



International
Labour
Office

ILOcoop
ilo.org/coop

COOPERATIVES AND THE WORLD OF WORK No 11

Towards a better understanding of the role of cooperatives in the ready made garment supply chain¹

INTRODUCTION

A cooperative is defined as 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.”² This business model has a long-standing history dating back to the first cooperative of weavers: the original Fenwick weavers from 1761, which soon expanded into providing affordable food and credit to members.³

Nowadays, cooperatives exist along the supply chain of garments. From growing fibres, manufacturing and commercialisation, to the consumption and recycling of textiles, cooperatives have been serving various social and economic needs of people directly or indirectly linked to the garment industry. As democratic, membership-based organizations, cooperatives have presented socially and environmentally sustainable alternatives for producers and consumers of garments.

Cooperatives are instrumental in generating income, creating employment, advancing formalization of the informal economy⁴ and promoting decent work⁵ particularly in the lower tiers of the supply chains, where informality and decent work deficits are most prominent. By forming a cooperative, workers can benefit from economies of scale, access inputs, share equipment and space, develop market linkages and increase their bargaining power with public and private sector actors, allowing them to advance toward decent work as cooperative members.

Given the voluntary and open membership of cooperatives, they can play a key role in social and economic inclusion of marginalized and vulnerable populations, such as low income women, unemployed youth, indigenous peoples, ethnic minorities, migrants, displaced persons, persons with disabilities, among others. Cooperatives also have a proven record of being catalysts for women’s empowerment, not only because they provide women with the opportunity to enter the labour market with improved conditions, but also because they facilitate access to and/or provide care services and education for children, reducing time and effort allocated to family responsibilities.

As cooperatives often operate in sectors with high risks for child labour and forced labour (e.g. agriculture, manufacturing, etc.) they can

contribute to their prevention and elimination by raising awareness among their members, supporting education, providing social services and creating better employment opportunities for adults and young workers.⁶

This brief unpacks the engagement of cooperatives in the garment supply chain, describing their implications for decent work and highlighting the action areas that address the challenges to integration of cooperatives in mainstream garment supply chains.

COOPERATIVES IN THE GARMENT SUPPLY CHAIN AND THEIR ROLE IN PROMOTING DECENT WORK

Although the contribution of cooperatives in the garment sector has not been quantified, cooperatives of all sizes operate along the garment supply chain including in agriculture, textile and apparel production, retail and supporting functions.⁷ Most garment production and manufacturing sites are located in developing countries. For the purpose of this brief, we will refer to three types of cooperatives, according to the type of members: producers, workers and users (see box on page two).^{8,9}

a) Agricultural production

Agricultural production in the ready-made garment supply chain consists of activities related to the production of raw materials including input supply, growing and ginning of fibre. It is often carried-out by individual farmers, competing among themselves to sell their products. This may result in low earnings, product losses and weak bargaining power, among others. To respond to these challenges, farmers have established producer cooperatives, allowing their members to benefit from economies of scale in accessing inputs and marketing products, sharing equipment and land/space and establishing collective voice for increased bargaining

1. This note was drafted by Annelien Gansemans, with contributions from Andrea Davila, Simel Esim, Mina Waki, Anton Möller and Susan Bvumbe from the ILO and Hyungsik Eum from ICA.

2. ILO Promotion of Cooperatives Recommendation, 2002 (No. 193), http://www.ilo.org/dyn/normlex/en/?p=NORMLEXPUB:12100:0:NO::P12100_ILO_CODE:R193 [accessed 15 May 2018]

3. Fenwick Weavers’ Society foundation charter, 1761, National Library of Scotland, <https://www.nls.uk/learning-zone/politics-and-society/labour-history/fenwick-weavers> [accessed 15 May 2018]

4. For more information on cooperatives and the informal economy visit: http://www.ilo.org/global/topics/cooperatives/areas-of-work/WCMS_546476/lang--en/index.htm [accessed 27 November 2018].

5. For more information on cooperatives and decent work visit: http://www.ilo.org/global/topics/cooperatives/WCMS_445126/lang--en/index.htm [accessed 27 November 2018]

