particularly in areas poorly served by public services, with a particular emphasis on people in fragile socio-economic situations (such as immigrants).

In Romania, a company with 5 members of staff and 5 volunteers has been working since 1996 to provide cultural services in the Romanian language to blind people by adapting media (especially audio books and adapted films) for an estimated 90,000 people. In France, a business launched an innovative concept of water-free car washing services in 2004 using biodegradable products and employed unqualified or marginalised staff in order to reintegrate them to the labour market.

The European Commission, due to the various approaches by these social enterprises, therefore, does not seek to provide a standard definition which would apply to everyone and lead to a regulatory straitjacket. It offers a description based on principles shared by the majority of the Member States, while respecting the diversity of their political, economic and social choices, and the capacity for innovation of social entrepreneurs. In Hungary, a foundation set up a restaurant employing disabled staff (40 employees) and provided training and childcare to ensure the transition to stable employment. In the Netherlands, a company teaches reading using innovative digital tools and a method based on play. This method is particularly suitable for hyperactive or autistic children but can also be used for illiterate people and immigrants. In Poland, a social cooperative comprising two associations employs long-term unemployed and disabled staff and provides a variety of services: catering and food services, small construction and handicraft jobs and employability training for disadvantaged people.

### **Worker-Owned Cooperatives**

John Stuart Mill (1848, 1936) conjectured that voluntarily-formed producer cooperatives would dominate capitalist employment relationship once the working classes had achieved a sufficient level of education and political emancipation.

No such signs are evident even though workers are now well educated and political democracy has become ingrained in Europe and North America. Typically, producers or workers cooperatives have the following features:

- Current workers own 100% of the company with no concentration of capital.



- Major corporate decisions are made on a one-person one-vote democratic basis.
- Work, wages and other forms of compensation are shared on a democratic basis.

Obviously, there is a socialist bent to these arrangements. They might be viewed as a “third way” between capitalism and socialism or, at the very least, as a promising first step toward socialism. Some claim that altruism is usually required to establish this kind of firm (Aldrich and Stern, 1983).

### **Workers Cooperatives’ Prominence During The Industrial Revolution**

Robert Owen and Charles Fourier was instrumental in the philosophical influence that developed and sustained the workers cooperative movement. Both philosophical thinkers Owen and Fourier are associated with their socialist writings and actions. The importance of the workers-owned organizations gained prominence during the industrial revolution as part of the labour movement. Robert Owen has been considered on a global scale as the father of the cooperative movement. He was with the cotton trade business and has been reported as the best manager during his time as he puts his workers in an environment where they are given education for themselves and for the workers’ children. Owen later on developed his followers, Owenites, and eventually formed the early stages of “villages of cooperation,” wherein his ideas of “cooperation and helping workers” were put into practice in the cotton mills of New Lanark, Scotland.

### **Workers Cooperatives around the World**

Workers cooperatives have a long history in the United States, where Philadelphia’s Journeyman Carpenters initiated the nation’s first working-class cooperative in 1791. Later, as part of the labor union movement, cooperatives were advocated as an alternative to the capitalist system of compensation and treating workers. It has become one of the most important social project (Book, 1998). Plywood cooperatives of the Northwest, for example, were successful enough to raise their market share to 25% at their peak in the 1950s. Some of the cooperatives, suffering

from the problem of reduced effort by workers, hired waged labor rather than adding new members (which would have diluted their ownership), and were sold to conventional firms.

Workers cooperatives have sometimes been imposed by authorities as a national policy. The Israeli kibbutzim and worker-managed Yugoslav cooperatives beginning in the mid-1970s are illustrations. In Yugoslavia, firms with more than five workers were required to be self-managed on a democratic basis with the board of directors largely represented by workers.

Dutch local banks in 1800s established two umbrella organizations: the Cooperative Cenrtale Raffeisen-Bank in Utrecht and the Cooperative Centrale Boerenleenbank in Eindhoven. The two merged in 1972 and became the Rabobank Nederlands. Later, Rabobank began welcoming non-agricultural businesses and also private individuals, and later engaged in electronic transactions, home mortgages, payment services, investment, business financing, leasing, payment transactions and insurances. Rabobank Group's first half 2015 net results totaled to 1.522 million Euros. Its private sector loan portfolio is 434.4 billion Euros.

