

INTERNATIONAL COOPERATIVE RESEARCH GROUP

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INITIAL FINDINGS:  
WHAT DIFFERENCE DO COOPERATIVES MAKE?  
**PHILIPPINES COUNTRY STUDY**

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KEY STAKEHOLDER  
PRESENTATION AND DIALOGUE

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Edsa Shangri-La  
Manila, Philippines



**USAID**  
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INTERNATIONAL  
COOPERATIVE  
**RESEARCH  
GROUP**



*The opinions expressed here are those of the Research Group and not those of USAID or any other research partners*

## Summary Overview

### ***What Difference Do Cooperatives Make?***

#### **Initial Findings from Philippines Country Study**

This overview paper for the study “*What Difference Do Cooperatives Make?*” in the Philippines sets out the initial findings of the recent research conducted by the International Cooperative Research Group (RG) of the U.S. Overseas Cooperative Development Council. The research provides the important perspective of members of primary societies across sectors and across regions, compares and contrasts them with those who are not cooperative members and places the findings within the context of national economic data. This overview previews the on-going interpretation of the data and identifies some possible paths for policy and/or further debate and exploration.

“*What Difference Do Cooperatives Make?*” shows that cooperatives in the Philippines are making a **significant economic difference** in the lives of the large majority of members and are also contributing to their overall well-being. Members are also benefiting from socially-oriented activities of the cooperatives, although this benefit is not perceived to be as great as the economic benefits. The key findings, further detailed below, show that cooperative members are very positive about their cooperative membership. This impression is objectively substantiated by the findings that the majority have a **greater sense of financial security** and have **higher income levels** than their counterparts who are not members. These findings hold for cooperatives in the aggregate and for each sector in which cooperatives operate, as well as across regions, although the proportions within regions do vary.

**Research Objectives and Data Characteristics:** The RG carried out this 2018-2019 study of primary society cooperatives in the Philippines as the third in a series of country studies in its “*What Difference Do Cooperatives Make?*” ***research which is designed to understand at a high level the extent to which objective evidence will demonstrate that cooperatives provide a sound platform on which to base broad-based international development that fosters self-reliance and lessens inequality.*** The mixed method research study probed the membership experience of primary society members, specifically the economic and social benefits. It also probed the social and economic benefits to the larger community where cooperatives operate.

Primary data were gathered from a 2,200 in-person survey. The questionnaire was administered to a scientifically drawn sample representative of the Philippines and of the distribution of primary societies, both across sectors and across the Philippines administrative regions. Thus, it provides a dependably accurate reflection of the cooperative sector as a whole and how it is affecting the lives and livelihoods of its members. A similar sample of people who are not cooperative members enables comparisons between the two groups.

Research findings and conclusions drawn are based on the data collected from respondents, reflecting their impressions and understandings. **The findings do not draw conclusions about cause and effect.** The analysis is based on data reported by the members themselves and benchmarked against available national statistics as well as data reported by a corresponding sample of those who do not belong to cooperatives. The data, benchmarked against national statistics indicate that cooperative members are overall more prosperous than those who do not belong to cooperatives

**Background:** The Philippines Country Study is part of and will contribute to the overall findings of a four country of “*What Difference Do Cooperatives Make?*” being carried out by the RG.<sup>1</sup> At the same time, it is a stand-alone product that provides evidence intended to support and inform policy-makers and those concerned with broad-based economic development in the Philippines about the current and potential role of cooperatives.

