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COVID 19

**IMPACT AND REACTIONS
OF COOPERATIVES TO COVID-19**

CASE STUDY

**SMART - HELPING FREELANCERS
THROUGH THE COVID CRISIS**



IMPACT AND REACTIONS OF COOPERATIVES TO COVID-19

The Covid-19 pandemic has had a global socioeconomic impact on all human affairs, both at the individual and aggregate level. In most countries, the true cost of this crisis has yet to be assessed, as it will be possible to do so only after the containment measures are lifted and relief plans interrupted. However, it is to be expected that all kinds of companies, from micro enterprises to massive multinational groups, have been affected (OECD, 2020a; Bartik et al. 2020, Ding et al. 2020). In this framework, it is perfectly plausible that the cooperative world has been impacted as well. Although it has been noted that the cooperative business model has been resilient to the previous global financial crisis (Birchall & Ketilson, 2009), it is also important to consider that a crisis caused by a pandemic is not comparable with the past experience: such event deeply disrupted social and individual habits, directly affecting the core structure of cooperatives in both its economic and social aspects.

One of the first things that emerges from the Cooperatives Europe Report (2020) is that, regardless of the size and legislative context, all cooperatives across Europe have been impacted by the crisis: in the vast majority of cases, turnovers were lower than normal and temporary unemployment schemes had to be put in place. However, the impact varied based on the sector in which the cooperative operates, with the tourism, transport and culture sectors being among the most harshly hit. Similar responses came from the Asia Pacific region, one of the first regions to be hit by the virus: a lot of cooperatives asked for moratoria on loans, saw a decrease in sales of both services and products, faced cash flow issues, had a significant reduction of activities due to the restrictions on movement put in place under the lockdowns and loss of income in line with these restrictions (Dongre & Paranjothi, 2020). Data from some African regions, where cooperatives are mainly agriculture based, denote a substantial reduction in revenues, coming from reduced deliveries, loss of buyers, lower prices, higher operational costs and loss of members (TANGO International, 2020). Recent investigations from Colombia (Confecoop, 2020) and Argentina (CoopNews, 2020) point in the same direction as the previous results.

However, there could be a silver lining to the situation: a minority of European cooperatives seized the opportunity to reconvert their activity and are doing better than

before, especially medium enterprises in the health and retail sector (Cooperatives Europe, 2020). Although this is surely the exception, an increase in activities in some typologies of cooperatives can be seen also outside Europe, in countries like Brazil, USA, Argentina, Uganda, Colombia and Korea (CICOPA, 2020).

But how are cooperatives responding to the crisis? Apart from the economic results, what are cooperative businesses doing to face the crisis?

The adaptability and flexibility demonstrated during the recent economic crisis (Michie, Blasi & Borzaga, 2017) are showing during the global pandemic as well. Despite the economic downturn, many cooperatives from every continent contributed and adapted to the situation, adopting measures to make their business more sustainable and aid society in general.

A report from the ILO (2020a) concerning the worldwide emerging responses of cooperatives, shows that many are predisposing hygiene measures, temperature controls at the entrance of their warehouses and factories or installing distancing floor markers; on the front of operation market, enterprises in some European countries, North America and New Zealand are providing teleworking opportunities, increasing pay for those working on-site during lockdowns, offering childcare services or modifying paid time-off policies. As mentioned before, agricultural cooperatives are especially important in developing countries and for this reason Fairtrade producer and consumer cooperatives have shortened supply chains so as to establish direct purchase lines between them and reduce the risk of higher food prices.

Other than being flexible, a fundamental characteristic of cooperatives is their public interest aims. During the pandemic, many cooperatives all around the world contributed to broadening the access to Covid-19 information through surveys, messages, online resources, risk management advices, monitoring governments' help and dedicated hotlines. Moreover, agricultural and retail cooperatives are helping vulnerable people and providing essential goods to those more affected by lockdowns. Consumer cooperatives such as banks, utility providers and housing services are waiving late fees, postponing rents, offering broadband services to schools and providing low interest loans.

It should also be considered that the reaction of the

cooperatives to the crisis has been supported by the measures developed by governments to help these businesses cope with the pandemic. In Italy, cooperatives work together with fintech companies in providing finance to SMEs, also supported through European funding programs. Moreover, the scheme Garanzia Italia allows non-bank financial institutions to provide loans, further easing the access to liquidity of cooperatives in need (Finextra, 2020). Provincial governments in Indonesia put in place a purchasing power stimulus for cooperative products and liquid subsidies to coops affected by Covid-19, while Malaysia offered 6-month moratorium and restructuring of loans for all social enterprises (OECD, 2020b); In France and Canada, several funds were created to facilitate access to loans, while many other countries allowed a delay in local, income, security contribution taxes and VAT (SEWF, 2020); In the US, the USFWC (2020) requested to be eligible for the CARES Act, a paycheck protection program. To counteract excessive spikes in unemployment, many countries established job retention schemes, such as temporary layoff programs, unemployment schemes or layoff blockage. Governments have also facilitated access to information and provide useful tools for collaboration between cooperatives, private/public sector and the citizens themselves, such as the development of volunteering platforms.

