

## Role of Agricultural Cooperatives in Raising the Production and Job Opportunities in Iranian Villages

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**Abstract:** Two chronic and fundamental problems relating to Iranian rural regions are low production and high rate of unemployment. The purpose of this study is to explore the role of productive (producer-owned) cooperatives in raising production and employment opportunities in rural areas of Ilam county, west Iran, from 1983-2003. In order to collect data, surveys were carried out in all productive cooperatives which were active during the research (95 in total). The members of these cooperatives were 805 persons. A multistage systematic technique was used to select 35 members for pre-test. About 20% of the rest of the samples were elected for this research based on the same sampling criteria. A well structured questionnaire was administered for collecting data. For validity and reliability of data, Cronbach Alfa experiment and expert advice were consulted. Data analysis involved the use of descriptive and inferential statistics. It was carried out by SPSS and EXCEL. In the descriptive part, statistical figures such as Frequency, Percentage, Mean were used. In the comprehensive section, T-Experiment (One-Sample Test) was used. To determine a meaningful level of the role of cooperatives in production and generating employment, Co-Relational Experiment, K-Square and the analysis of variance were applied. This study argues that cooperatives have been successful in promoting agricultural production and job opportunities, as well as being effective in improving the economic and social standing of their members. It will be concluded with practical policy guidelines.

**Key words:** Cooperatives, production, employment, kinship, development, Iran-Ilam

### INTRODUCTION

Human beings are social entities. They are not able to solve their problems and provide their own needs without others' assistance. So, they consciously choose to cooperate with others in order to fulfil their daily activities for obtaining a secure and sustained livelihood. Today, life with regard to participation and cooperation is easier. Cooperation and consultation are 2 concepts alongside participation.

The cooperatives with progressive laws and regulations are the results of the gradual enhancement of social group activities in human history. Nowadays, cooperatives are regarded as people oriented organisations which are active in social and economic perspectives in majority of the counties in the world (Ansari, 1993; Smith, 1985; Taleb, 1998).

The Persian word *taavoni* (cooperative) is derived from the word *taavon*, literary meaning cooperation. In specific term, it is used to denote a company for helping the members of an institution or administrative organisation. In reality, *taavon* or cooperation has broad meanings.

### ILO Recommendation No. 127 defines:

A cooperative society an association of persons who voluntarily joined together to achieve a common end through the formation of a democratically controlled organisation, making equitable contributions to the capital required and accepting a fair share of the risks and benefits of the undertaking in which the members actively participate.

Some scholars regard a cooperative more than holding a job and having a common life (Ansari, 1993). Taleb (1998) noted that cooperatives are established to meet the needs of the member-owners, not to accumulate capital for investors. Macionis and Plummer (1997) argued that the members of cooperatives 'belong together' rather than people who expect to benefit from each other. Abdollahi's (1996) comprehensive research on Iranian agricultural system, focused on expansion of cooperatives in villages across the country for their innovative ideas and a reliable means to tackle the rural poverty.

The cooperatives are used for active participating in social life as a means to an end (Nelson and Wright, 1995)

which is beyond the satisfaction of physical needs. In other words, participation which is the corner stone of cooperatives (Salim, 1997) is the growth of human basic capabilities including the human values and prestige to give responsibility to the people in the logical decision makings and actions. Through autonomy, self-help and voluntary participation, the cooperatives empower people to improve the quality of their life. Taleb (1998) argued that Iranian traditional cooperatives stressed group identity and by building group solidarity among the members motivated them to participate in production activities more effectively than the modern institutions. By the same token (Hamdheidari *et al.*, 2007) stated that such kinds of people oriented participations concerning socio-economic activities are traditionally depicted in Iranian culture and context.

Based on the recent experience of an agricultural cooperative at the University of Razi in Iran, Hamdheidari *et al.* (2007), stated that the cooperative familiarise the students with logical approach to working collaboratively and to nourish their creative and critical abilities. Students acquired new values based on self-reliant, hard-work and competence. After graduation, the students actively seek out decent and productive jobs rather than aspirations for scarce prestigious governmental jobs.