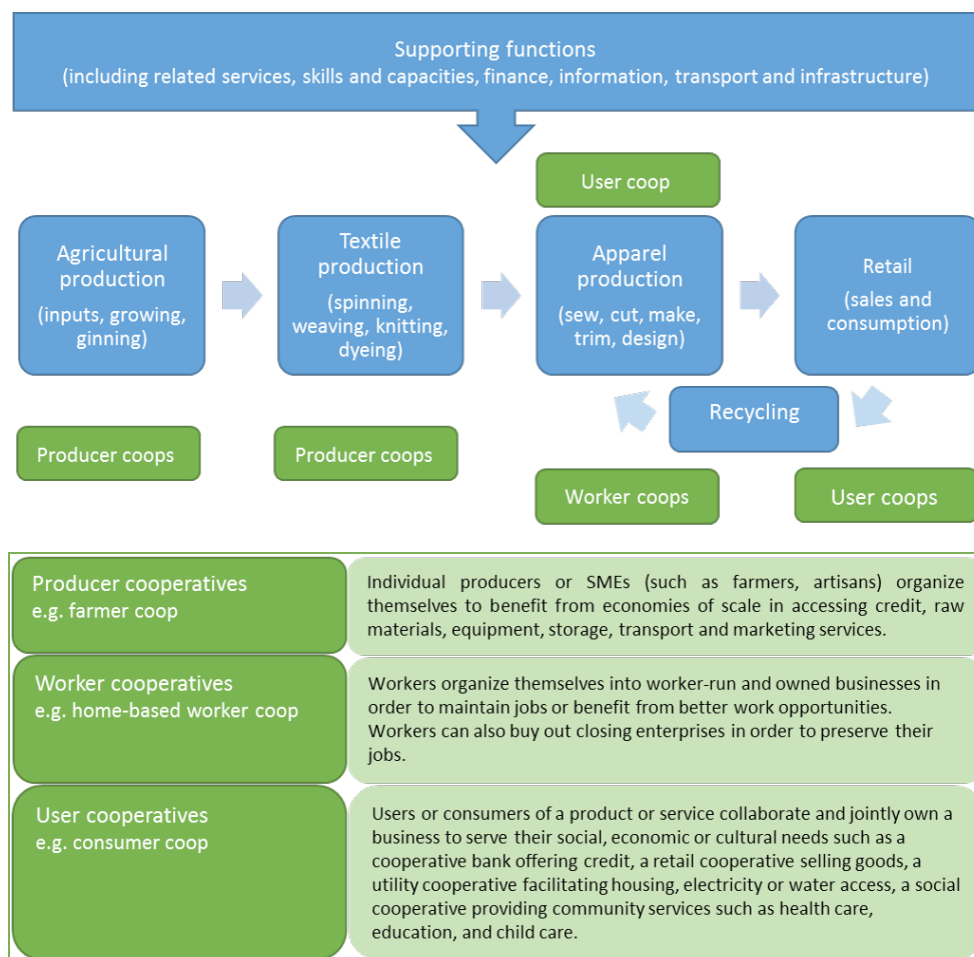
6. ILO Resources on Cooperating out of Child Labour, ILO Cooperatives, 2018, <http://www.ilo.org/>

[global/topics/cooperatives/areas-of-work/WCMS_541618/lang--en/index.htm](http://www.ilo.org/global/topics/cooperatives/areas-of-work/WCMS_541618/lang--en/index.htm) [accessed 15 May 2018].

7. Follow the Thread. The Need for Supply Chain Transparency in the Garment and Footwear Industry, 2017, Clean Clothes Campaign, <https://cleanclothes.org/resources/publications/follow-the-thread-the-need-for-supply-chain-transparency-in-the-garment-and-footwear-industry/view> [accessed 15 May 2018].

8. These can be cooperatives formed by individuals but also small or medium size businesses (e.g. farming business with employees).

9. B. Roelants, H. Eum and E. Terrasi: Cooperatives and employment: a Global Report (CICOPA, 2014), http://www.cicopa.coop/cicopa_old/IMG/pdf/cooperatives_and_employment_a_global_report_en_web_21-10_1pag.pdf [accessed 27 November 2018].



power with public authorities and other private sector actors in the market. Their members grow cotton, wool, hemp, flax and other plants for the production of natural fibres and dyeing of textiles. For example, in El Salvador, a farmers' cooperative, Alma de Anil, cultivates indigo crops for natural dyeing. In Tajikistan, herders belonging to the Adventure Yarns cooperative raise Cashgora goats for luxury mohair.¹⁰ In India, the Chetna Organic cooperative has organized 15,279 cotton farmers into 979 farmer self-help groups which are clustered into 13 district cooperatives promoting agricultural practices that improve livelihoods and ensure sustainable use of natural resources by their members.¹¹

b) Textile production

Textile production involves spinning, weaving, knitting and dyeing of fibre. Producer cooperatives of artisans are involved in weaving and spinning of textiles for local or international markets.¹² The woven fabrics and handicrafts are often destined for niche markets, such as fair trade consumers.¹³ Casa Flor Ixcaco is a women weavers' cooperative in Guatemala making traditional designs on back strap looms using their own cotton from fields outside the village. With the earnings from selling woven garments they sustain their families and invest in education for the children in their communities. Asociación de Mujeres Artesanas de Salinas (TEXSAL) is another example of a textile cooperative established in the seventies by 15 young women in the town of Salinas in Ecuador. Texsal grew into a successful cooperative with 80 members producing

hand-made knitted scarves, hats, gloves, ponchos from sheep and llama wool. Besides selling their textiles in local shops, the cooperative exports its products to Italy.^{14, 15}

c) Apparel production

Apparel production comprises sewing, cutting, embroidery, printing, making, trimming and designing of garments. Three types of worker cooperatives can be found in the apparel production stage: home-based workers in the informal economy, workers in garment workshops, and workers buying out failing workshops or factories. These cooperatives are usually invisible in a fragmented network of intermediaries and subcontracted factories outsourcing to them.

i) Home-based workers in the informal economy

In developing countries women predominantly occupy jobs in apparel production, of which many are in informal and home-based work.¹⁶ Many home-based workers work as subcontractors to other subcontracted workers, intermediaries, garment workshops or factories. They are usually given the raw materials and paid on a piece-rate basis. They cover many costs of production themselves – workplace, rent, electricity, equipment, supplies, utilities, storage and transport fees to name a few. Home-based workers are largely invisible in the fragmented garment supply chain because they work from their own homes. They lack a formal employment status which constrains their ability to defend their rights.