- **A Global View: Cooperatives in International Development:** The power latent within cooperatives comes from their *focus on both social and economic outcomes* for their members driven by the priorities of those members. This “cooperative difference” together with their adherence to a common set of principles<sup>2</sup>, which include democratic control and economic participation, suggests enormous power of aggregation as well as the “scalability” of cooperatives.
  - Many cooperatives and cooperative systems around the world perform exceptionally well in supporting the priorities and aspirations of their members and in contributing to economic and social progress.
  - In some countries they have struggled with government dominance, co-option by elites and impacts of structural adjustment and economic liberalization, creating in some cases and among some institutions misunderstanding about cooperatives and how they work.
  - However, in many countries, they have demonstrated resilience and supported local communities in the wake of globalization.
  - For these reasons and others, as development and donor agencies seek for organizational forms that are sustainable while being both values-based and market-oriented, they are beginning to “take another look at” cooperatives.<sup>3</sup>
  - Scholars and researchers are also increasingly noting the power of cooperatives to internalize market externalities, serve as laboratories for social innovation, advance social entrepreneurship and promote ethical business practices (see Novkovic, 2008) and provide an ability to function in circumstances where other forms might fail.<sup>4</sup> The potential of co-operatives to promote economic and social development for low income people has therefore returned to development agendas (DFID, 2010; UN, 2009)
- **Cooperatives in the Philippines:** The Philippines is a cooperative leader in Asia Pacific and cooperatives are known to have played important roles from the early 20-th century to today,

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<sup>1</sup> The other countries are Poland and Kenya (completed); Peru (in process).

<sup>2</sup> The international cooperative principles are: (1) Voluntary and open membership; (2) Democratic member control; (3) Member economic participation; (4) Autonomy and independence; (5) Education, training and information; (6) Cooperation among cooperatives; and (7) Concern for community. (<https://ica.coop/en/whats-co-op/co-operative-identity-values-principles>)

<sup>3</sup> Ibid.

<sup>4</sup>Novkovic, Sonja. “Defining the Co-operative Difference,” The Journal of Socio-Economics 37 (2008) 2168–2177

with the past decade having seen an impressive growth in their numbers. Recently, there has been an upsurge in membership, with an increase from 7 million to 14 million during the period 2009-2017.<sup>5</sup> When compared to the total Philippine population estimated as of 2017 at 104.0 million individuals, 14 million co-op members today means that **13% of the total population of the country** are members of cooperatives.<sup>6</sup>

Ranging over 23 statutorily defined categories, cooperatives in the Philippines address most aspects of economic and social activity. The most prevalent form of cooperative in the Philippines is the multi-purpose cooperative, coming into being in large part to meet emerging needs and priorities of members. Agriculture has traditionally been the dominant category and enjoys a significant place today. Regardless of sector, most cooperatives in the Philippines provide loans and savings opportunities for members (the data show 52%) and this is reported by members participating in this study to be a valued benefit.

Under Filipino law, cooperatives and their members enjoy significant tax benefits.

**This Study:** With data gathered from a random, representative sample of 2,200 cooperative members across sectors and the general population, this research study of cooperatives in the Philippines is intended to contribute to the on-going policy debate and to contribute to the cooperative narrative across sectors and across geographies. It is designed to compare the self-reported perceptions of members of formally registered cooperatives on issues related to economic and social well-being with those of the general population. Because cooperative membership is voluntary and because a cooperative's performance has direct effects on the members, member perceptions are expected to correlate with cooperative performance. Thus, self-reported perception data makes a powerful statement and is a valid proxy for performance, although the study does not measure causality.



### **10 Key Findings about Cooperatives and Their Members in the Philippines:**

From responses received to survey questions addressed both to cooperative members and non-members, it is possible both to understand the members' perspectives and as relevant to compare their responses to those of non-members. The data from the Philippines Country Study of ***What Difference Do Cooperatives Make?*** show that:

1. **Members of Cooperatives enjoy better economic positions:** Self-reported **income figures of cooperative members** as benchmarked against national statistics *and* against the responses from those in the representative sample **are higher** overall than those of the general population (*see Figure 1 below*) -- Coop members have greater proportional representation in the top four income bands and lower representation in the bottom band.

<sup>5</sup> Cooperative Development Authority 2017 Annual Report, Chairman's Message  
[http://www.cda.gov.ph/images/Downloads/Annual-Reports/CDA\\_AR2017.pdf](http://www.cda.gov.ph/images/Downloads/Annual-Reports/CDA_AR2017.pdf)

<sup>6</sup> The total number of members based on the number of coops reporting to CDA is smaller; at 10 million members as of December 31, 2017, this number represents 9.6% of the total population.