THE REACTION OF LARGE COOPERATIVES TO THE COVID-19 CRISIS

Size matters more when considering the support needed to face the crisis - with small enterprises needing more immediate liquidity aid and medium/large ones requiring business planning and protection equipment - and, consequently, the measures put in place to cope with the current situation (Cooperatives Europe, 2020). Considering how relevant the size factor is, the International Cooperative Entrepreneurship Think Tank (ICETT) understood the need and importance of investigating how large cooperatives dealt with the pandemic, so as to better comprehend the differentiation of the phenomenon in this particular instance of cooperative enterprise.

They thus conducted a survey of ICETT members. The members of ICETT confirmed the need for urgent actions and business adaptation, underlining the key role cooperatives' values and principles will play in coping and recovering from the pandemic. The COVID-19 crisis has been a source of disruption in the business model of every member, requiring many organizations to adapt and create an extensive network of community support. An example from the banking sector is Rabobank, the first bank in the Netherlands to postpone the interest payments and repayments on loans for SMEs, also established a support fund for cultural and sport organisations. Similarly, the Buldana Urban Cooperative Society in India reduced its rates to lighten the weight of debt burdening the more exposed parties.

Retail cooperatives, such as S-Group and Midcounties Co-operative, are changing their business model to fit into the new safety requirements and support the most vulnerable members and customers: other than increasing

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e-commerce outlets, they launched foodbank funds and developed new concepts such as take-away and home delivery services to facilitate access to products. More specifically, Midcounties set up a £75k Community Restart Fund to provide immediate financial support to the group, all while working with local volunteering organizations to provide the aforementioned services, and S Group implemented a 'Click & Collect' system designed to reduce crowding and improve efficiency.

On the agricultural side, the Indian Farmers Fertiliser Co-operative Limited carried out social awareness campaigns and arranged supplies of safety equipment in several Indian regions. The Argentinian Cooperative de Trabajos Portuarios Limitada, operating in the sector of port and maritime services, focused on ensuring that at-risk workers receive an increased remuneration while preserving their health.

Worker cooperatives such as Smart Belgium developed 0% credit mechanisms and training plans for its members, helping them to be more resilient during and after the pandemic. Likewise, The Kibbutz Movement in Israel protected its unemployed members with economic assistance and provided the elderly and children with social support, supplies and recreational activities, initiatives

made possible thanks to the structured solidarity mechanisms that was able to cater to the needs of members requiring assistance. Other than these more immediate actions, ICETT's cooperatives have planned both medium- and long-term ventures, recognizing that the crisis will affect the socioeconomic framework well after a vaccine is found. In this spirit, other than the measures mentioned above, Midcounties developed revive and thrive plans across all their trading groups, to build cooperative solutions for the future via the Community Restart Fund, surveys and virtual events. Similarly, the Indian Farmers Fertiliser Co-operative Limited implemented a range of long-term measures like flexible office time schedules and rotating home working programmes to support colleagues while continuing operations.

The peculiar characteristic of all these initiatives is the profound bond they have with cooperative identity and values: the Mondragon Corporation underlined the importance of the cooperative network during the crisis, as it enabled the development of shared and participated solutions, like increasing health and safety protocols. Along this line, the insurance cooperative Sancor Se-

guros Group highlighted the positive impact that cooperative principles played in gaining the trust of customers, trust obtained through its contributions to the community during the pandemic.

The Covid pandemic deeply impacted day to day operations in large cooperatives: the introduction of extensive smartworking practices, social distancing measures and the lack of tangible connections took a toll on the business model and operativity of many organizations. The imperative of protecting both the economic and the health status of the stakeholders while continuing the provision of products and services was the most challenging priority for the majority of the ICETT members. However, the measures pursued and the responses adopted proved once again the great resilience of the cooperative business model. The values and principles at the core of the cooperative identity contributed to the efficient and effective adaptation of these enterprises to unpredictable and often extreme conditions, still maintaining a clear focus on what matters most: supporting economic recovery while rebuilding businesses and communities.