10. Cooperative Companies, *Cloth Roads: A Global Textile Marketplace*, 2016, <https://www.clothroads.com/cooperative-companies/> [accessed 7 May 2018].

11. Chetna Organic Agriculture Producer Company LTD, 2016, <https://www.fairtrade.org.uk/Farmers-and-Workers/Cotton/CHEDNA-ORGANIC-AGRICULTURE-PRODUCER-COMPANY-LTD> [accessed 7 May 2018].

12. Co-operatives and Workers in the Informal Economy: Possibilities and Challenges, *Women in Informal Employment: Globalizing and Organizing (WIEGO)*, 2014, <http://www.wiego.org/publications/co-operatives-and-workers-informal-economy-possibilities-and-challenges> [accessed 127 November 2018].

13. R. MacHenry: «Building on local strategies: Nepalese fair trade textiles», in K. M. Grimes and B. L. Milgram (Eds.): *Artisans and cooperatives: Developing alternative trade for the global economy* (Tucson, AZ: University of Arizona Press, 2000), pp. 25-44.11. ILO (2014) op.cit.

14. Casa Flor Ixcaco San Juan La Laguna, <https://casafloxicaco.weebly.com/> [accessed 7 May 2018].

15. Salinerito, *Empresas Gruppo Salinas*, <http://www.salinerito.com/institucional/empresas-grupo-salinas> [accessed 27 April 2018].

16. M. Alter Chen: *Informal Economy Monitoring Study Sector Report: Home-Based Workers* (Cambridge, MA, USA, WIEGO, 2014).

Home-based workers have been forming cooperatives to benefit from economies of scale in accessing financing and negotiating better piece-rates with intermediaries. The fact that a cooperative is owned and controlled by its member-owners allows worker-members to participate in decision-making and to interact with the authorities to solve the challenges that informal workers face, such as infrastructure and transportation.¹⁷ Although many home-based workers are organized in the form of producer cooperatives, there are also home-based worker cooperatives which have contributed to the formalization of jobs and enabled home-based workers to pool resources and determine their own terms of employment.¹⁸

In India, women garment workers in the informal economy have benefited from the support of the Self-Employed Women's Association (SEWA). As a trade union SEWA advocates for better wages, working conditions, and social protection such as child care and health benefits for women in the informal economy. Besides its function as a trade union, SEWA has established a cooperative federation which supports the creation of worker, producer and user cooperatives. They also facilitate the exchange of goods and services between the members of different cooperatives. For example, handloom weavers supply fabrics to embroidery artisans, who in turn supply the crafted fabrics to women tailors.¹⁹

Women tannery workers in Senegal organized themselves into a worker cooperative, COOPTAG, with the support of the ILO and local trade unions. With the cooperative earnings and the collective saving fund, the women tanners have improved living and working conditions and have been able to send their children to school.²⁰

ii) Workers in apparel workshops or factories

Besides home-based work, manufacturing of garments usually takes place in large factories supplying to retailers and brands. However, worker cooperatives in factories or workshops managed and owned by the workers themselves have been established in different countries. These workshops can foster inclusion of women and other vulnerable groups which are excluded from formal jobs.

In Vietnam, the textile cooperative Minh Dhuontg makes ready-made garments. What started as an investment of 10 workers and five machines has grown, within two years, into a cooperative of 25 members, 35 part time workers and 25 machines with the financial support of the Provincial Cooperative Alliance office (PCA). The earnings from the cooperative have improved the standard of living among the members and their families. Some members combine their job with farming and are allowed to take leave to work on their fields.²¹

In Argentina, a handicraft textile cooperative was established for Haute Couture manufacturing theatre costumes, casual clothing and merchandising for lesbian, gay, bisexual, transgender and intersex (LGBTI) people. The Cooperativa Argentina Estilo Diversa LGBT provides LGBT people with job opportunities and promotes diversity.²²

iii) Workers buying out failing factories

In times of economic crisis, many garment factories have struggled to keep their businesses afloat often resulting in bankruptcies and layoffs. In an attempt to preserve jobs, workers have taken their fate in their own hands and took over bankrupt businesses to convert them into worker

cooperatives that are owned and run by workers themselves.²³ The survival rate of the converted enterprises is relatively high – a trend that can be seen in other types of worker cooperatives as well.²⁴

In Turkey, the bankrupt Kazova garment factory left 94 workers unemployed without any compensation pay. The workers occupied the factory for more than 70 days and finally only three dedicated workers remained to take over the means of production.²⁵ They converted the factory into a worker run cooperative, Ozgur Kazova (Free Kazova), which promotes mutual solidarity and gender equality. The self-managed workers produce “Jumpers without bosses” in the factory. They established an online shop and benefited from international solidarity of other worker cooperatives.²⁶

In Thailand, the cooperative “Dignity Returns” was founded by a group of former workers of a bankrupt garment factory. The forty members of the cooperative protested for three months against the factory shut down and finally decided to start up their own workshop with fifteen remaining workers. The competition with large factories remains a challenge because as a small factory with little capital they cannot buy in bulk and reduce costs. They received training in a variety of skills to run their business successfully with the support of HomeNet, a network of informal home-based workers. They also help Thai and migrant workers exploited by garment factories and hope to be an example to other workers who wish to set up cooperatives.²⁷