- 45.8% of coop members are in the top four bands (rich, upper middle, middle middle and lower middle) as compared to 41% of the population at large;
- 50.6% of coop members are in the low income but not poor band, with only 3.6% in the poor band. This contrasts with the general population, with 22% categorized as poor and only 37% as low income but not poor.
- Overall, a member of a cooperative has only a 2.3% probability of being poor in comparison to the 4.1% probability of the comparison non-member group.

SEC	2015 FIES*		Cooperative Membership		Combined Member & Non-Member Samples (N=2200) (%)
	Income Class	Percent	Member (n=1100) (%)	Non-Member (n=1100) (%)	
A	Rich / Upper Income but not Rich	5	6.1	0.3	3.2
B	Upper Middle				
C+	Middle Middle				
C-	Lower Middle	36	39.7	18.4	29
D	Low Income but Not Poor	37	50.6	73.8	67.8
E	Poor	22	3.6	7.5	

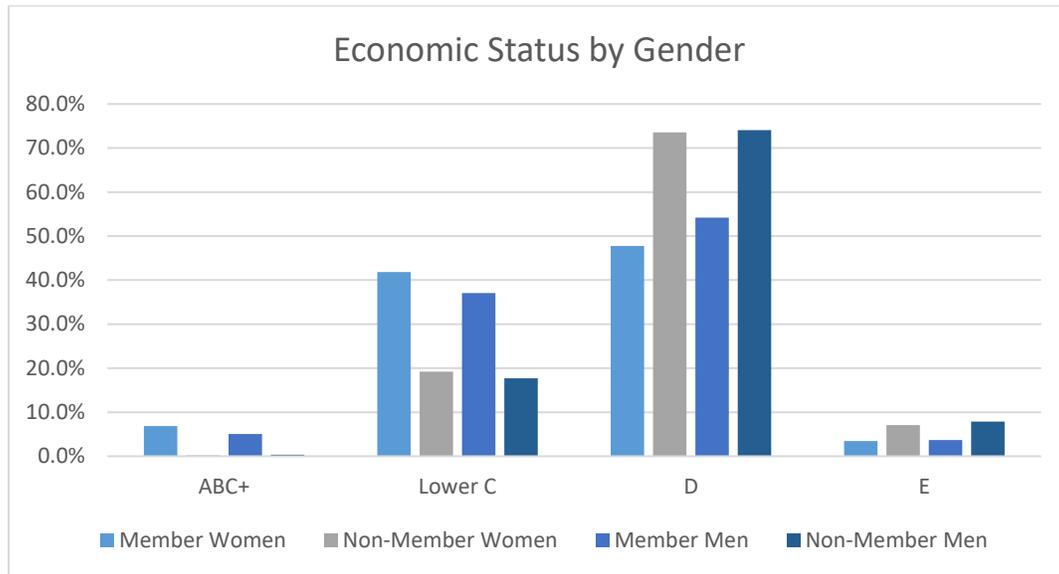
\*Family Income and Expenditure Survey (FIES), Stratbase (2019)

**This means that a coop member is more likely NOT to be poor and more likely to be lower middle or better.**

2. **Members of Cooperatives say their cooperative is the reason!** A substantial majority of cooperative members (94.4%) state that membership in a cooperative **has positively affected their economic position**. Members also report a sense of financial security and overall well-being. In addition, 74% of non-members state that cooperative activity positively affects the overall economic development of the community.
3. **Cooperatives in the Philippines have an excellent record on gender inclusion as perceived by both women and men.**
  - Women and men members benefit equally economically when compared to their non-member counterparts. This compares favorably with the overall gender pay gap in the Philippines of 79%.<sup>7</sup>
  - The higher representation of women cooperative members (55.4%) in the representative survey sample suggests that women play an important role in cooperatives across the board.

