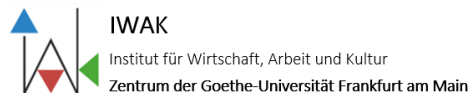


GUIDELINES FOR DEVELOPING WORKER COOPERATIVES

ALPHS
Advancing Personal and Household Services



Partners



This document reflects the views only of the authors, and the European Commission cannot be held responsible for any use which may be made of the information contained therein.



This project is funded by the European Union. (Ad-PHS - VS/2018/0344)



**WHAT IS
THE WORKER
COOPERATIVE
BUSINESS MODEL?**

Many different kinds of cooperatives exist. However, they all share common principles and characteristics. The International Cooperative Alliance (ICA) describes a cooperative 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”.¹

The ICA has also adopted seven Cooperative Principles through which cooperatives put their values into practice.

They are:

1. Voluntary and Open Membership

Cooperatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

2. Democratic Member Control

Cooperatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In cooperatives, members have equal voting rights (one member, one vote).

3. Member Economic Participation

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

4. Autonomy and Independence

Cooperatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so to ensure democratic control by their members and maintain their cooperative autonomy.

5. Education, Training, and Information

Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public – particularly young people and opinion leaders – about the nature and benefits of co-operation.

6. Cooperation among Cooperatives

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

¹ <https://www.ica.coop/en/cooperatives/cooperative-identity>

7. Concern for Community

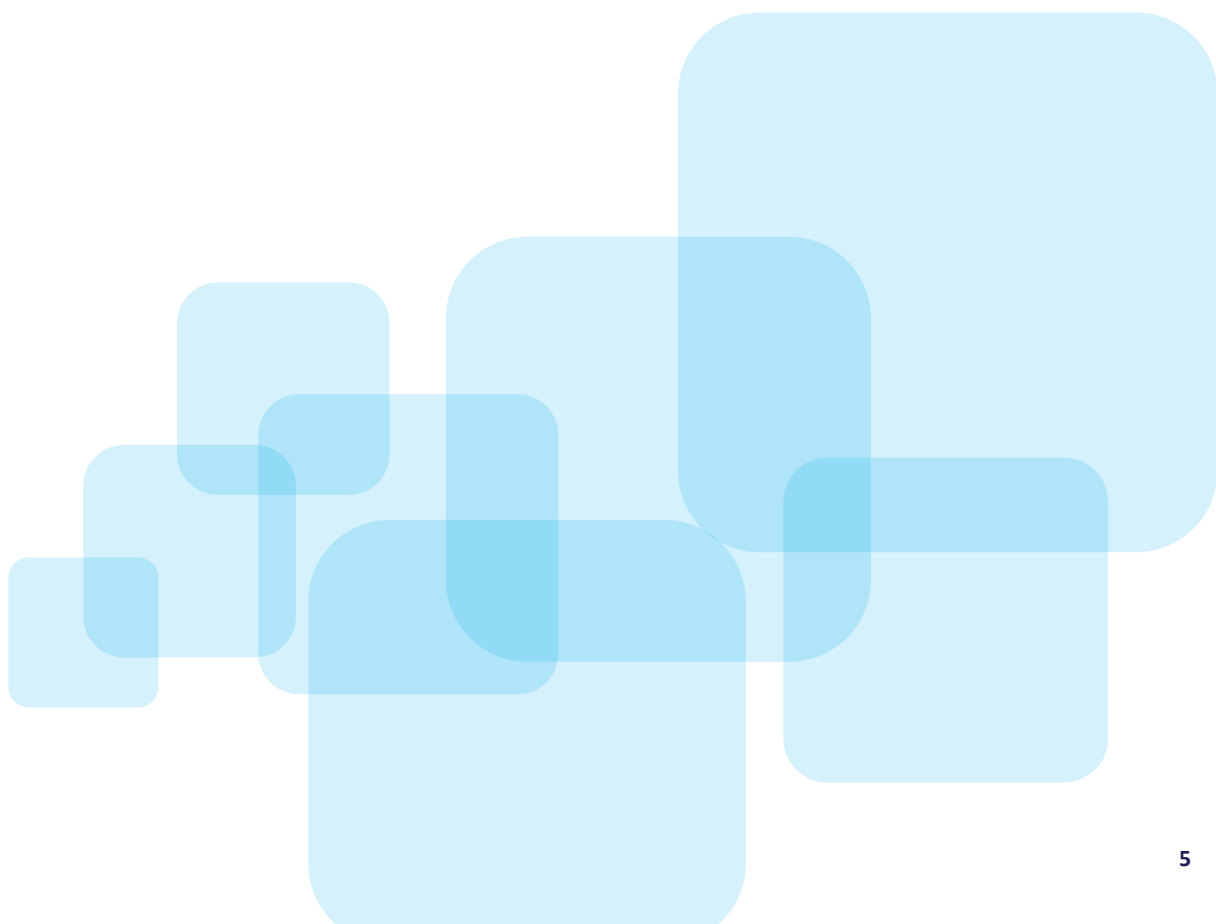
Cooperatives work for the sustainable development of their communities through policies approved by their members.