Agriculture is among the most important social and economic foundation stones of Iranian life and culture (McLachlan, 1988). Up to a few decades ago, this sector was self-sufficient, but, nowadays Iran is obliged to import a significant amount of its agricultural goods from abroad. This is due to population pressure and lack of production; not compatible with the rapid population growth.

Immediately following the revolution of 1979-80, the Islamic government focused upon the need for economic diversification (Hamdheidari and Wright, 2001). Included in this was an attempt to bring self-sufficiency in agricultural production (McLachlan, 1988), utilising the vast land resources of the country with their diverse geographical zones, differing ecological and climatic and micro-climatic environments. It was acknowledge that each season in such a diverse environment as Iran is quite suitable for the cultivation of many kinds of products over the course of the year. The government claimed that such a policy would render the country less dependent on non-renewable natural resources such as oil and gas revenues, which until then formed the basis of the Iranian economy.

Many large commercial enterprises including centralised agricultural cooperatives were dismantled after

the Islamic Revolution of 1978-79 and the farmers claimed for their plots (Schirazi, 1993). By the end of 1980s, Hungary's cooperatives were transferring land and livestock to the small producers (Wiska and Hindson, 1991). Similarly, as Krishna (2001) argue, in El Salvador, Peru, Nicaragua, Honduras, many production cooperatives established following the land reforms are now dismantled, with members reverting to small scale enterprises.

Following the above policy, the Islamic government attached high priorities to expand small scale industries, particularly, cooperatives at the local and national levels (Ansari, 1993, Taleb, 1998), side by side the private and public sectors of economies, regarding it as the third sector of national economy. The idea was to organize the poor strata of the society working collectively to contribute to local and national economy. The government believed that before the hasty and highly uneven modernisation era in Iran (Hirst and Thompson, 1996), the traditional values such as collective consciousness, cooperation, empathy and solidarity were functional in daily activities bringing security and sustainability to the local regions. Since, the last few decades, the customary values have undergone serious changes and villagers have lost their traditional means of support to a large extent. Other factors such as increase in population, competition over limited resources and lack of external and internal support has caused the villagers to live in an insecure environment. Hopefully, the expansion of cooperatives may regenerate the sense of cooperation which is dormant in rural areas (Mir-Hosseini, 1994) contributing to economic and social solidarity and welfare.

The role of productive cooperatives in raising production and employment opportunities in the villages of Ilam county, west Iran, from 1983-2003.

## **MATERIALS AND METHODS**

**The area of study:** Ilam is one of the smallest provinces situated in the western part of Iran, bordering Iraq. It is located in the central part of the mountainous region of Zagrus which shows the continuity with the Dinaric Alps range. The extreme complexity of its mountain system covers virtually the whole of the region, with little land for settlement or agriculture. The main source of income is traditional animal husbandry. This is due to the historical, geographical and environmental (there are two different altitudes, but, the prevailing wind which is hot and dry blows Mesopotamian desert) factors which have provided a suitable condition for nomads and transhumance to

exploit 2 ecological zones, yearly. Black-Michaud (1986) argued that Ilam is a self-contained ecological unit large enough and endowed with sufficient areas of both high and low land for transhumant pastoral groups traditionally moving within it to find certain amount of grass at different altitudes on a year-round basis.

Ilam is famous for its tribal structure which until recently formed the basis of its political and socio-economic structure. People speak in Kurdish or Luri, but the formal language is Persian. Since the last few decades, the province has gone under drastic changes and the effects of modernisation have largely dismantled its political and socio-economic structures. But, kinship and family networks are still effective in daily activities, particularly in rural areas. For instance, kinship still acts as herding units, contract, marriage with close kin and so on (Tapper, 1979a). The concept of kinship therefore must be seriously taken into account in successes or failures of any projects, as well as the types and formation of the cooperatives under study. The researchers therefore focused on the whole range of relationships in which people from the cooperatives participated, both those internal to the cooperatives and those extending beyond the cooperative boundaries.