Japan Workers Coop Union was founded in 1979; it unites worker cooperatives throughout Japan. The union has 12,000 member-employees. Each member workers cooperative is democratically controlled by the worker-members and committed to create employment to promote the well-being of people and communities through associated work of the members and community residents. The workers coop union provides social services, building maintenance, environmental services, food and agriculture, inter-coop contracts. Since the beginning of 21st century, a growing number of social services have been outsourced to private and non-government sectors. Taking this opportunity, JWCU started to set up "Community Welfare Centers" to provide a new type of social service that involve citizens in management and activities in a co-operative style.

It is also in Japan, where the largest consumers cooperative union could be found. They have about 570 member-cooperatives all over Japan.

Consumers cooperatives are owned by the people who buy the goods or use the services of the cooperative. They operate worldwide in

areas of retailing, energy and other utilities, financial services (i.e. credit unions), health care, housing, insurance and others. Examples include the Kooperativa Forbundet, Sweden: A network of consumer-owned cooperative retailers that enjoy 25 percent of the national retail market.

Der Deutsche Genossenschafts-und Raiffeisenverband (Germany): A federated system of credit unions and other consumer cooperatives throughout Germany. Midcounties Co-operative Society (UK): The Midcounties Co-operative is the third largest consumer co-op in the UK with a turnover of £712 million.

Co-op Atlantic (Canada): The second largest regional cooperative wholesaler in Canada with a membership of 136 cooperative enterprises and stores that serve over 200,000 member families.

Producers cooperatives are owned by producers of farm commodities or crafts and band together to process and/or market their products. Examples:

Land O'Lakes, SunKist, SunMaid, Blue Diamond and Ocean Spray, (US): All farmer-owned cooperatives with strong brand recognition and market power. Gujarat Cooperative Milk Marketing Federation (India): A federation of 12 milk cooperatives with 2 million farmer-members that is now the country's largest food products marketing organization.

Another example in the United States is the Equal Exchange (US): The oldest and largest for-profit Fair Trade company that sells coffee, tea, chocolate, sugar and cocoa.

Purchasing cooperatives are associations of for-profit businesses who band together to enhance their purchasing power and competitiveness. Examples:

ACE Hardware (US): A national cooperative of independent hardware storeowners that pools purchasing power and builds the national co-op brand.

Carpet One (US): A national cooperative of independent floor covering retailers that now make up the largest seller of floor covering in the world.

### **Workers Coop Insurance as a People-oriented Business**

NTUC INCOME Insurance Cooperative Limited was established in 29 May 1970 with a capital of \$1.2 million provided by NTUC and its affiliated unions. Its primary objective was to provide life insurance to the ordinary workers, who are not able to afford the insurance products offered by the commercial-oriented life insurers. The coop was created to design special insurance to meet the needs of the workers. It allowed small insurance policies to be purchased for as low as \$5 a month and arranged for the monthly premium.

Income takes care of a person in terms of security. It values the world's most precious asset—people. It takes care of a person's most valuable asset—a person's loved ones, a person's family. It ensures sustainability.

The demand of the customers at times may take quite some time. The customers demographic vary; their understanding on what is being sold to them also differ. It is the frontline desk officer that handles these complexities.

No single customer would like to wait and wait. And be transferred from one person to another person. To address this, one major technique has been proven very helpful to cater to this type of arrangement—and that is that there is no specialization at the frontline.

The following are hallmarks of this worker insurance cooperative approach towards customer service and process improvement: the Referral System, Promptness (1-4-14), Open Approach, Daily Surveys on customer Service, and 3 Level approach to handle disputes.

The environment created allows system and people's environment and innovation. NTUC INCOME believes that success in the future requires an entrepreneurial approach, using the following criteria:

1. to be prompt in responding to customer-member needs
2. to be customer-focused
3. to tackle the real market challenger, and
4. by learning through doing.

In a survey conducted for the study, “Social Responsibility through Widening Cooperative Action By Increasing the Services to Members and Their Families: Case Study of NTUC Income”, respondents rated NTUC Income in mostly positive areas.

Services provided to policyholders have made an impact in a sense that majority of them knew the cooperative principles. The members surveyed in this study replied that their knowledge and awareness of these principles are exemplified as follows:

- 98% of profit are given back to policyholders
- Place interest of our policyholders foremost
- More than insurance, with other various services provided
- Affordable insurance
- Active in community work
- Balance between work and family
- Extra bonus to policyholders
- INCOME and MERIT principles
- Prompt and fair treatment

It is important to note that policyholders and members are responsive and conscious of the practices of corporate citizenship and or social responsibility programs of NTUC INCOME.