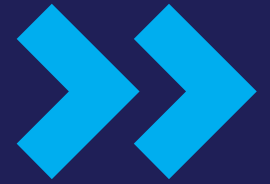
The basis of a cooperative is one group of people, gathered around a common project or idea. This group collectively owns and takes part in the management and decision-making processes, but also shares the risks and responsibilities. Following the 'one member = one vote' principle, each member has an equal stake and opportunity to contribute to the cooperative's management.

Gathering people around a common project may also make cooperatives more inclusive than other businesses, for instance by allowing people who have limited access to resources to be admitted as members and be fully involved in the organisation and to share their experience, knowledge, and creativity. As businesses, cooperatives make profits: those are, at least partly, reinvested in the organisation itself. Once again, the way investments are made, and the goals to be pursued, are decided collectively by the members.

Finally, the primary objective of the cooperative should not be to generate profit for its members but to meet its members' needs – and, very often, the needs of the community as a whole.

Depending on the founding group, these needs can be diverse; for instance, to broaden employment opportunities for workers, or to provide new or cheaper services for users, or to allow users and families to be actively involved in the management of their services. Since cooperatives are owned by their members who are themselves part of a community (as users, relatives, workers, etc.) and address the needs of this community, cooperatives contribute to the general interest of the community.





WHY COOPERATIVES IN THE PHS SECTOR?

A considerable share of the demand for services in the PHS sector is generated at the local level, as a result both of programmes implemented by public agencies and of processes of aggregation of demand at the private level. These demands can be met by groups of workers who carry out their activities formally or informally and who decide to take a professional leap through the creation of a worker cooperative or a social cooperative, often based on multi-stakeholding.

Worker cooperatives and social cooperatives in PHS offer an important added value in several ways:

Ownership of cooperative and motivation

Membership is open to service users (and their families), providers (both formal and informal) and/or other stakeholders. Interactive mechanisms are implemented to ensure that the cooperative's processes and services comply with the users' and providers' needs.

Service users feel empowered and members are better off thanks to the cooperative.

Governance and participation

Decision-making processes involve service users and providers and/or other stakeholders. Internal rules and innovative mechanisms ensure inclusive decision-making processes based on a flat hierarchy.

Indeed, a participatory system can lower staff turnover and enable professional experience to be preserved within the cooperative through the following three mechanisms:

- The easier resolution of conflicts thanks to a democratic framework and a better information flow. A more pleasant, safer and more productive working environment encourages staff retention;
- Low liquidity of capital shares held by workers in the framework of workers' participation in ownership, since capital shares are reimbursed only at their nominal value;
- The incentive, both psychological and material, for workers to dedicate themselves more to the firm. Psychologically, a participatory scheme generates a stronger identification with the company among workers. Materially, the promise of higher income via profit-sharing, greater job stability, better work-life balance and/or the prospect of remuneration linked to years of service are elements that encourage workers to devote themselves to the company's success.

Local development

Workers and social cooperatives create sustainable economic activities that contribute directly to local development. Since they are managed by local stakeholders, cooperatives tend to have an in-depth knowledge of the community and its needs. Multi-stakeholder cooperatives create synergies between different actors – public authorities, service users and service providers – and in this way guarantee that various interests and resources within a local community are represented and that an adequate answer is provided to society's needs. In some isolated areas, cooperatives are the only service provider where public authorities have stopped delivering a public service.

Economic sustainability

Personal services are a challenge for many European communities. In the care sector, public services rarely provide the broad range of services required to cover multiple and diversified needs. A cooperative model may help a community to meet some of its needs and concerns in a long-term and viable way, for example by reducing care expenses (through the collective purchasing of goods and services), or by allowing families to create and manage the services they need themselves (home nursing, collective child care, etc.).

Quality of service provided

A crucial aspect to be considered is the processes lying behind service delivery. Cooperatives generally include the various stakeholders involved in the design of the service and the governance of the enterprise. Their involvement in the cooperative's activities consequently increases their control over the quality of the activities and the service provided.

When it comes to the provision of social services, the participatory element is not sufficient to ensure the quality of the service; other criteria should be promoted and ensured: accessibility (in terms of geographical coverage), continuity (over time), and affordability. The criterion of continuity is seldom highlighted, although it is a fundamental characteristic of a service of general interest. The cooperative structure, being member-based and long-term oriented, provides a particularly effective guarantee of continuity of services of general interest.