In Argentina, 150 garment workers lost their jobs because the factory Larca, a famous brand for jackets, was shut down in 2011 without notification or severance pay. The former factory workers took over the factory with the support of the national movement of recovered factories (Movimiento Nacional de Fábricas Recuperadas). The new bankruptcy law enabled the establishment of the cooperative Larca and resulted in the preservation of jobs for 45 former workers who opted to stay on bearing the risks and responsibilities attached to the ownership conversion.²⁸ Despite the fact that only some of the workers preserved their jobs, the cooperative has made a difference in the remaining workers' lives to have control over the terms and conditions of their work.

d) Retail, consumption and recycling

Retail involves selling of garments for consumption in end markets. However, consumption does not have to be the end of the supply chain, as garments can also be recycled and reused in circular supply chain initiatives.

Consumers are increasingly concerned about the origins, ethical, social and environmental impact of the goods they buy. Consumer cooperatives, as consumer-owned businesses, have been responding to their members' needs and exploring ways of reducing trade costs, shortening value chains, improving traceability and providing fairer prices and inclusive employment opportunities.²⁹

The UK online ethical fashion retail cooperative Ethics Girls has 60 members including staff, suppliers and consumers. Everybody who buys shares in Ethics Girls gets voting rights to participate in business decision making. For example, they have been testing how consumers can decide about the clothing collection and styles. This involvement differs from the traditional approach where brands dictate the fashion trends. The

17. ILO: Cooperation among workers in the informal economy: A focus on home-based workers and waste pickers, A Joint ILO and WIEGO Initiative (Geneva, 2017), https://www.ilo.org/global/topics/cooperatives/publications/WCMS_567507/lang-en/index.htm [accessed 27 November 2018].

18. For more information on home-based worker cooperatives visit: <http://www.wiego.org/informal-economy/occupational-groups/garment-workers> [accessed 11 May 2018].

19. A cooperative in India: the Self Employed Women's Association (SEWA), Centre for Education and Documentation, 2008, <http://base.d-p-h.info/en/fiches/dph/fiche-dph-7539.html> [accessed 11 May 2018].

20. OIT: Transformation de l'économie informelle vers l'économie formelle : L'expérience de la coopérative des tanneuses de Guediawaye, Dakar – Sénégal, https://www.ilo.org/wcmsp5/groups/public/-/dgreports/-/exrel/documents/publication/wcms_634649.pdf [accessed 11 May 2018].

21. Workshop on Enhancing the Role of Women in Cooperative Business, ICA-AP, Hanoi, 2014, <http://www.ica-ap.coop/icanews/ica-ap-workshop-enhancing-role-women-cooperative-business-hanoi-vietnam> [accessed 11 May 2018].

22. Estilo Diversa LGBT: Orgullo de construir colectivamente, COOP Americas, 29 June 2017, <https://www.aciamerica.coop/Estilo-Diversa-LGBT-Orgullo-de-construir-colectivamente> [accessed 11 May 2018].

23. Comrades and Co-workers: The 'built-in' solidarity of joint cooperatives – No Chains, Asia Monitor Resource Centre, 2010, <https://amrc.org.hk/content/comrades-and-co-workers-%E2%80%99-98built-in%E2%80%99-solidarity-joint-cooperatives-%E2%80%93-no-chains> [accessed 11 May 2018].

24. V. Perotin: What do we really know about worker co-operatives? (Co-operatives UK, 2014).

25. Boss-free textile factory challenging norms in Turkey, Mashallah News, 2016, <https://www.mashallahnews.com/boss-free-textile-factory-challenging-norms-in-turkey/> [accessed 11 May 2018].

26. On Artists, Resistance, & Worker Owned Cooperatives: An interview with Ezgi Bakcay, Just Seeds, 2016, <https://justseeds.org/on-artists-resistance-worker-owned-cooperatives-an-interview-with-ezgi-bakcay/> [accessed 11 May 2018].

27. Dignity Returned: How Former Thai Factory Workers Launched a Cooperative Based on Decent Work, WIEGO, 2016, <http://www.wiego.org/blog/dignity-returned-how-former-thai-factory-workers-launched-cooperative-based-decent-work> [accessed 11 May 2018].

28. Cooperativa Lacar, Revista Cabal, 2013, <http://www.revistacabal.coop/actualidad/cooperativa-lacar> [accessed 18 May 2018].

29. Consumer Co-operatives & Short Supply Chains, Eurocoop, 2018, <http://www.eurocoop.coop/uploads/Consumer%20Co-operatives%20and%20short%20supply%20chains.pdf> [accessed 18 May 2018].

consumers also benefit from shared profits and increased involvement in community based business. The cooperative engages in advocacy work for environmentally-friendly materials and production methods, and decent working conditions for garment workers.³⁰

In Switzerland, the major retail cooperative Swiss Coop has developed its own line of fair trade organic clothing called Coop Naturaline. In 2013, they adopted the Guideline on Textiles and Leather, which regulates the minimum social, ecological and toxicological requirements in the cultivation of raw textile materials and in their processing. Naturaline advocates for a reduction in the use of chemicals, recycling of old textiles and promotes the use of fairly traded organic cotton improving transparency in the supply chain.³¹