<sup>7</sup> Although still the leader in Asia, the World Economic Forum (WEF) slipped the Philippines 6<sup>th</sup> place 2016 ranking to 10<sup>th</sup> in 2018 due to pay inequality. <https://news.abs-cbn.com/business/11/02/17/why-philippines-slipped-in-wefs-gender-gap-ranking>.

- This higher representation also suggests that cooperatives play a key role in women’s economic empowerment since women’s participation in the general labor force is significantly lower than that of men<sup>8</sup>.
- **99.1 %** of coop member respondents report women and men have equal roles in decision making
- **99.3%** of coop member respondents perceive that both women and men join under the same conditions



4. **Cooperative members have greater social capital (as measured by trust) than non-members,** although overall trust in the Philippines is comparatively high.
  - a. **94%** of coop members have trust in others in their community
  - b. **85%** of non-members have trust in others in their community with a more significant proportion qualifying that trust than coop members
5. **Cooperative members have greater resilience (as measured by access to resources in times of emergency) than non-members.**
  - a. Both cooperative members and non-cooperative members report that they turn primarily to family for support in times of emergency. However, for cooperative members while **77% turn to family** in the first instance, **86% turn to the cooperative either directly or through savings** which by inference are likely to be correlated with their membership
  - b. This inference is further supported by the additional finding that **88% of cooperative members responding state that they can depend on their cooperative for support in times of emergency**

<sup>8</sup> An estimated four of five men over the ages of 15 are in the workforce in the Philippines as compared to approximately 50% of women based on 2017 data reported by the Philippines Statistics Authority. Jose Ramon G. Albert and Jana Flor Vizmanos Published 8:00 AM, February 02, 2017; <https://www.rappler.com/thought-leaders/134739-gender-equality-economic-opportunities-philippines> (retrieved 7/21/19)

6. Belonging to a cooperative is perceived very strongly to support members in **fundamental business activities and economic decision-making**
  - a. **94%** of respondents report (“yes” and “rather yes”) that cooperatives **help them in their daily work or business**
  - b. **91%** of respondents believe (“yes” and “rather yes”) that cooperatives help them in **making decisions that are fundamental to their economic security**
  
7. **Social program benefits of cooperative membership are not strongly** perceived by cooperative members in the quantitative data. **Intangible benefits social benefits are affirmed in the qualitative portion of the research which specifically attest to the social benefits** that cooperatives are providing.
  - a. A large majority state that educational programs for youth are not offered
  - b. A smaller majority state that health-related programs are not offered, with a significant number of those aware of health-related programs (63%) indicating that they had participated.
  
8. **Both members and non-members** perceive that the existence of cooperatives in a community **positively influences the overall quality of life** in the community, with 57% being able to observe direct effects and **70% believing that cooperatives attract outside investors.**

However qualitatively, when asked about cooperatives’ ‘engagement in the life of community’ responses are mixed, with many members and non-members are not aware of or not seeing evidence of such engagement. r
  
9. **Satisfaction with cooperative membership is very high!**
  - a. **96%** of cooperative members intend to stay with their cooperatives for the next 5+ years
  - b. **63%** of cooperative members are “very satisfied” with their membership and **27%** are “somewhat satisfied” – with only 10% being neutral or not satisfied
  - c. **Friendship and security** were two dominant themes that emerged from the focus groups linked to the **pride in their cooperative membership and loyalty to their cooperatives.** These in turn may be inferred to underlie the level of satisfaction reported in cooperative membership and the intention to remain.
  
10. **Among non-cooperative members, the primary reasons cited (34%) for not belonging to a cooperative relate to an apparent lack of awareness about the costs and the nature of the benefits** or not needing/wanting loans. In addition,
  - a. **21% indicated that they could not afford to join;**
  - b. **30% had an inaccurate view of cooperatives,** with 17% having misinformation about the terms for joining and 13% saying they did not want loans, implying that was the only reason to join;
  - c. **A further 20% do not belong due to communications issues, with 13%** stating that no one had invited them to join and 7% having no knowledge

For policy-makers who are looking at macro level effects and for practitioners who are concerned about sustainability, the data in the Philippines shows that members identify and value a “cooperative difference” and shows that the large majority of cooperative members are very positive about their experience and that this satisfaction is borne out by the economic benefits they receive from their membership.