Respondents were asked to rate how valuable INCOME products/ services are to them, based on the scale (0%: Not valuable at all; 25%: Occasionally valuable; 50%: Moderately valuable; 75%: Highly valuable; 100%: Exceptionally valuable) Overall, staff/ reps rated Income’s products/ services ‘Highly valuable’ in terms of family members’ benefit from Income’s products and services. 80% of the respondents clearly agreed, noting the following examples:

- Affordable and comprehensive insurance coverage
- Value-for-money insurance products
- Linkcard and special benefits
- Carcoop
- Home and other general services

It is very worthy to note that among the general comments given: majority of staff/ reps are aware of the cooperative principles of NTUC INCOME, and most are also aware of its corporate citizen/social responsibility programs and its achievements in the global cooperative movement.

Overall, staff/ reps rated NTUC Income 'Good' in terms of the way it is being managed, and they rated Income's products/services 'Highly valuable.'

Technology advancement is NTUC INCOME's competitive advantage. As a cooperative insurance, it has invested much in technology. Platform enabled the NTUC INCOME employees and insurance advisers to provide feedback and suggestions through the use of tools like i-Forum, i-Survey, and i-Feedback.

### **Strategic Issues and Competencies**

Strong, competent employees comprise the bulk of the cooperatives' internal strength, which is matched with a trusted and experienced leadership who is always "walking the talk."

Complementation of the organizational dynamics made the organization cohesive. Governance in the organization is based on clear cut criteria and policies implemented at all times in the cooperative. Employees place high regard for their superiors.

Each and every employee and insurance agent also know their business and their craft. Continuous training and seminars are given to further improve their skills and expertise. It is important to note that employees as stakeholders know their worth in the organization and they value their NTUC INCOME so much.

Externally, NTUC INCOME's contribution to the community aims at meeting the lifestyle needs of the people to enhance their standard of living, as well as at providing an opportunity for the majority to enjoy services and products at affordable rates. These have always been at the boardroom agenda.

Meaning it always gives high value to “social responsibility” and even makes it a part of life—a way of life everyday cooperation. Succession Planning has been considered in the sense that second liners are being developed through constant training to handle posts for the future requirement of the organization. This entails hands-on training for the identified person for the job to carry on the challenges confronted during the times and to maintain the leadership position. The need to expand the market and its reach has been considered by NTUC INCOME as it promises to continue to explore new avenues to expand its activities, and to develop new products and services in order to provide more benefits to policyholders. As a co-operative with a social role, Income will continue to be proactive in introducing innovative measures to improve the quality of life of its policyholders and the public at large. NTUC INCOME Insurance Cooperative Limited was established on 29 May 1970 with a capital of 1.2 million provided by NTUC and its affiliated unions with the ultimate objective of providing less expensive life insurance products than those offered by the commercial-oriented life insurers—the motive is indeed very humanist. As such it can already be gleaned that the organization is pro-poor and pro-people.

The seventh universally-accepted cooperative principle: “Concern for community” is deeply practiced by NTUC INCOME. It can be generalized that as a corporate-cooperative, it worked for the sustainable development of its communities and the Singapore society as a whole. Such context is as well considered as “corporate social responsibility” or CSR as defined by World Business Council for Sustainable Development—the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community, and society at large to improve their quality of life in ways that are both good for business and good for development. NTUC INCOME gives back what is due to society. At present, NTUC Income Insurance Cooperative has successfully established networks of branches all over Singapore which helps their policyholders and potential clients get in touch with them. They provide services such as:

- purchase of life and general insurance
- inquiries on life and general insurance
- collection of life and general insurance premium
- application of special benefits

Its market niche, a focused, target portion of a market, is defined as the workers of Singapore who are members of the National Trades Union Congress. It caters to Singaporeans who are interested in their services. They established numerous branches in Singapore, which are positioned strategically in accessible areas.

At present, it has more than 1.2 million policyholders and has become a leader in Life and General Insurance.