Quality of work

Cooperatives strive to provide sustainable and high-quality employment to their workers. Cooperatives also represent an opportunity for workers to be formally employed, which gives them a formal voice within the industry. Creating opportunities for workers to join and engage with cooperatives might be one strategy for tackling undeclared work. Workers in personal and household services often suffer from poor working conditions. In addition to offering stable and regular employment, cooperatives provide training opportunities, and in the case of the cooperative worker-members, new skills related to enterprise management.

A cooperative organisation may also offer opportunities for PHS workers to improve their working conditions. A large part of home and care services is provided by independent professionals (e.g. nurses, cleaners and carers), who have to comply with constraining working schedules (night shifts, difficulty in taking leave etc.) and poor social benefits (weak or expensive retirement plans, no unemployment benefit etc.). Cooperatives aim to grant PHS professionals improved working conditions, better coordination of services and expanded work opportunities.

A report published by Eurofound in 2019 entitled *Cooperatives and social enterprises: Work and employment in selected countries*² affirms that “cooperatives demonstrated not only resilience but also the ability to flourish since the economic crisis” and “there has been a clear overall preference for creating and retaining full-time, permanent jobs, the ‘standard employment’ model which is often used as an indicator of good-quality jobs”. It also reports that “workers in the case study organisations rated job quality highly, both in absolute terms and in comparison to similar organisations. They also gave high ratings to the social environment, voice and representation in the workplace, work-life balance and task discretion. (...) Skills development and job security were strong and there was significant intent to provide workers with career opportunities within organisations. (...) Many of the dimensions of job quality were integral to organisational objectives and, thus, were prioritised in workplace practices”.

² <https://www.eurofound.europa.eu/publications/report/2019/cooperatives-and-social-enterprises-work-and-employment-in-selected-countries>



**EXAMPLES FROM FIVE
DIFFERENT COUNTRIES**

REDES (Networks) – a cooperative that cares for its workers as well as for its clients

REDES is a non-profit social cooperative that provides care services in one of the most disadvantaged neighbourhoods of Madrid, Pan Bendito.

It was founded by a group of women who were taking part in a project to care for elderly people and wanted to convert their activity from a voluntary to a professional basis. They formed a cooperative to provide education, social work, and auxiliary geriatric services to two neighbourhood associations.

It has now grown to employ 49 people. The business has grown steadily, and the cooperative now turns over €1 million a year. The range of different professions involved includes psychologists, social workers, social educators, speech therapists, geriatrics assistants, physiotherapists, career counsellors and lawyers. REDES offers care services to 1,000 people. The quality of its work is high because its highly participatory way of working raises morale and ensures a stable team. Workers are fulfilled by their work and can communicate opinions and make suggestions for improvement.

Spazio Aperto Servizi (Open Space Services) – a variety of services for people in need

Spazio Aperto Servizi in Milan is a type A social co-operative, which provides social services under Italian legislation. It organises recreational and educational activities in 100 schools, promotes fostering, and counsels victims of trauma and child abuse. It provides home support to distressed adults and mediates in conflicts between parents and children. For people with disabilities, it provides residential care and day-care, summer camps, holidays and respite care.

Eighty percent of employees are women, and most work part-time. The working environment favours interpersonal relationships and sharing. The co-operative has invested a lot in training, in both operations and management.

Members' participation in the definition of the business plan helps to increase their motivation and commitment to pursuing the objectives set out in the plan, reduces absenteeism, staff turnover and burn-out, and increases the quality and customisation of the services the co-operative provides.

Beneficiaries are involved in the management of the service through a continuous dialogue, which aims to:

- Offer a personalised service which meets the real needs of the beneficiaries;
- Improve the service;
- Discover new business needs;
- Develop new activities that are co-designed with the beneficiaries in response to their needs, and carried out with their active participation.



Gastoudercoöperatie Nederland (Childminders' Cooperative) – empowering childminders in the Netherlands

The Coöperatieve Vereniging Gastouders Nederlands was founded in 2018 and its main objective is to offer professional services for children aged 0 to 13 years old.

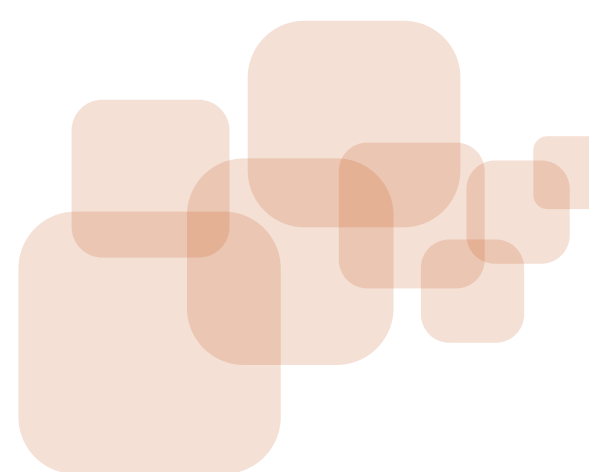
In the Netherlands, childcare is normally arranged through childminding agencies. Many childminders are now independent self-employed entrepreneurs. Nevertheless, they have to continue to work through a childminding agency without having control of the professionalisation and recognition of their work.