Consumption is not the endpoint of the fashion lifecycle, since tons of textile and apparel end up as waste. Cooperatives have also engaged in closing the cycle by giving textile waste a new life through recycling and innovative ways of upcycling.³²

In Croatia, the social cooperative Humana Nova manufactures and sells ecological and recycled textile products. It employs sixteen people including persons with disabilities, long-term unemployed elderly women, fresh graduate young textile designers and long-term unemployed young mothers.³³

In Brazil, the EcoModa Project reuses textile waste discarded by factories to create new garments. Graduate fashion students are supported to organize themselves into formally structured cooperatives to develop and manage their own 'recycled' clothing collections. Besides providing income generating opportunities to students and local workers, the project contributes to the reduction of textile waste by reusing and recycling.³⁴

In the US, South Shore Recycling Cooperative collects used clothes and shoes through donation bins in their shops for recycling. People can bring clothes of high quality and in good condition to sell in the shop and benefit from a share of the selling price. The cooperative also advocates for policies to help reduce waste and raise awareness on recycling of textiles in local communities.³⁵

e) Supporting functions

Beside the core production activities in the supply chain, cooperatives also fulfil supporting functions such as providing infrastructure, financial services, skills training and other related services. User cooperatives play a role in providing services to garment workers such as finance, housing, electricity, health and child care.

In developing countries, many garment workers live in cramped basic compounds under poor sanitary conditions. Access to adequate housing is one of the major challenges, in particular for home-based workers who produce garments in their homes. Housing cooperatives can help garment workers afford better accommodation. In 1927, a housing cooperative was built in New York City with funding from the Amalgamated Clothing Workers of America.³⁶ There are a number of construction and housing cooperatives of textile sector workers in Turkey

as textile and apparel is a big sector in the country. The majority of the textile workers' housing cooperatives are concentrated in the larger Istanbul area where the textile workshops also operate. These housing cooperatives have allowed low income workers, like textile workers who could otherwise not afford homes, to become home owners.³⁷

Access to credit is another challenge for garment workers who want to invest in children's education, housing or new equipment. Garment workers can pool resources and set up a savings group in order to provide small loans to members. This type of financial cooperative serves the needs of many workers who are excluded from formal banking services. Other services that are provided by cooperatives to benefit garment workers include the provision of electricity, child care, and health care. In the Indonesian garment factory PT CAS Bogor, where ILO's Better Work project also operates, the workers established a cooperative over 15 years ago. The cooperative offers services such as savings and credits, cleaning, catering and truck rental to its members and to the factory. Moreover, the cooperative opened a mini-market where members could purchase groceries at an affordable price. The members of the cooperative pay IDR 50,000 (3.50 USD) per month per person as a membership fee. The assets of the cooperative stand at approximately IDR 11 billion (USD 760,000).

In India, with the support of the SEWA union and cooperative federation, electricity was provided in the homes of home-based workers and other informal economy workers improving their living standards. SEWA union and cooperative members can send their children to the Sangini childcare cooperative allowing them to work without worrying about the wellbeing of their children. Training sessions are provided for union members who want to become childcare teachers. The childcare cooperative also provides space for information sessions to promote community health. Members can also access small loans from the SEWA cooperative bank (for example to buy an improved sewing machine)³⁸

KEY CHALLENGE: STRENGTHENING THE INTERGRATION OF COOPERATIVES IN GARMENT SUPPLY CHAINS

Cooperatives often remain marginal as economic actors in garment supply chains, despite their presence across the chain. One of the key challenges is to foster recognition and integration of cooperatives into the garment supply chains as actors that improve the wellbeing and livelihoods of producers and workers in the lower tiers of the supply chains. Integration can follow a twofold strategy: establishing commercial linkages with other businesses in traditional supply chains such as large brands or SMEs and strengthening cooperation between cooperatives through trade and solidarity in supply chains that specific to cooperatives.

a) Establishing commercial linkages with other businesses

The majority of cooperatives in the garment supply chain deliver to subcontractors or intermediaries with limited returns and little security in orders and limited returns. There is a need for cooperation with other businesses to overcome the challenges that worker cooperatives face in reaching scale such as timely delivery of required volumes at

30. Ethics girls – sustainable fashion, Stories.Coop, <http://stories.coop/stories/ethics-girls-sustainable-fashion/> [accessed 12 May 2018].

31. Textiles, Coop Sustainability, <http://www.coop.ch/content/act/en/principles-and-topics/main-topics/textiles.html> [accessed 12 May 2018].

32. Social enterprises sorting out the textile waste problem, RREUSE, 2017, <http://www.rreuse.org/social-enterprises-sorting-out-the-textile-waste-problem/> [accessed 12 May 2018].

33. Social Cooperative Humana Nova, <http://www.humananova.org/en/home/> [accessed 12 May 2018].

34. J. Baruque-Ramos et al. "Social and economic importance of textile reuse and recycling in Brazil", in IOP Conf. Series: Materials Science and Engineering (2017, vol. 254), p.9.

35. Clothing and Textiles, South Shore Recycling Cooperative, <http://ssrcoop.info/index.php/clothing-textiles> [accessed 12 May 2018].

36. ILGWU Cooperative Housing, Penn South: 50 Years of Affordable Housing, Cornell University ILR School, 2015, <http://ilgwu.ilr.cornell.edu/announcements/16.html> [accessed 12 May 2018].