## **Impetus for the Research**

The ambitious “*What Difference Do Cooperatives Make?*” research study was conceived by the International Cooperative Research Group (RG) of the US Overseas Cooperative Development Council (OCDC) and approved by its Board of Directors in the last quarter of 2016, with the research design finalized and data for the pilot study in Poland collected during the last half of 2017. Data for the Philippines, the third country study reported on in this paper, was collected in late 2018 and early 2019. The research has been supported and encouraged by the US Agency for International Development (USAID)<sup>9</sup>, which is specifically called on by Sections 111 and 123 of the Foreign Assistance Act to support cooperatives. USAID has carried out this mandate over many years through its support of the work of the OCDC member organizations (CDOs),<sup>10</sup> most of which have worked and continue to work in the Philippines supporting cooperative development in their sectors of expertise.

## **Methodology**

The research study used mixed methods, combining standardized, multiple choice and short answer interview formats (conducted via telephone and in person) with a 2,000+ survey of a scientifically drawn, random representative sample of households and cooperative types. This study uses a matching process to identify the comparison group so that the respondents are comparable as to location and opportunity to join a cooperative.

In addition, six Focus Groups and 12 Key Informant interviews provided interpretive insight, in some cases enabling nuancing of the quantitative results. A desktop study documenting other research and related data concerning cooperatives in the Philippines preceded fieldwork and informed the analysis. The report, *Philippines Cooperative Context Study* and a *Legacy Study* of the effects of USAID-funded assistance provided through CDOs will accompany the final research report.

## **Limitations of the Data and Study**

The study focused on the perceptions of cooperative members and compared those with perceptions of those who are not members of cooperatives to probe the “difference” that coops have made in people’s lives. These are self-reported and, in some instances, benchmarked against available national statistics or triangulated with responses to questions designed to align with the Poverty Index. That the survey measured perceptions and relied on self-reporting enables the measurement of the way in which the cooperatives are fulfilling their central purpose – to serve their members.

## **Possible Considerations for Philippines and for USAID**

The evidence of the Philippines study shows that cooperatives provide differentiated economic effects for members, supporting their primary motivation for joining. These effects together with the data supporting an accompanying greater sense of financial security and well-being among cooperative members underscores the positive role that cooperatives are playing in the Philippines. The level of satisfaction suggests further that the right types of investment in cooperatives can further inclusive growth.

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<sup>9</sup> The OCDC RG is grateful to the USAID Cooperative Development Program for its financial support of this research.

<sup>10</sup> OCDC members in 2018 were Equal Exchange; Genex; Global Communities; HealthPartners; Land O’Lakes; NCBA CLUSA; NRECANRECA International; World Council of Credit Unions (<http://ocdc.coop>)

With the aggregating power of cooperatives, the level of trust among members, their inherent “scalability,” and the positive base of economic performance suggested by this research, cooperatives would seem to be an important vehicle for continuing self-reliance and resilience, particularly at this important moment in the Philippines’ growth trajectory.

Approximately 13% of the population of the Philippines belongs to cooperatives. There is a disparity in sizes and assets of cooperatives, with a relatively small portion holding a large share of the assets. Most people are members of small cooperatives. The findings of the report are all the more significant in this light, suggesting that it is the “**cooperative difference**” itself that supports the positive outcomes for the members rather than the size or wealth of any given cooperative.