The cooperative was first created by a group of childminders who wanted to structure themselves to better specialise and offer professional services, and above all to become independent from the companies in the sector. They manage themselves independently without having to seek the approval of the National Childcare Office which acts on behalf of the government as an intermediary between parents and childcarers. They jointly decide on policy, training, working conditions and tariffs. Cooperatives are also a powerful tool to enable these workers to exercise control over their working conditions.

Unlike with a childminding agency, the whole of the parents' payment goes to the childminder. Each childminder then pays a membership fee. Profits are invested in training or distributed back to the childminders. In this way, everyone contributes to the growth of professionalism and the quality of childcare.

Maison des Services à la personne (MDSAP)(Personal Services Centre) – PHS provider across France

Launched in 2012, MDSAP is a cooperative which brings together approximately 700 PHS provider organisations. Operating across France since its launch, MDSAP started with the provision of gardening, cleaning, administrative and IT services, which represent 90% of its activity. It has recently extended its offer to the provision of home care to the elderly. Its functioning is based on the pooling of resources (financial, human, know-how, etc.) and is structured around six core values: independence, involvement, resource pooling, democracy, shareholding and solidarity. MDSAP members benefit from the licence which allows them to provide PHS in full compliance with local and regional regulations, and can access support to ensure high service quality. Members take decisions and democratically elect their leaders at the general assembly according to the principle of 'one member, one vote'.



Ireland's Great Care Co-op

The Migrant Rights Centre Ireland (MRCI) supports domestic workers, victims of forced labour, students, and documented workers and families, and currently handles about 2,000 cases per year. It stands up for the rights of undocumented migrants, and continues to focus on collective action to build stronger communities and better workplaces.

MRCI is currently setting up Ireland's first care cooperative run by migrants. The Great Care Co-op started up activities in February 2020 in the Dalkey/Dun Laoghaire area of south-east Dublin. The project received support from the Irish government and the European Social Fund 2014-2020 as part of the Programme for Employability, Inclusion and Learning (PEIL) 2014-2020. It offers household and care services to older people and takes a comprehensive approach, involving informal carers as well as formal care supports (GPs, public health nurses, chiropodists, dentists and occupational therapists) in the design of the care plan. With its worker-owned business model, the cooperative is built on investing in staff with the aim of reducing staff turnover. The organisation and services are run and operated by front-line care staff working in their local areas.



**POLICY
RECOMMENDATIONS**

A suitable legal framework and fiscal advantages

To promote the development of cooperatives, states should have an appropriate legal and regulatory framework that helps to open up opportunities for fiscal relief, provision of support and access to public procurement and other markets.

In many countries, social cooperatives are automatically considered non-profit organisations and can therefore benefit from tax relief. Almost everywhere, tax regulations for cooperatives provide tax relief on assets if these are allocated to an indivisible reserve fund.

Apply social clauses in public procurement

Public procurement represents a crucial market for the provision of PHS since many of these services are provided by local authorities through tenders. Especially in the field of social services, cooperatives are known to provide high quality and affordable services taking into consideration the needs of users and families. When local authorities decide to outsource these services through public tenders, to facilitate the participation of cooperatives and social enterprises, they can use social clauses. The new EU Public Procurement Directive (Directive 2014/24/EU) provides contracting authorities with several ways to promote socially responsible public procurement. Many of these provisions (reserved contracts, a light regime for social services, a criterion of quality-price ratio) can improve cooperatives' access to public tenders for PHS services. In particular public buyers should make use of the "light regime" (art 74-77 of the Directive) that recognises that social, health and other services provided directly to the person have objectives, types of users and characteristics different to other services and contribute to social cohesion and social inclusion especially of vulnerable groups.

Implement co-planning in social policies

Co-planning in social policies and especially in the design of PHS by public authorities implies the active involvement of all the stakeholders. Among them, the voice of cooperatives and social enterprises in charge of providing the services should be heard and taken into consideration.

Cooperatives are close to the community and are the best placed to understand users' needs. Local authorities should be encouraged to use specific tools which favour the reorganisation, empowerment, and networking of services and interventions so that they are programmed and implemented as an integrated system with the involvement of all the stakeholders in both the short and long term.

Promote support (financial and non-financial)

Worker and social cooperatives in the PHS sector face several difficulties concerning:

- access to bank credit (lack of guarantees, low capital etc.)
- lack of relevant business and financial skills
- financial market logic is not designed to support their development (social value vs. financial return)
- reduction of public funding and growing constraints on public finance
- use of the cheapest offer criterion in public procurement

Looking for innovative solutions in this area is particularly important.