This is a survey research and the data have been collected among the members of the productive cooperative in Ilam county. It also can be called an applied research because the results are useful and practical for decision makers and community at large. As the data refer to the past, the research can be retrospective and eventually it is a decision oriented research because of the applicability of the results for community development.

The statistical universe are the entire productive cooperatives which are registered and established in Ilam county from 1983-2003. According to Cooperative Organisation of Ilam province, the Ilam county possessed 120 cooperatives. Among them 25 units were not productive which were omitted from the list. Therefore, the number of cooperatives which remained for this research was 95 units. It is thus the cooperatives which were the decision-making units with respect to organisation of production and employment. The members were also guided in their activities for obtaining a secure livelihood by purpose and by consciousness of choice and that they had the ability to evaluate the results of their actions.

In total, the members of the cooperatives were 805 persons. The sampling was systematic and 35 members were chosen for pre test. About 20% of the rest of the samples were elected for this research based on the same

sampling criteria. A questionnaire was administered for collecting of data. For validity and reliability of data, Cronbach Alfa experiment and the experts' advice were consulted. The analysis of data was done by SPSS and EXCEL in two parts, descriptive and comprehensive. In descriptive part, the statistical figures such as, Frequency, Percentage, Mean and in comprehensive section, T-Experiment (One-Sample Test) was used.

To determine the meaningful level of the role of cooperatives in production and generating employment, Co-Relational Experiment, K-Square and the analysis of Variance were applied.

For the purpose of collecting quantitative data, some different, but, inter-related indicators concerning the objectives of the research were analysed. Summary of the descriptive and comprehensive findings as well as the effective factors on job creation and employment patterns in rural regions of Ilam county were analysed, as follows:

## RESULTS

**Number of cooperatives and types of activities:** According to the data, among the total productive cooperatives 74.5% were active, 18% were semi-active and 7.5% were not operating. The main activities of the cooperatives revolved round raising animal husbandry (40.6%), as the physical, environmental and cultural patterns have proven; also a rising demand for red meat. About 27.1% in relation to gardening, experts believe that fruits grow better in valleys rather than deserts, because of soil content and moderate weather. About 20% were active in bee hiving, mountainous areas in Ilam county provide several kinds of herbivores and wild flowers for nutrition of bees. About 7.2% were operating in relation to nursery plants, this is a new device and there is a growing concern for this sector. Astonishingly, only 2.9% were working in handicraft, the urban made commodities with mass production and cheaper prices have undermined the local industries in this area. Eventually, 3.2% were working in other businesses.

**Number of members in each cooperative:** The majority of the cooperatives (84.5% encompassed 7 members) were running by close kin. Such a high rate of small cooperatives in Ilam county designates the crucial role of kinship in viability and endurance of cooperatives and their impacts on family and local economy. Only 3.9% of the cooperatives owned between 16-30 members. All cooperatives therefore possessed less than 30 members. These low numbers are in sharp contrast with many cooperatives with large numbers of members in urban regions.

**The level of education of the respondents:** About 30.3% were high school graduates, 30.9% studied secondary school, 13.7% elementary school, 11.7% adult education program, 12% illiterate. The extreme figure was the least university graduates who encompassed only 1.4% of the total respondents. The university graduates in Ilam county regard activities in agriculture and its by-products as low prestigious professions. They usually search for scarce governmental jobs.

**Age, frequency and percentage of respondents:** Table 1 illustrates the age distribution among the members of the cooperatives. The respondents are all above 25 years of age. The younger people may not be able to establish cooperatives or find other jobs because of the lack of resources. This is in spite of the fact that the youth are gravely suffering from the lack of decent jobs in their vicinity. This situation is a serious threat for the younger generation to remain in their villages and one of the main factors of migration to urban regions.

**Support of authorities:** Table 2 shows the rate of satisfaction with the authorities. Based on the result of the research 6.25% of the respondents were highly satisfied with the support of the government and 47.1% and 34.8% of the respondents' answers were positive again. This high rate of satisfaction requires a continuous monitoring and support to cooperatives until they become self-sufficient and do not need any helps from the state or other external institutions. The rest of the respondents (11.6%) were not happy with the services and support of the state.

