

The Role of Cooperatives in Providing Local Answers to Globalization

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by

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Ladies and Gentleman, Cooperators,

Let me first express my deep appreciation to INFOCOOP and to CONACCOOP for inviting me to address this important assembly and to deliver the warm greetings of the International Labour Organization and of its Director-General, Ambassador Juan Somavia. It is indeed a great privilege to be here and to share with you some ideas about the role that cooperatives can play in the globalized world economy. For the ILO this subject is much more than just a matter of academic interest - we look to you and other ILO constituents, be they from government, trade unions or employers organizations, to share views and map out a strategy for the promotion of what we call Decent Work, of which I will speak later on. The ILO's dialogue with the global cooperative movement is of critical importance to us as it helps us reflect on the ways in which we can translate the core principles of the ILO into practical reality. This dialogue goes back to the beginnings of the ILO in 1919 and to its first Director-General, Albert Thomas, who was a member of the Executive of the International Cooperative Alliance. Today, through the ILO's Cooperative Branch, we seek to support cooperative development worldwide through our standard setting activity, through information and publications and through our technical cooperation projects. While our resources are limited, we strongly believe that through partnerships with national and international cooperative movements we can establish the synergies necessary to create a significant impact. It is to advance the dialogue between the ILO and the Costa Rican cooperative movement that brings me here today. Again, let me sincerely thank you for your kind invitation.

Let me make a few comments about globalization itself and the ILO's concept of Decent Work before discussing the opportunities for cooperative action.

There are many views of globalization. There are those who consider globalization to be a panacea for all of society's ills and there are those who regard globalization as merely the latest stage in capitalism's oppression of working people. For the ILO, the rapidly changing global economy provides both challenges and opportunities, not all of which can be foreseen due to the way in which global economic forces are unfolding. The advance

of globalization has deeply affected the balance of relationships between the State, labour and business, and has brought new opportunities for wealth creation and prosperity together with new insecurities and inequalities. Rapid job creation in some countries and sectors contrasts with job loss and difficult economic adjustment in others. Information and communication technologies will continue to generate substantial shifts in production systems and in labour markets. The emergence of the knowledge economy is changing many of our assumptions, and creating new patterns of work across borders. How all these trends will affect employment, rights, social protection and social dialogue is far from clear, and indeed depends in large measure on the actions and priorities of ILO constituents and other social actors.

Each region lives these changes in a different way. The OECD countries are better placed to weather the shocks and take advantage of the opportunities of the global economy. This is not so for most developing and transition countries. Latin America=s opening up to the global economy, while including some notable successes, has also led to a succession of difficult adjustments with substantial social costs, and unemployment remains high. East Asia=s past successes have proved more fragile than expected; most countries of Central and Eastern Europe are still adapting to highly competitive trading environments; the Middle east remains highly dependent on the volatile price of oil; South Asia=s economic reform agenda is formidable and Africa remains on the margins of the new opportunities.

Despite many advances, close to one quarter (24%) of the world=s population lives on less than one dollar a day, with improvements in some regions and declines in others. Global income inequality has risen sharply as the gap between average income in the richest countries and in the poorest countries has doubled since 1960 to more than 30 times. Unemployment is a continual concern with, in Latin America during the period 1990-99, only 3 out of 10 new jobs meeting basic quality criteria, in terms of an acceptable income level and adequate employment and social protection conditions. The informal sector absorbed six out of every 10 new jobs created, mostly in low-income, self-employed service sector occupations. Everywhere, the cost of occupational injuries and illnesses is heavy, blatant violations of trade union rights is a sad reality in many countries and over 120 million children aged 5-14 years are working full time in developing countries - I could go on but I think the picture is clear. Despite the enormous economic and social progress that has been registered over the past four decades in all regions, progress has been very uneven.

It is against this background of challenges and opportunities that the ILO has developed the concept of Decent Work to encapsulate the primary goal of the ILO today which is *to promote opportunities for women and men to obtain decent and productive work, in conditions of freedom, equity, security and human dignity*. Thus, Decent Work implies access to employment in conditions of freedom, the recognition of

basic rights at work which guarantee the absence of discrimination or harassment at work, an income enabling one to satisfy basic economic, social and family needs and responsibilities, an adequate level of social protection for the worker and family members, and the exercise of voice and participation at work, directly or indirectly through self-chosen representative organizations.

To quote a recent ILO report: "In this fluid and unpredictable global environment, the needs of people and families must be brought to the fore. If the new global economy is to deliver a better life for everybody, it has to meet the aspirations of people for security and employment, for voice in their workplace and in their community, for rights and dignity in their work, and for the ability to provide education and opportunities for their children. These simple, basic demands underlie popular reactions to globalization. People are demanding that the global economy works for everyone".