■ CASE STUDY

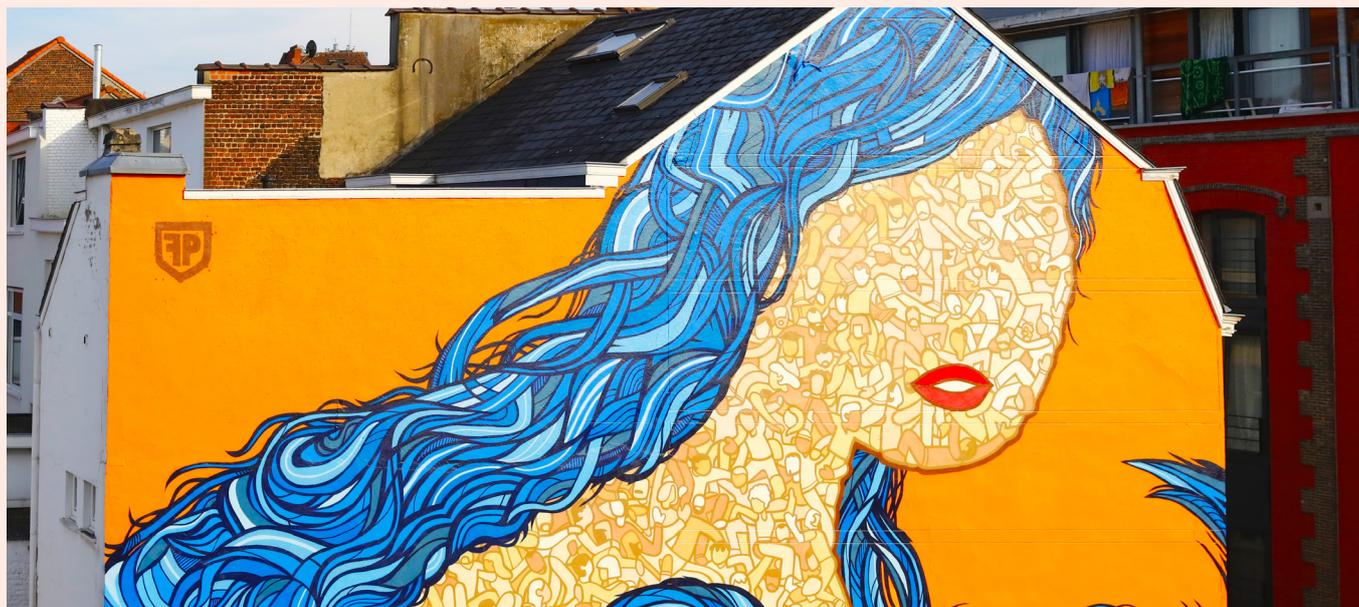
SMART

Helping freelancers through the COVID crisis

Founded in Belgium in 1998 for artists, Smart today is a cooperative of freelancers active in different fields. Based on the idea of offering these workers the solutions to overcome bureaucratic obstacles and mutualise means and risks, the cooperative is now operating in 9 European countries and currently counts 35,000 members. More precisely, Smart takes charge of all the administrative, financial, and accounting aspects linked to work, while ensuring a double solidarity: the one linked to the status of workers (salaried worker) and to the mutualization of means. This is crucial to the Smart model, especially enabling freelancers to become salaried workers. To do this, other than a yearly 30 euro share, the cooperative gets a fair and fixed percentage (that varies by country) on every euro handled for its members in various contrac-

tual arrangements to cover managing costs and invest in mutualized services (advance on payment, adapted insurances, training, co-working space, tailor-made advice, and workshops). In this way, the freelancer only has to focus on his/her knowhow, leaving the administrative aspect of running a business to Smart. This straightforward business model is further reinforced by the policy of transparency and participatory governance. For this reason, Smart considers itself a shared enterprise.

While the cooperative is open to all fields of activity, half of its members work in the cultural and creative sector, one that has been thoroughly impacted by the COVID-19 crisis, especially in Europe. As the European Parliament (2020) specifies, cultural employment is precarious by nature, and the pandemic worsened this situation: the in-



dividual artists, due to safety measures and restrictions, have been among the first being put in lockdown in many parts of the continent and have suffered severe economic consequences. In France, where many offices of Smart are located, “arts and leisure” have been the hardest hit sectors of the economy (Barrot et al. 2020), while an OECD study (2020) shows a dramatic drop in spending on recreation and culture in the UK, Germany, France and Italy. Similarly, Smart observed a drop in the activities of its members between 10 and 90%, equivalent to the loss of more than 90,000 working days, since the start of the crisis.