In terms of finance, cooperatives should have access to a complete funding chain.

Financial instruments to support social enterprises and cooperatives in PHS should combine different types of financing so that they are appropriate for all stages of the business life cycle. They should combine grants (for start-ups) with loans for established businesses, and they might include equity and guarantee instruments. The operational management of funds should be organised and located as close as possible to the ground. Moreover, public authorities that are not confident to manage loans should seek out social finance institutions as partners, since they know the sector, and can better evaluate the social value and the specific needs of social economy enterprises (e.g. support and technical advice).

In addition to financial support, non-financial support can be provided by organisations such as cooperative federations, business support centres and consortia. These organisations provide training, business, legal and fiscal advice, coaching, marketing support and many other services that are fundamental both for the creation of cooperatives and for their development. Therefore they should be promoted and supported by public authorities, both at the national and local levels.



**HOW TO
CREATE A
COOPERATIVE
IN THE
PHS SECTOR**

1 IDENTIFYING NEEDS: WHAT ARE YOUR AIMS?

What does your social environment need?

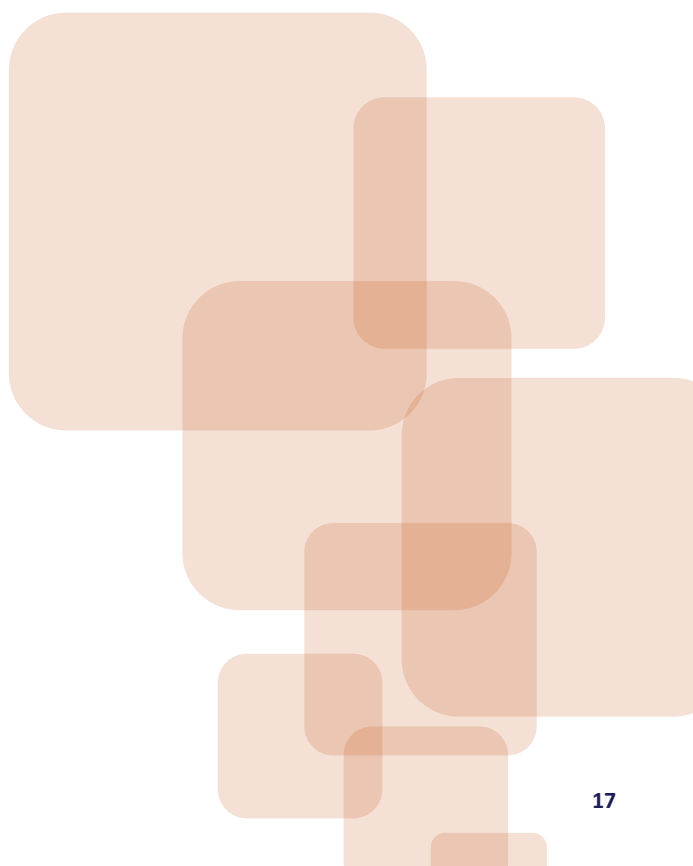
Cooperatives are embedded in their social and economic environment: their creation often stems from a need or an opportunity. The first step is to determine if the service that your cooperative will provide will meet people's needs and if they will use it. Before starting a business, and whatever size or type of cooperative you are planning, doing some sort of research is highly recommended. Several approaches and tools exist to carry out a needs assessment. Keep in mind that many PHS services are most likely already provided by the community: they may be formally or informally organised, supported by public services or self-organised. Mapping PHS services requires you to undertake a review of the stakeholders who are already operating in the area: meeting them and presenting your idea will allow you to test the relevance of your project, and to benefit from external knowledge and experience. This will enable you to adapt your idea accordingly. This step is also an opportunity to identify potential future partners of your cooperative.

Membership

The primary goal of a cooperative is to meet the needs of its members: whose needs are you intending to target?

- Worker cooperative: owned and controlled by its employees, who hold the majority of the shares. The cooperative exists for the benefit of its workers;
- Multi-stakeholder cooperative: members can be staff, users, neighbours, suppliers – anyone who is involved in what the cooperative does and how it does it. For example in a care home, the members are residents, staff, relatives, and maybe even social services officers. Be aware that the multi-stakeholder form is not always covered or allowed by the national regulations.

A cooperative must be a viable business. Like any business, most cooperatives will aim to bring in enough income not just to cover costs but to make a profit, with members deciding on whether that surplus is reinvested in the business, distributed among members or given to the community. You need to be sure that your cooperative will generate an income from the goods or services it provides.