It has received numerous Prestigious Awards for their participation and contribution to the community. Some of these are:

- Innovation Cass Award (2004)
- Excellence Service Award (2003)-Silver And Gold
- People Developer Singapore (2001, 2002, 2003)
- Superbrands (203)
- Community Chest Corporate Bronze Award (2001-2002)
- Model Employer Award (2001)
- Singapore National Co-Operative Federation Rochdale Plaque
- Community Chest SHARE Platinum Award (Since 1995)
- ISO 9001: 2000 Quality Management System (since 1998)

### **Contribution to Society**

As a cooperative, NTUC Income sees its social role towards national events and the community. It places the interests of its policyholders foremost, and at the same time, recognizes its wider responsibility to the community and the environment.

Thus, besides providing affordable insurance coverage for the people with different needs, NTUC INCOME also supports various community projects in website sponsorship, charity, education, health and the arts. Some of the community and sponsorship projects it undertakes:

- e-Gift for 17 Charity Organizations
- Blood Donation Drive
- Donate an Ambulance to Sunove home
- Dove Park Hospice



- Help for Kidney Patients
- Moral Home for the Disabled
- Humanitarian Aid to Indonesia
- Arts Appreciation Club
- First Singapore Mount Everest Expedition
- S-League 1998 Open House at Fitness Center for all Smokers
- Cranes Adoption at the Jurong Bird Park
- Miniature Horses Adoption at the Singapore Zoological Garden
- A Day in a Wheel Chair
- Hospice Care Association pledges
- Support Program under the Auspices of the National Heritage Board
- Friend of the Environmental Project and National Recycling Program
- Financial Education Project for Secondary School Students

As a cooperative, NTUC Income's primary objective is to serve its policyholders and look after their best interest. Its mission is to be the preferred insurer that provides a comprehensive range of services of better value, based on cooperative principles. It has achieved this objective by operating efficiently, thereby reducing the cost of the operation and thus benefiting its policyholders.

### **Industrial Workers Cooperative: Mondragon Corporacion Cooperativa**

Probably the most interesting case is the story of the famous workers cooperative in Spain. According to Smith (1999) the "Mondragon" enterprises of the Basques Region in Spain is "the most famous workers cooperative in the world."

Mondragon is an association of worker-owned and controlled enterprises producing a wide range of high-technology and other products, and is the nation's largest producers and exporters of consumer durables. They are known to have been more productive than their competitors, and have rapidly spun off new cooperatives while keeping them strategically aligned in diverse business activities.

Mondragon Corporacion Cooperativa workers coop developed an internal system of welfare and human resource management including workers cooperative members availment of health insurance, retirement benefits, education and training. Their own bank has played an essential role in providing other business assistance to member cooperatives. It was noted that workers have made capital investments through the reinvestment of their dividend income and savings out of their wage.

Mondragon has developed its internal social auditing and has been consistent with its social performance, as well as compliance with the universal coop principles. It is democratically-run and managed. And members could view the financial standing of the cooperative.

Currently, Mondragon Corporacion Cooperative is a major global producer of food and industrial products, owned and governed by some 50,000 worker owners. And has its own bank and has established the Mondragon University. It is the eighth largest corporation in Spain.

The Co-operative Group, in the United Kingdom, is the largest consumers cooperative in the world. The cooperative employs over 70,000 people, operates more than 3,000 retail outlets as well as on line business operations.

In 2000, the Co-operative Group became the first retailer of fair trade products, such as bananas. It has then produced in 2001, its own brand of fair-trade wine. Cooperative customer members have been particularly supportive of the move of the promotion and propagation of Fair-Trade.

### **Asiapro Cooperative: Man-Power and Multipurpose service workers coop in the Philippines**

Asiapro Cooperative is the Philippines' first, largest and leading worker cooperative that offers flexible, cost-effective, and socially responsible solutions to your service contracting and outsourcing needs. With a member base of about 55,000 worker-entrepreneurs, it is a people enterprise composed of professional coopreneurs who simply get things done better.

Asiapro boasts of its commitment to continue to provide good services to members and clients. According to Mr. Leo Parma, former CEO of Asia Pro, and a former HRD head of Pepsi Cola Philippines, "We are self-motivated, proficient and trained professional coopreneurs focused on raising your efficiencies and ultimately, your bottom line. We go through continuous in-house training and education programs to improve our skills and capabilities that are specific to your needs and to your operations. You can enjoy peak performance because through continuous engagement, we acquire long-term skills that you can utilize and maximize that will not only increase productivity, but also result in significant savings due to non-recurring recruitment and training costs."