37. Visit the cooperative's website at: <http://www.turkkent.org.tr/> [accessed 15 May]

38. ILO: Advancing cooperation among women workers in the informal economy: The SEWA way (Geneva, 2018), https://www.ilo.org/global/topics/cooperatives/publications/WCMS_633752/lang-en/index.htm [accessed 27 November 2018].



competitive prices and limitations around logistic infrastructure. Only few buyers specifically reach out to cooperatives in their purchasing practices. However, small ethical brands or fair trade shops can provide opportunities for cooperatives to establish links to retailers. Buyers who seek to promote transparency can cut out the intermediaries and directly source from worker cooperatives. They can create shared value for cooperatives so that they can invest in infrastructure, productivity and quality.

There are several examples of ethical designers building transparent chains as they are concerned about the conditions under which garments are produced. The sneaker producer Ethletic supported a group of 13 farmers in Pakistan to form a fair trade certified cooperative and to convert their fields for organic cotton production.³⁹

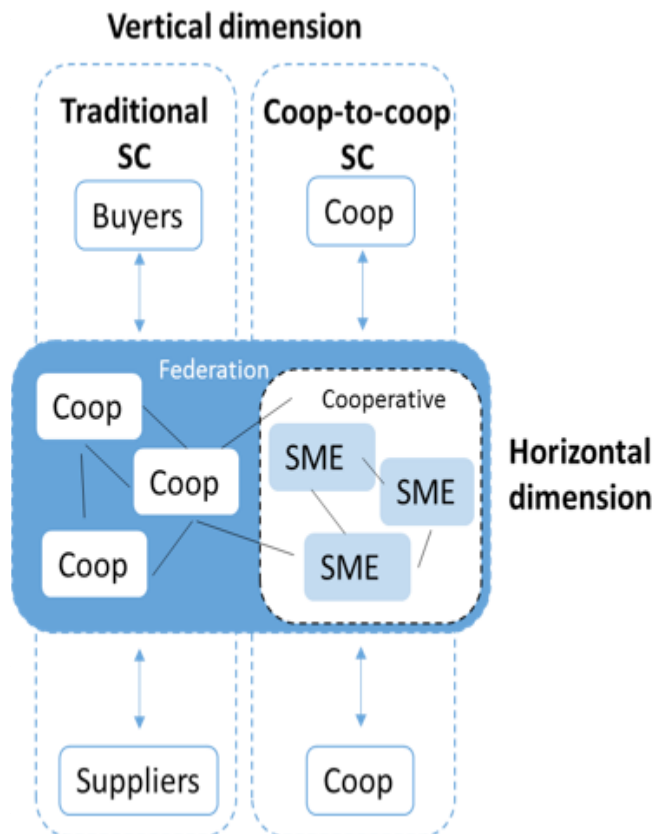
Tengri is a British brand that sources Mongolian yak fibre directly from two local cooperatives representing more than 4,500 herder households. The fibre is used to manufacture clothing by a selected group of designers, knitters, tailors and manufacturers. The trading relationship has incentivized the Mongolian government to distribute new land and herding rights to the cooperative members. The herders not only benefit from a fair price, but Tengri has also provided them with solar energy installations, education materials and training to meet their household needs and to ensure self-sufficiency.⁴⁰

Save the Children has set up a project in the Philippines working with an Alliance of home-based Retazo workers in Metro Manila, to provide group-lending of microfinance and entrepreneurial opportunities for its women members. They have conducted a market analysis and organized the bulk purchase of the raw materials needed (clothing remnants from the garment industry), resulting in a 15 per cent cost reduction for their members. They have explored new, more regular and secure markets among large companies providing economic benefits to their members. With a membership of 25,000 workers in Manila and 50,000 nationwide, they are aiming to transform into a strong national institution that represents low-income women micro-entrepreneurs.⁴¹

b) Strengthening cooperation between cooperatives

Cooperatives can be vertically linked to each other in the supply chain. Various examples exist of producer and consumer cooperatives that collaborate in order to reduce trade costs, shorten value chains, and provide fairer prices and inclusive employment opportunities to their members. The potential for enhancing trade between cooperatives can be easier to unlock in the garment supply chains compared to food supply chains where non-tariff barriers such as strict food safety and health standards often impede farmers' cooperatives from accessing foreign markets and exporting their agricultural products, raw or value added.⁴² International solidarity among cooperatives can strengthen them, raise awareness on garments produced by cooperatives and help them overcome structural constraints in the sector. Ideally, this cooperation can extend across the nodes of the supply chain so that garments can move from one cooperative to another creating a shorter and fairer cooperative supply chain.

For example, a network of farmers, designers, apparel makers, and consumers is in the process of developing a local "fibershed" where clothing is grown, made and sold by local people in a specific region and rural communities to raise awareness about the impact of current



of the United States. They organize events bringing together urban textile supply chains and the alternatives such as place-based breeding practices and designer and farmer clothing collaborations. They are developing a consumer cooperative that could pledge financial backing for local clothing on a seasonal basis, like a Community Supported Agriculture (CSA) model.⁴³

In addition to this vertical dimension of cooperation between cooperatives along the supply chain, cooperation and solidarity can also be strengthened among cooperatives to reach scale at the horizontal level. This can be done in three ways.