The high-level findings of the Philippines Country Study, *What Difference Do Cooperatives Make?* validate the articulation of an inclusive growth strategy in which cooperatives play a key role in achieving growth and poverty reduction targets. A cooperative enabled inclusive growth strategy and plan is in alignment with:

- the Government of the *Philippines Development Plan, 2017-2022 (PDP)* and its three overarching objectives
- the six strategic goals of the *CDA Cooperative Development Plan, 2018 -2022*, and
- indicators on *USAID’s Roadmap of the Journey to Self-Reliance* that measure commitment and capacity

Cooperatives can be a key strategic focus to achieve the Philippines’ development goals that will achieve its **Ambisyon Natin 2040** vision.<sup>11</sup> The data strongly suggests that cooperatives are able to help lay a stronger foundation for inclusive growth within each of the PDP’s three pillars for the achievement of targets:

- **Malasakit** or enhancing the social fabric,
- **Pagbabago** or reducing inequality, and
- **Patuloy na Pag-unlad** or increasing growth potential<sup>12</sup>

Specific findings of the *What Difference Do Cooperatives Make?* research in the Philippines point to many opportunities for human and institutional investments as well as further research to deepen understanding. Not intended to be exhaustive, the following suggestions indicate some potential ways in which cooperatives could play an even more robust role in the realization of **Ambisyon Natin 2040**.

- **Build a platform for greater financial inclusion and poverty alleviation through cooperatives.** In line with the core cooperative principles, cooperatives have a role to play, for example, in delivering credit to poor farmers and fisher folk. Overall, cooperatives offer an excellent vehicle to support the provision of economic opportunity in a valued (as shown by the data) and empowering way supportive of inclusive growth.

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<sup>11</sup> <https://manila2018.dof.gov.ph/wp-content/uploads/2018/01/5-Philippine-Development-Plan-2017-2022.pdf>, retrieved 7/21/19

<sup>12</sup>“The Philippines by 2040: matatag, maginhawa, at panatag na buhay. The country is a prosperous middle-class society where no one is poor. People live long and healthy lives and are smart and innovative. The Philippines is a high-trust society where families thrive in vibrant, culturally diverse, and resilient communities” Ibid.

- **Strengthen the Social Contributions of Cooperatives** - The level of social capital that exists and the levels of trust, both within and outside cooperatives, suggest that exploration of such a role tailored to the needs and priorities of each region has merit. According to USAID’s Roadmap to Self-Reliance, Social Group Equity in the Philippines is .42, falling below average for low- and middle-income countries.<sup>13</sup> Cooperatives could play an important role in increasing social equity. For example, where cooperatives play a role in delivering health-related programs (which most do not do), these are experienced positively. This plays also on the core cooperative values, which include contribution to community.
- **Strengthen women’s participation in the labor force and lessen the gender pay gap through cooperatives.** The data show that women and men benefit equally from cooperative membership – both economically and socially (including agency shown through leadership opportunities) – which differs from the statistics for the general population. To lessen the gender pay gap cooperatives may have a special advantage.
- **Explore further possibilities for cooperatives as a strategic approach to poverty alleviation:** While it is important that the economic strength of cooperatives not be sapped, the comparison between poverty levels of members and the average in the Philippines suggest that those in cooperatives are less likely to be poor. This is important to note as according to USAID’s Country Roadmap the Philippines falls below an average for poverty rate of \$5 per day (score = .39) and though above average for GDP per Capita (PPP) (score = .49).<sup>14</sup> Pushing that finding further, it appears that there might be a specific poverty alleviation strategy in which cooperatives are a strong pillar, while taking into account the environment necessary for cooperatives to flourish as self-reliant entities serving their members (meaning enhancing their voluntary, democratic and self-reliant nature)
- **To strengthen the overall cooperative sector and its performance, explore the potential of technology:** The positive effects can range from improved management to improved production. The Philippines ranks above average compared to other low- and middle-income countries on ICT use.<sup>15</sup>

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<sup>13</sup> “Philippines Journey To Self-Reliance: FY 2019 Country Roadmap” (2019)  
[https://selfreliance.usaid.gov/docs/roadmaps/USAID\\_FY\\_2019\\_Philippines\\_Country\\_Roadmap.pdf](https://selfreliance.usaid.gov/docs/roadmaps/USAID_FY_2019_Philippines_Country_Roadmap.pdf)

<sup>14</sup> Ibid.

<sup>15</sup> Ibid.