As a response, the cooperative launched the Plan Corona, a comprehensive 5 million euro plan of action that aims to offer both support measures, as a response to the cancellation of several activities, and recovery stimulus, to help growth in the post-COVID world. The solidarity plan consists of a strategy regarding cancelled performances, support measures, solidarity mechanisms and promotion of a dynamic recovery. The initiative was firstly promoted by the cooperatives operating in Belgium and France with a press conference on the 1st of April. The first draft of the plan was then developed by the office in Milan since it had been one of the most affected areas during the first wave of the pandemic in Europe. The plan designed in Belgium and France, is to implement support measures consisting of a compensation method for all the members that are victim of cancellations caused by the emergency and temporary unemployment programs for salaried entrepreneurs with permanent contracts as well as, when possible, for those with short contracts. Furthermore, according to its aim of promoting sound economic activity, the cooperative plans to anticipate financing to artists

that are trying to reopen their activities by investing, for example, in equipment or marketing. At the same time, Smart has called for the same measures internationally and is focused on preserving the assets of the international Smart entities established in the EU by confirming the commitment to finance the development of Smart and the continuation of activities. Smart has also established a regular COVID information exchange mechanism to monitor the impact and to keep its members updated about support measures from governments and public institutions.

To implement these solutions, Smart is working with other organizations, cooperatives and stakeholders, and has structured the plan in a way that will allow it to be reinforced by other actors interested in doing so, from public institutions to private individuals. An example of this willingness to join forces can be seen in the activities conducted within Bigre!, an association that enables intercooperation between cooperatives especially in the fields of training and knowledge and with whom “*Le Fil Cooperatif*” was established, a helpline to provide a listening service for those who need it during quarantine. Moreover, a platform specifically dedicated to informing the Smart community has been created (*Kronik*), in which whoever desires to contribute can do so and where Smart offers training and information sessions.

The common denominators to all these initiatives are the principles of solidarity and mutualism, so that the free-lance community can continue to resist to the crisis and thrive even more once it passes. Given that Europe is in the midst of a second wave, it is still too early to assess the precise quantitative impact of the Corona Plan. However, in September, Smart confirmed that, despite turn-

overs still falling by 26.5% in Belgium and 34% in France, the trend is indeed toward a gradual improvement and is following the forecasted curve, which Smart attributes in part to the cross-sector solidarity. They also announced additional measures, mainly focused on boosting economic activities of members, like a training program with an economic focus and a 0% internal credit system until the end of 2021 (negotiated thanks to support from public authorities). Smart also keeps updating its stakeholders about the measures adopted by governments in each country. Finally, the cooperative is also working at a more central level, as it recently met with the European Commission to discuss about improvements of the conditions and tutelage of freelancers. From this analysis, it is possible to see that, although lacking (for now) precise

figures, the Plan is indeed contributing to the alleviation of the economic and psychological toll on its stakeholders and society in general. Concerning future developments and perspectives, Smart has yet to release an official statement about the changes in the Corona Plan, but it guarantees the total dedication to the support of the community, as the recent lobbying actions and set of suggestions to protect workers directed at the Belgian government proves. The recognized limitations of the Plan, the pervasiveness of the crisis and the uncertainty about the future are the most prominent obstacles to the success of the initiative, but Smart continues to strive to extend the coverage of the plan, so as to protect as much as possible vulnerable stakeholders from falling through the cracks of a shattered economy.

CONCLUSIONS

This brief overview highlights some of the effects, cooperative responses and government actions during the present Covid-19 crisis, so as to evaluate how the pandemic has been impacting cooperative enterprises. The overall result of the analysis is that despite being thoroughly affected by the crisis, cooperative businesses prove once again to be resilient in times of trouble. The impact is being felt both at the economic and social level, but the core values of general interest and cooperation have been upheld all around the world, although with particular difficulties in some places, as the adaptation of production chains for the supply of medical equipment and interaction with the public sector has shown. Given the still limited available data, it is difficult and unwise to offer a one-size-fits-all description of the global situation. Therefore, it is advisable for both governments and private institutions to conduct surveys and investigate what cooperatives need the most during this second wave of the crisis. Once the key issues have been identified, policy makers

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and financial institutions could put in place more effective countermeasures. In the short-term, access to liquidity seems to be among the top priorities for small and medium cooperatives, while larger organizations will also need more logistical support, with the provision of protective equipment for all the employees at risk. However, a global crisis this pervasive and widespread will also require preparation for the aftermath, requiring governments to put in place more long-term policies. Given the resilience and preparation shown by the cooperative sector in every continent, policymakers will have the responsibility to work toward a fairer economic system, more socially and mutually oriented. Future research will provide more homogeneous and reliable data, allowing a better understanding of the true impact of the pandemic on cooperatives. It is indeed a challenging period, but also an opportunity to prove the importance of developing a more social economy and the validity of the cooperative business model.

**Extract from World Cooperative Monitor 2020 Report.
Full report available at www.monitor.coop .**