2

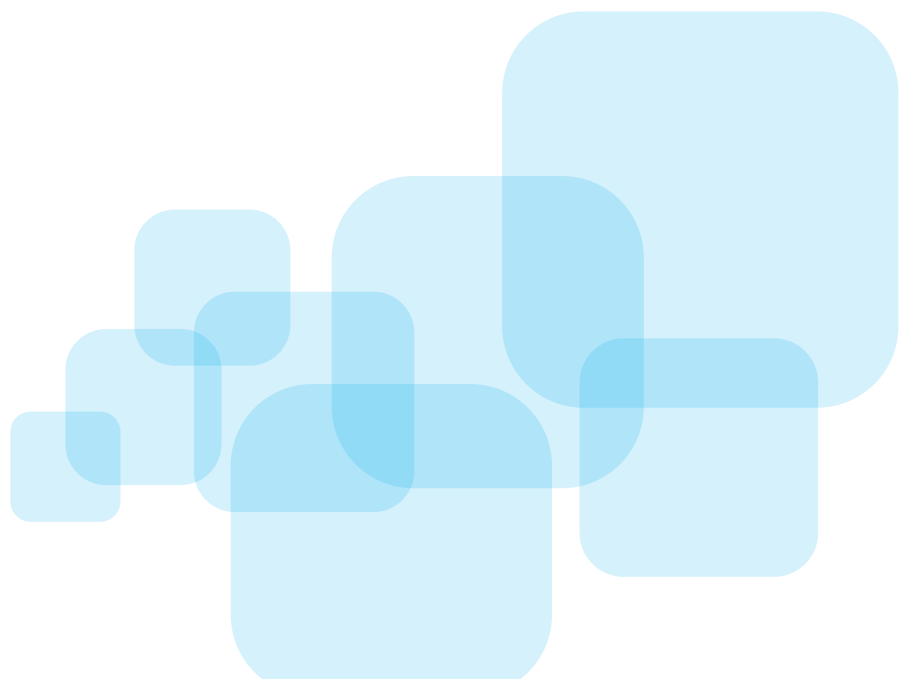
GETTING YOUR COOPERATIVE TOGETHER

People are the basic component of a cooperative – working collectively is a strength, but it can also be a challenge! Finding and gathering motivated people is a major step in your cooperative project. Depending on the size and the form of the cooperative that you are building, but also on the resources available, your organisation may rely exclusively on volunteers, involve workers, or hire staff. In any case, launching your cooperative will need a motivated and trustworthy team to make it a success.

Typically, a multi-stakeholder service cooperative may involve:

- organisers, i.e. people involved in setting up the cooperative and the ongoing planning, such as a steering group or management committee;
- workers/volunteers, i.e. formal and/or informal service providers (nurses, relatives etc.);
- beneficiaries, i.e. service users.

Involving external stakeholders (the public administration, care provider organisations, local NGOs etc.) may also provide an additional asset to your organisation, in terms of public support and external funding, and also experience and know-how. This model should be adapted according to the group's size and capacities.



3

PLANNING THE BUSINESS

Now that you have identified the need you are going to address, and gathered an active and reliable group of people to take part in the project, you need to ask yourself how this business idea can be turned into a viable business. This step aims to help you to:

- carry out a market survey
- establish a business plan
- establish a financial plan

You need to meet external partners and mobilise resources. This is also designed to encourage you to communicate, share the idea with your environment and adapt it to external constraints, to increase your chances of success.

Market survey

The outline of your cooperative idea is becoming clearer and clearer. At this stage, it is essential to get an in-depth understanding of the beneficiaries' feelings and preferences. This will constitute the basis on which you will be able to determine which services your cooperative will provide, and how you will market them in the area.

Although it may certainly be fed by your initial needs assessment study (see step 1), a market survey should go further. It is aimed at concretely confronting the services that you are planning to deliver with the economic and social realities. Even though a need exists and is identified, the tools to address it have to match the users' capacities, perceptions and habits if you are to penetrate the market. The market survey will help you identify and anticipate potential opportunities and obstacles, and adapt your project accordingly.

Establishing the business plan

Now that you have gathered the main information about your cooperative business, you are ready to draft a business plan. The business plan formalises your cooperative's goals and the way these goals will be achieved and financed. Establishing it is fundamental, although it can seem long and tedious: it will allow you to clarify and organise your project implementation process – for yourself but also for all the stakeholders, whether future members or partners (especially potential investors).

Ideally, all the future cooperative members should be involved in this vital stage, to develop a shared understanding of the organisation's aims and operating processes. This is particularly important when your cooperative includes various types of members, as it is the case in a multi-stakeholder organisation. Different groups may have different needs, approaches, backgrounds and expectations, which may be complementary or contradictory: creating the business plan will be the opportunity to confront these ideas and find consensus, which is essential to ensure the future of the organisation.

Establishing the financial plan

The financial plan is a fundamental part of the business plan. It should provide an overview of the cooperative's income and expenditure, its yearly profit and loss account, and its cash-flow forecast.