Members who are formerly self-employed workers/laborers agree and pooled their capital contribution and formed themselves into a worker-manpower coop. They call themselves as "coopreneurs"—professionals who bonded together in a cooperative structure to provide manpower services in diverse fields ranging from farm to industry to schools. They consider themselves as co-owners of the cooperative. The coop's operational structure is molded from the best practices of both corporate and cooperative models.

Asiapro democratizes its operations and is very transparent with its members. It conducts monthly meetings with its branches, and they hold General Assembly meeting once a year. They also conduct monthly board meetings, committee meetings and special general assemblies. The strength of the cooperative is that they operate on a national scale. The coop helps their members and uplifts them from their present condition by providing them employment and loan facilities.

In the Philippines, there are 24,652 cooperatives registered with the Cooperative Development Authority as of January 31, 2015. There is variety in the growth of the different cooperatives in the country. According to the Cooperative Development Authority, only 395 cooperatives may be considered and categorized as Large, with assets of more than 100 million pesos. About 1,410 cooperatives are Medium Category, with assets of more than 15 million pesos. Around 2,762 are Small (more than 3 million pesos), and 6,195 are Micro (whose assets are less than 3 million pesos). It could be noted that the combined assets of all these cooperatives

amount to 248.5 billion pesos. Philippine cooperatives varies in types from workers coops, to producers, consumers, service, advocacy, housing, transportation, and multi-purpose type of business in nature. In 2014, around 977 new cooperatives were registered in the country. One of the challenges that the CDA is facing today is the limited number of personnel they have to monitor all the development and projects of the now copious number of existing cooperatives in the country today. The multiplier effect is overwhelming for the social economy, in terms of the contribution of cooperative business organizations. Cooperatives operate in almost all industry. They operate in agriculture, childcare, energy, financial services, food retailing, distribution, health care, funeral care, insurance, housing, purchasing, transportation and telecommunications. To date, there are more than 750,000 cooperatives servicing 730 million members in more than 100 countries.

### CONCLUSIONS AND RECOMMENDATIONS

The global growth and diversity of the social economy, which included social enterprises and workers cooperatives, have played an important role in helping workers, and people from lower income society and the marginal sectors. Cooperatives are community based formations in general characterized by trust, reciprocity and mutuality. They are governed by the principles of solidarity and self-help. Their processes help people understand their needs and abilities, and their markets take the character of the culture and social structure in which they operate. Their legal, political and economic dimensions have created a broad and powerful consensus for social change and have brought together formal and informal alliances between all sorts of interest groups in society. They are also linked to a political movement which could help bring about structural reforms in the economy and the political system.

The multiplier effect is overwhelming and cooperatives now have around 730 million members. Multiply this by at least 4-5 family members each, all benefitting from the operations of the cooperative and this is undeniably a success indicator of how this movement operates to reach workers and people from the lower socioeconomic classes. The value of self-help, concretized in business organizations such as workers

cooperatives, plays a central role in helping people realize the significance of their business.

It could be viewed that the presence of these cooperative business enterprises have been instrumental in alleviate the plight of many workers in developed and developing countries. If people have the purchasing power and access to basic necessities then they are empowered. Cooperatives serve as an instrument for social justice and economic development.

In determining the role of government in the Philippine co-op sector movement—a normative question to begin with—one must go back to the very essence of why co-ops exist and were formed. The Philippine Constitution saw the important role co-ops can play, and hence argued correctly that co-ops are instrument and tools for social justice and economic development. Thus the promotion of a cooperative spirit among people can help effect desired changes and reforms in the economic, social and political structure of the society.

It is important to note that:

1. Workers cooperatives can serve as a vehicle for attaining a more equitable distribution of wealth by increasing the income and purchasing power of the low-income sector of society.
2. Cooperatives are democratic institutions whose highest policy making body is governed by the General Assembly.
3. Cooperatives encourage self-management and participation in decision making from people at the bottom of the pyramid, as well as broader-based ownership of the social enterprise.

As a direct expression of the spirit of solidarity among Filipinos, and with strong government support, the co-op sector movement can contribute substantially to the national development and progress of the country through job and employment generation.