### Comprehensive statistics

#### The role of cooperatives in increasing the rate of production

**H1:** Productive cooperatives and increase in production.

**H0:** Productive cooperatives are not effective in production.

Statistical analysis (One-Sample Test), on this hypothesis show that independent two-variable is failed and the contrast hypothesis H1 is accepted.

Table 3 shows that with the probability of 99%, there are positive co-relation between the establishment of cooperatives and the rate of production. The result also indicates that establishment of any productive cooperative results in raising 30-37% in production (mean 33.5%) in rural regions of Ilam county.

#### The role of productive cooperatives in employment

**H1:** Productive cooperatives and creation of jobs.

Table 1: The frequency and percentage of the respondents based on their age

Age group	Frequency	Percentage
<b>Under 25 years</b>		
25-35 years	41	28.9
35-45 years	58	40.8
45-55 years	18	12.7
Above 55 years	25	17.6
<b>Total</b>	<b>142</b>	<b>100.0</b>

Table 2: Respondents' satisfaction rate with authorities' support

Satisfaction rate	Frequency	Percentage	Aggregate rate (%)
Very high	10	6.25	6.5
High	73	47.1	56.6
good	54	34.8	88.4
Little	09	5.8	94.2
less	09	5.8	94.2
<b>Total</b>	<b>155</b>	<b>100.0</b>	<b>100.0</b>

Table 3: T-test experiment on the role of productive cooperatives in production rate

Test value = 0						
				95% Confidence Interval of the difference		
				-----		
	t	df	Sig.(2-tailed)	Mean difference	Lower	Upper
Production rate	18.997	154	0.000	33.429	29.952	36.905

**H0:** Productive cooperatives have not any effects on creation of jobs.

The result of T-Test (One-Sample Test), on this hypothesis show non-confirmation of the independence of (H0) 2-tailed variables and the opposite hypothesis (H1) is accepted.

The result of the statistics shown in Table 4 suggest that with the probability of 99%, there are positive and meaningful relationships between productive cooperatives and job opportunities. There are also high probability that establishment of any cooperative will result in creation of between 8-21 jobs (Mean 14.5) in rural areas of Ilam county.

#### Analysis of the effective factors on job and employment

**generation:** In addition to the main aims of this research (the employment and production in the villages of Ilam county), the affect of some factors which were supposed to have a positive impact on the potentials and abilities of productive cooperatives in raising job opportunities and employment were also explored.

These factors as follows: Place of residence, authorities support, kinship, individual characteristics, availability of infrastructure.

The results of the above factors were explored through such experiments as coefficient co-relation, K-Square and Analysis of Variance (these experiments are recently employed for finding out the effective factors in development of rural areas in the Third World).

Table 4: Experiment of T-test on the role of productive cooperatives in employment

Test value = 0					
t	df	Sig.(2-tailed)	Mean difference	95% Confidence Interval of the difference	
				Lower	Upper
Employment rate	4.425	154	0.000	14.710	8.144 21.277

The results as follows:

- Cooperation between the authorities and cooperative members although is effective in the process of cooperatives' activities, but, it does not have a meaningful and positive effect on raising the production and employment.
- Kinship among the members has positive impact in increasing the production but, it does not have a positive and meaningful impact on creation of jobs.
- The place of residence has a positive effect on raising the production and employment, but this relationship is not meaningful.
- Lower age with higher education have a positive and meaningful effect on production and employment.
- Development resources (road, electricity and so on) have positive impact on the production and employment rates.

## DISCUSSION

The results of this research indicate the establishment of productive cooperatives have a positive impact in rural areas of Ilam County leading to community development. There are many inspiring and promising examples of success and innovation of cooperatives which verify the results of this research. This is particularly true in relation to sustained improvement in the production capacity of the cooperatives. At the same time, there are some failures and shortcomings. The results are similar to research performed by Turnock (1998), Abdollahi (1996) and Hamdhaidari *et al.* (2007) who emphasis on the expansion of cooperatives as appropriate models in implementing sustainable practices.