Launching a (cooperative) business requires initial investment: the amount of capital required for the start-up phase depends on national regulations, but also on the organisation's needs regarding the type of activities envisaged (purchasing material, paying wages during the first months, communication expenses etc.).

Several financing sources may be considered. However, the first level should always be the members' contributions, in the form of cooperative shares: the price of the shares should thus be a fair balance between members' financial capacities and business investment requirements.

4

MOBILISING PARTNER AND SUPPORT ORGANISATIONS

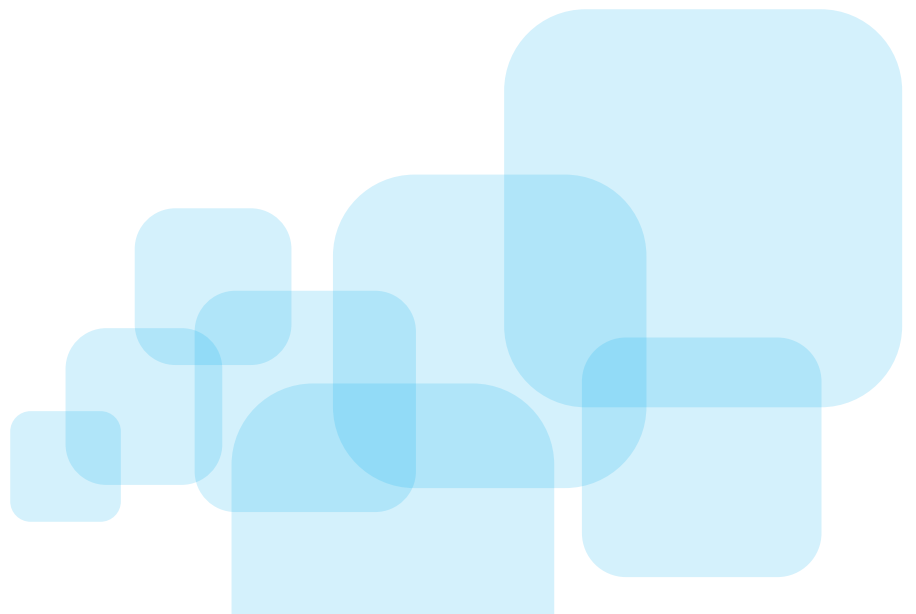
The main basis of your cooperative project is now settled: a motivated team has been assembled, a viable business model generated and the main steps for realising the idea identified. Before actually launching the business, you may consider external support mechanisms. The cooperative federations can provide you with business support and relevant information regarding practical aspects of your daily cooperative life, such as:

- legal support
- business plan consolidation and implementation
- definition of a marketing strategy
- available funding mechanisms
- training (cooperative management, human resources development, etc.)

Raising the money

Generally, cooperatives in the start-up phase own nothing: you may, therefore, be confronted with a lack of capital, preventing you from making the initial investments needed to launch your activity. Different sources of external funding should be considered, and their availability and relevance vary from country to country. The cooperative federations may be able to provide you with relevant technical information fitting your project.

Have in mind that these sources of finance can be complementary: creating a finance package – a mixture of different kinds of finance over different periods – may be a cheaper and more convenient option. Also, if you consider borrowing, you should try to assess precisely what you need: borrowing more than you need could oblige you to pay interest and repay money that you did not use. This should be assessed based on your financial plan, which must include all loan repayments and interest payments.



5

SETTING UP THE STRUCTURE

It is now time to formalise your internal governing rules and register your cooperative according to national law. You may also think about the relationship of your organisation to the cooperative movement: becoming a member of a cooperative federation may allow you to benefit from advisory support and inter-cooperation synergies, even beyond the start-up stage.

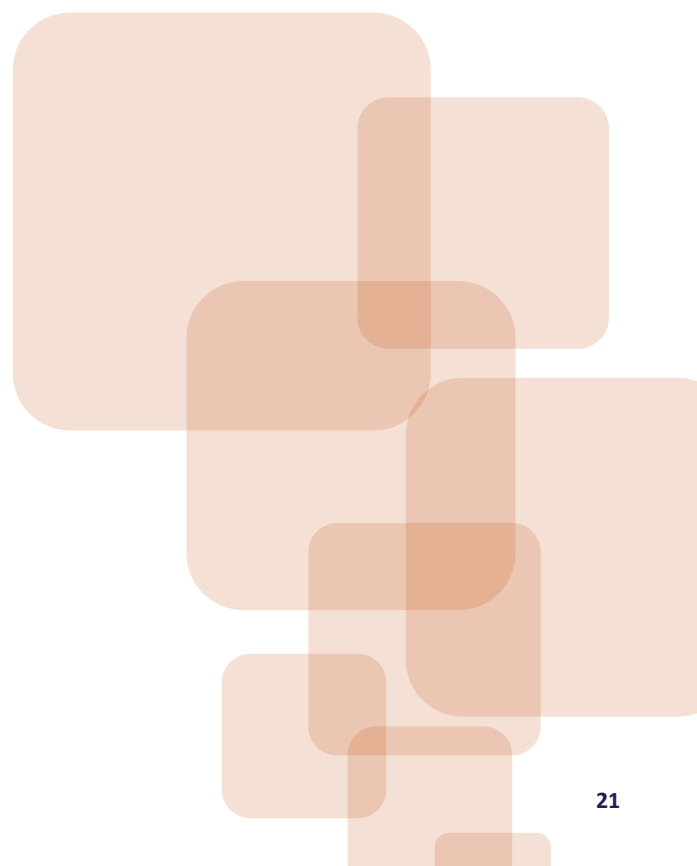
The constitution formalises the basic rules of your cooperative, giving details of why the organisation was created, what its main principles and objectives are, what it is there to do (which services it aims to deliver), and how it is organised.