First, individuals and/or SMEs can group together into a cooperative to be more competitive and achieve greater economies of scale, allowing members to access resources at lower cost and markets they cannot reach on individual basis.

Second, primary cooperatives can be integrated into a network or cluster of textile cooperatives to gain advantages related to scale without losing their individual ownership. They can lower transaction costs, diversify products and explore new markets, gain more bargaining power to negotiate better market conditions with buyers, enhance solidarity, share market information and exchange knowledge.

Third, primary cooperatives can affiliate to formal secondary level federations representing cooperative members' interests at national and sectoral levels.⁴⁴ These federations play an important role in providing

39. First fairtrade cooperative of Pakistan, Ethletic, 2018, <https://ethletic.com/en/2016/10/first-fairtrade-cooperative-of-pakistan/> [accessed 15 May 2018].

40. The business plan written on a chocolate wrapper, Tengri, 2018

41. J. Birchall: Organising Workers in the Informal Sector: a strategy for trade union-cooperative action (Geneva, ILO, 2001), p.26-27

42. Market Access Barriers: A Growing Issue for Developing Country Exporters?, International Trade Forum, 2003, <http://www.tradeforum.org/Market-Access-Barriers-A-Growing-Issue-for-Developing-Country-Exporters/> [accessed 22 May 2018].

43. Cooperatives – the Next Clothing Industry, Ribershed, 2015, <http://www.fibershed.com/2015/01/23/cooperatives-the-next-clothing-industry/> [accessed 8 May 2018].

44. Cooperatives can be created by individual workers, but can also be formed by groups of entrepreneurs, professionals or independently owned small businesses. Small and medium sized enterprises (SME) usually employ less than 250 employees, but this limit on the number of employees depends on the country. Enterprises with less than ten employees are micro enterprises, while small enterprises have ten to 100 employees and medium size enterprises between 100-250 employees.



legal and financial advice, building capacities, developing skills and advocating for policy improvements with respect to cooperative development.

The Fair Cotton Cooperative Alliance in India brings together cooperatives in cotton farming, textile production and garment manufacturing producing Fair Trade and organic cotton products.⁴⁵ In Argentina, a network of textile worker cooperatives has been created to produce yarns and fabrics as well as cooperative workshops that specialize in cutting, printing, embroidery, creating a range of garments. The Red Textil Cooperativa (RTC) aims to strengthen and consolidate cooperative businesses at sectoral level by promoting both horizontal and vertical integration of cooperatives.⁴⁶

ACTION AREAS

In order to make supply chains more inclusive for cooperatives, action is required in the following four areas:

a) Advocating for policies and regulations conducive to cooperative development

Absent or inadequate rules and poor enforcement can constrain cooperative businesses from effectively operating and serving the needs of their members. In order to strengthen cooperative development, an enabling regulatory environment is needed with rules and regulations that allow for efficient registration of cooperatives, unrestricted trade of products produced by cooperatives, and easier transfer of enterprises to worker ownership.⁴⁷

Social and Solidarity Economy Law in France grants employees the right to be informed in case their enterprises are about to close or be taken over. The law also provides for training of professionals in charge of bankruptcies, on transition to worker ownership through cooperatives. The legal framework in Argentina and Brazil provides preferential rights for employees making a takeover bid. The Italian Marcora law facilitates worker buyouts and has enabled the establishment of a fund to support worker buyouts.⁴⁸ The ILO has developed guidelines for cooperative legislation and supported over 110 governments in adjusting and implementing their regulatory frameworks for cooperatives based on the ILO Recommendation concerning the Promotion of Cooperatives (No. 193).^{49, 50}

Cooperatives and their federations also engage in advocacy work to enhance cooperative policies. For example, the Chetna Organic cooperative seeks to influence public policies for the promotion of organic production and livelihood improvement of marginalized cotton farmers in India.⁵¹

b) Raising awareness on the cooperative model and its contribution to decent work

Sharing information about the cooperative model and its values and principles can help improve understanding on cooperatives, gain

recognition in markets, draw interest from consumers and receive support from buyers in the supply chains. Cooperatives need to show that they can be reliable, competitive, and high-quality trade partners in order to grow. This project highlights the capacity of cooperatives to create fair working conditions and even cooperate internationally.⁵²

A growing number of cooperatives are applying environmentally friendly and better work practices in their operations. These good practices can resonate with consumers who are becoming more ethically aware of their choices in terms of sourcing, processing and conditions of product and service production. While there are emerging environmental and social certifications, these present some challenges such as the absence of social dialogue in setting-up the certification systems and the verification processes. This situation makes it difficult to endorse a particular certification process to be followed. Nevertheless, cooperatives should be guided by international standards in their operations such as the ILO standards aiming at ensuring decent work. With this purpose in mind, the ILO has developed a training resource pack for agricultural cooperatives on the elimination of hazardous child labour and it is currently developing a decent work guidance tool to support cooperatives in addressing decent work deficits.

c) Strengthening capacities

Many farmer cooperatives struggle to improve productivity and quality of products. Therefore, cooperatives and their federations need to invest in capacity building for the development of technical management skills required for improving cooperative businesses. The ILO has developed an agricultural cooperatives capacity building tool (My.COOP) to improve their management practices. My.COOP has been translated into more than 15 languages and adapted and rolled out in 30 countries.⁵³