It is recommended that workers cooperatives look into the possibility of merger and consolidation but only with those of the same type of operations in the coop business. In particular, the workers cooperatives in the Philippines would be able to compete well in the market by its ability to

take control of the situation. As a legal basis, workers cooperatives could refer to the Cooperative Code and its proviso for guidelines governing procedures for merger and consolidation. Specifically, the Code states that “two or more cooperatives may merge into a single cooperative, which shall be either one of the constituent cooperatives or the consolidated cooperatives. No merger or consolidation shall be valid unless approved by three-fourths (3/4) vote of all members with voting rights, present and constituting a quorum of each of the constituent cooperatives at separate general assembly meetings. The dissenting members shall have the rights to exercise their right to withdraw their membership pursuant to Article 30.”

It is also specified under Article 21, that the Authority shall issue the guidelines governing the procedure of merger or consolidation of cooperatives. In any case, the merger or consolidation shall be effective upon the issuance of the Certificate of Merger or Consolidation by the Authority. The merger and consolidation of the cooperatives shall have the following effects: (1) the constituent cooperatives shall become a single cooperative which, in case of merger shall be the surviving cooperative and in case of consolidation, shall be the consolidated cooperative; (2) the separate existence of the constituent cooperatives shall cease, except that of the surviving or the consolidated cooperative; (3) the surviving or the consolidated cooperative shall possess all rights, privileges, immunities and powers and shall be subject to all the duties and liabilities of a cooperative; (4) The surviving or the consolidated cooperative shall possess all the assets, rights, privileges, immunities and franchises of each of the constituent cooperatives; and (5) the surviving or the consolidated cooperative shall be responsible for all the liabilities and obligations of each of the constituent cooperatives in the same manner as if the surviving cooperative had itself incurred such liability or obligations. Any claim, action, or proceeding pending by or against any such constituent cooperatives may be prosecuted by or against the surviving or consolidated cooperative, as the case may be. Neither the rights of creditors nor any lien upon the property of any such constituent shall be impaired by such merger or consolidation.

As many corporations face a range of issues from poverty to sickness to inability, that affect their operation environments, cooperatives and social enterprises must take that fundamental shift to adopt responsible

business decisions and be able to maintain its pro-worker, pro-people stance for it to be sustainable. The social character of organizations should be geared towards the measures of profitability and competitive advantage of its pro-worker and pro-people stance, and ultimately its sustainability is measured through its socially responsible acts.

Workers cooperatives in general supports community initiatives; thus, clearly concretizing the common good which is anchored on the improvement of the quality of life of its policyholders and the public at large by meeting their needs. They aim to raise the well-being of the people through various social and community initiatives manifested in its activities. There are built-in social indicators that pertain to how these workers organizations performed with regards to its social responsibility and contribution to the community. NTUC INCOME's, Asiapro Workers Coop's and Mondragon Corporacion Cooperativa's social indicators reflect the value of their contribution as key players in providing employment opportunities and basic necessities of the workers they respond to. It is worthy to note that all cooperatives being studied have focused on and given importance to their members' welfare via service provision and loan access.

Another commonality is on their compliance with financial transparency to their members. All three cooperatives followed the universally-accepted cooperative principles in terms of the democratic management of the cooperative, and that of open and voluntary membership. There is also collaborative partnership and networks that these organizations continue to forge. Cooperatives have become venues for social dialogue, and lower income members of society and people's organizations are able to engage in these social enterprises. People are able to provide their human capital and sweat equity. The way the members of the cooperative place value on thrift and savings and member care is worth replicating and propagating.

Innovative workers cooperative projects need to be utilized and pursued to be able to continuously respond to member needs, such as workers insurance and access to capital and benefits, as well as employment opportunities and decent jobs for the members. The multiplier effect they also bring to the families are best cooperative business practices that should

be proliferated and should be documented to continue to inspire people from all walks of life. The values and principles of cooperation, self-help and solidarity could be replicated. The key performance indicator is on the socioeconomic and political gains of people from the lower sector or people at the bottom of the pyramid. Other areas recommended for further studies are the women-managed cooperative enterprises, and also the mushrooming parish-based enterprises as well as cooperative universities and schools. The continuing challenge and task at hand is on how to sustain the operations of these social enterprises. Therefore, there is a strong need to expound, intensify, unify and deepen the workers cooperative business model that could serve as a good alternative business paradigm for the 21<sup>st</sup> century and beyond.

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