In relation to employment, the results show that the establishment of cooperatives in rural areas increase job opportunities. This idea is confirmed by Smith (1985). The cooperative models are able to present job opportunities for those unemployed and seeking jobs. This role has been functional in the agriculture sectors of developed and developing countries. The information by the UN discloses that millions of villagers in developing and developed countries are working in cooperatives. For example, more than five million persons are employed by

cooperatives in Europe. The results of this research show that there is a 99% relation between the cooperatives and creation of jobs.

The results show that cooperatives are successful in areas that the members utilise their indigenous knowledge and available local resources. These factors are highly important in setting up the cooperatives in Ilam county. Chambers *et al.* (1989) has emphasised working with local or traditional institutions instead of creating new ones. For example, Ilam county has an appropriate background for traditional animal husbandry (Black-Michaud, 1986) and more than 40% of the cooperatives are functioning in this sector. Other variables such as lower age, higher education, place of residence have a positive effect on the production. In addition, the importance of kinship (Tapper, 1979a; Macionis and Plummer, 1997) in forming and functioning of cooperatives leads to the generation of production is decisive. Two other factors which are significant in the successes or failure of cooperatives are improved infrastructure and support of the government. The result shows since the cooperatives are at the stage of formation and development, the support of the state is vital. It must be stopped when the cooperatives end in self-sufficiency, otherwise they end in stagnation and dependency (Barnett, 1977).

Technical top-down macroeconomic management is now less important, particularly in rural areas exhibiting valuable local knowledge and expertise (Hirst and Thompson, 1996). Local knowledge is often situated in practice and in real situations. The emergence of farming systems research (FSR) in the late 1970s reflected many of these concerns. FSR focuses on the 'small farm' as a basic system for research and development and attempts to bring about the strong involvement of farmers themselves in every stage of the research and development process. FSR is emphatically holistic, treating decisions and procedures for one crop within the wider farming system and its economic, social and environmental components. This concept is relevant to this research. High number of small scale cooperatives (84.5% encompassed only 7 members) indicates the importance of cultural, socio-economic and environmental variables within the wider cooperative systems. This is also a holistic approach to understanding the social phenomena of small communities within the complex socio-economic and political structure of the modernising government. Evaluation of a cooperative in Bangladesh, proves the successes of cooperatives at the local level, as this research suggests. The wide-replication of the project weakened its effectiveness, since it had been stretched beyond the control of the founders and their constant care, inspiration and attention. Moreover, they argued the weaknesses of the cooperative system tended to be

dominated by richer farmers and viewed instrumentally as a means of securing subsidised inputs rather than as a system of mutual economic advancement.

Ansari (1993) and Taleb (1998) argued about the continuous interference of governmental systems in cooperatives' affairs which hinder the growth of the cooperatives.

### CONCLUSION

This study also illustrates how some of the cooperatives can become dysfunctional, taking on logic of their own, growing increasingly out of touch with their clients. Eventually, it was also observed that their success was inhibited by poor access to capital, aversion to risk and the training activities seemed to reach very few farmers.

### SUGGESTIONS

To minimise outsider ethnocentric assumptions about working with cooperatives and to understand the complex interconnectedness of social, economic and natural phenomena.

Developing a national framework for strengthening farmers' cooperatives. Cooperative specialists to train strengthening the staff training capability and developing appropriate training materials.

To learn cooperative management skills, define their particular needs such as production, processing marketing and so on. Without strengthening local communities and maintenance of their facilities, strategies for improvement are doomed to fail and thereby gain access to subsidised government credit and agricultural inputs for viability of cooperatives are imperative.

The above strategy may not coincide with the voluntarily and democratic nature of cooperatives. The exogenous organisations must therefore minimise their support or interference until the cooperatives gain confidence and self-reliance to stand on their own feet.

Members should practice and eventually learn to solve their economic problems collectively.

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