Your membership rules should be consistent with the first cooperative principle: 'open and voluntary membership'. This does not mean that you have to allow anyone to join your cooperative, but that the conditions of becoming a member should be objective and non-discriminatory.

Membership criteria must be thought through wisely and strategically. Does your cooperative aim to recruit a massive number of members, or on the contrary to keep the number of active members low? Will the services be provided only to members, or also be available to non-members? If you opted for a multi-stakeholder organisation, and depending on the local legislation, should the joining procedure and conditions be equivalent for all kinds of members?

Membership systems are closely related to the governance model you would like to create.

The governance will ensure the appropriate day-to-day organisation of your cooperative. It is important to find mechanisms that allow both accountability and transparency, to minimise the risks to the members, while ensuring inclusiveness.

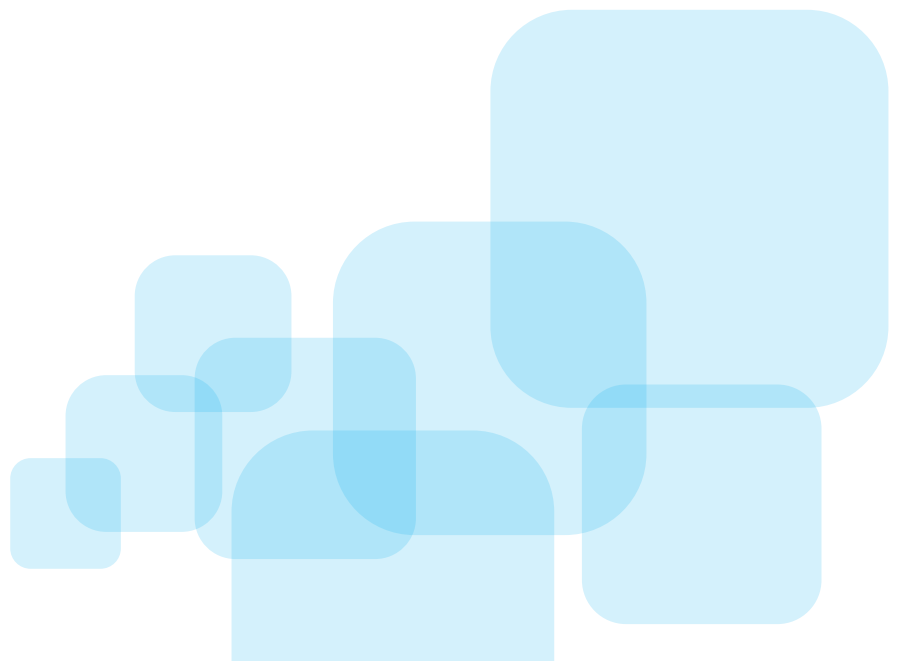


6

LAUNCHING THE BUSINESS

Now that your cooperative is created and about to begin providing services, the following tools will complete your equipment and make you fully ready for this new adventure:

1. Open a bank account in the cooperative's name. Consider cooperative banks: they may offer you relevant services and interesting discounts;
2. If you are expecting to quickly reach a substantial turnover, it may be wise – or even mandatory – to appoint an auditor or independent examiner. Check the requirements for your cooperative with your national contact point;
3. When you plan to recruit a secretariat, consider whether you need to appoint one – or several – directors;
4. Create your cooperative stationary (business cards, official letterheads etc.);
5. Familiarise yourself with your internal administrative and governance processes. You may already set up your statutory registers;
6. Consider insuring your cooperative. As for banking, cooperative insurers may offer you interesting products;
7. Build your communication strategy, and think about your organisation's web presence and domain names. You can show your cooperative identity with a .coop domain name (<http://identity.coop>);
8. Map out your governance year, including the end of your financial year and the next general assembly meetings.





This project is funded
by the European Union.
(Ad-PHS - VS/2018/0344)