Orientation is needed for rural and informal economy workers who are not familiar with the cooperative model, such as home-based workers who live and work in scattered areas, often have low levels of education and are difficult to reach. The ILO has developed a range of low-cost, easy to use training modules (Think.COOP, Start.COOP and Manage.COOP) for those who are interested to start or join a cooperative and grow their business.⁵⁴

Converting a failing business into an economically viable cooperative has its challenges. The risks attached to recovering the business are high for workers who are not used to managing a business. Workers often need managerial and technical capacity building to run their cooperatives successfully. In different countries conversion into worker ownership was facilitated by trade unions and cooperative federations ensuring that the legal, financial and management advisory services are provided to workers.⁵⁵ In Canada, a trade Union provided consulting business services to help workers in failing enterprises to restructure the enterprise in a worker cooperative.⁵⁶ The ILO has also gathered an overview of international experiences and strategies around job preservation through worker cooperatives in various sectors.⁵⁷

45. Fair Cotton Cooperative Alliance, Kerala Crafts, 2018, <http://www.keralacrafts.co.uk/fcca.html> [accessed 12 May 2018].

46. La Red Textil Cooperativa (RTC), Confederación Nacional de Cooperativas de Trabajo (CNCT), 2018, <http://www.cnct.org.ar/secciones/textil> [accessed 12 May 2018].

47. CECOP-CICOPA Europe: Business Transfers to Employees under the Form of a Cooperative in Europe Opportunities and Challenges (Brussels, 2013).

48. A. Voinea: "The path to worker buyouts: Does the UK need its own 'Marcora Law'?", in Coop News, 7 Sept. 2015.

49. ILO: Guidelines for Cooperative Legislation, third revised edition (Geneva, 2012), https://www.ilo.org/empent/Publications/WCMS_195533/lang-en/index.htm [accessed 12 May 2018].

50. ILO: Promoting cooperatives: an information guide to ILO Recommendation No.193 (Geneva, 2014), https://www.ilo.org/empent/Publications/WCMS_311447/lang-en/index.htm [accessed 12 May 2018].

51. Chetna Coalition, Loomstate, 2018, <https://www.loomstate.org/chetco> [accessed 21 May 2018].

52. How No-Chains Started, No Chains, <http://geo.coop/story/no-chains> [accessed 17 May 2018].

53. My.COOP Guidance note for national adaptation and implementation, ILO Cooperatives, 2015, http://www.ilo.org/global/topics/cooperatives/areas-of-work/WCMS_388430/lang-en/index.htm [accessed 2 May 2018].

54. Key ILO resources for capacity building and training of cooperatives and other SSE enterprises, ILO Cooperatives, 2018, https://www.ilo.org/global/topics/cooperatives/areas-of-work/WCMS_628372/lang-en/index.htm [accessed 2 May 2018].

55. CECOP-CICOPA Europe: Business Transfers to Employees under the Form of a Cooperative in Europe Opportunities and Challenges (Brussels, 2013), http://www.cecop.coop/IMG/pdf/business_transfers_to_employees_under_the_form_of_a_cooperative_in_europe_cecop-4.pdf [accessed 2 May 2018].

56. MCE Conseils has contributed directly and in a sustained manner to the creation of more than 30 cooperatives and 1,300 jobs. <https://www.economiesocialemontréal.net/repertoire/entreprises/mce-conseils/>

57. ILO: Job preservation through cooperatives. An overview of international practices and experiences (Geneva, 2014), https://www.ilo.org/actrav/info/pubs/WCMS_312039/lang-en/index.htm [accessed 27 November 2018].



d) Facilitating access to credit for cooperative growth

Cooperatives usually face difficulties when securing loans from banks which set collateral and other requirements that are beyond their members' means. To establish a cooperative, potential members need start-up capital to cover the initial costs and get the business off the ground. Investment in equipment, inputs and new technologies can put an additional burden on cooperatives if formal access to credit from banks is denied. Traditional financial instruments may always be suitable to the cooperative needs. Access to credit is crucial for farmer cooperatives that need to pay inputs in advance of harvest returns or for workers who need to buy out a factory. Measures are needed to offer loans and adequate financial instruments for cooperatives. Making the administrative procedures for accessing finance, would also help.

CONCLUSION

Producers, workers and consumers in the garment industry have utilized the cooperative business model to improve their livelihoods and create more sustainable alternatives for garment production and consumption. Despite a growing number of economically viable cooperative business experiences, the potential for scaling up and integrating cooperatives in mainstream supply chains remains largely untapped.

Cooperatives and their secondary and tertiary level organizations can strengthen collaboration with players at different nodes in the supply chain, including intermediaries, SMEs, large factories, brands, and other businesses to improve cooperative integration into mainstream

supply chains. In addition, cooperatives can promote cooperation among cooperatives, one of the key cooperative principles, and develop joint strategies to overcome challenges within the garment industry. Some pilot initiatives exist in this regard in food products (e.g. pineapple, coffee, etc.).

To get more workers, consumers and retailers on board, awareness raising is needed to close the gap in knowledge on the cooperative model and to utilise opportunities for sustainable cooperative solutions.

Contact information

Cooperatives Unit
Enterprises Department
International Labour Office (ILO)
4, route des Morillons
1211 Geneva 22, Switzerland
tel : +41 22 799 7095
coop@ilo.org