How, therefore, should cooperatives view globalization and how do people see the role of cooperatives in a globalized economy?

I think that cooperatives would be wise to view globalization as a reality, as a fact of life, with all its accompanying threats and opportunities rather than joining the forces of those who reject globalization out of hand. Rejection, while having its superficial attractions, will not advance the interests of cooperative members and their communities. Knowing how to respond effectively to globalization without losing the cooperative identity is a more appropriate strategy to adopt and one which I will explore in a moment. First, though, we should recognize that there are those who regard cooperatives as somehow "inappropriate" in the new world economic order. These people say that because cooperatives are not purely motivated by profit, because they are not based on a share-dominated model and because they are locally rather than globally based, they "do not fit" the current paradigm of the individualistic, competitive, liberalized and globalized market place. The ILO's view is precisely the opposite - cooperatives have a tremendous opportunity precisely *because* they have a special identity, *because* they have both economic and social objectives, *because* they are values- and community-based, *because* they are people-oriented and *because* of their network of linkages through the cooperative movement. In terms of the Decent Work paradigm that I have spoken about, cooperatives could lead the way in demonstrating what we really mean by *freedom, equity, security and human dignity*. After all, are these not the essence of cooperative values as expressed in the ICA's Statement of Cooperative Identity? Thus, cooperatives, by being true to their basic principles, provide locally-based answers to globalization.

In order to play this role effectively, however, we should ask what are some of the tasks and options that cooperatives could undertake in order to articulate local responses to globalization. There are eight areas which I would like to focus on:

1. **Strengthening cooperative identity** - The threat of demutualization is a real one and expresses a desire, held by some, for cooperatives to be “like the others”. The motivation for demutualization is based largely on ignorance and a lack of education. We have to face the fact that member education has often been lacking and that the benefits of mutual aid and solidarity are not universally understood. Without a doubt, these values have been under considerable attack globally as market fundamentalism has marched forward and parts of the cooperative movement have been affected as a result. The tide can be turned through successful education programmes for members, leaders and staff.
2. **Strengthening member services** - Cooperators are pragmatists driven by vision and values (or “having the head in the clouds and the feet on the ground”). The ties that link members with their cooperatives are rooted in the quality of the services they receive and no amount of theorizing can substitute for that axiom. Strengthening member services through successful cooperative entrepreneurship is therefore a precondition for cooperative survival in an increasingly competitive market. Members are looking for new and innovative services, effectively and efficiently delivered, to answer their economic and social needs. Thus, qualified and competent leadership and management must be groomed to be able to deliver these services. Value-based professional management must not just be a well-meaning slogan but the cornerstone of everyday practice in cooperatives.
3. **Promoting gender equality** - The Statement on the Cooperative Identity refers in a number of instances to gender equality but we know that in cooperatives, as in other walks of life, the reality is different. Apart from the moral argument, which does not need elaborating here, providing equal opportunity for women in cooperatives makes sound economic sense too. Women are a huge untapped resource for cooperatives - they are producers, consumers, activists, managers and leaders - but they are so often not given the chance. If cooperatives really wish to articulate local answers to the inequalities produced by globalization then gender equality is clearly a high priority item. Support for women's empowerment programmes is vital, as well as leadership training for women, but in addition much work must be done to sensitize male leaders to the need to promote gender equality. We in the ILO have produced training materials to help cooperatives deal with these questions and we stand ready to assist if called upon.
4. **Establishing business alliances** - One of the greatest assets of the cooperative movement, which is presently under-utilized, is its network of vertical and horizontal links both on the national, regional and international levels. One of the key conditions for success in the global market place is the ability to forge

strategic alliances with partners. Who is better placed to do this than the cooperative movement? These alliances may take different forms but the experience of, for example, cross-border alliances and even multinational cooperatives in Europe are worth studying. In the Nordic countries consumers' cooperatives in Sweden, Norway and Denmark are merging operations in an attempt to maintain their share of the highly competitive consumer market. Dairy cooperatives in the Netherlands and in Germany are working together as never before. They have reached the conclusion that this is the only chance for survival in the European market. The challenge they will inevitably face is how to maintain local control in an ever-growing and expanding business but, nevertheless, these initiatives are genuine attempts to compete with multinational enterprises on their own playing field and still serve local interests.

5. **Promoting e-commerce** - More and more business is now being conducted over the Internet with a number of very interesting success stories and perhaps some even more interesting failures. There are, of course, the new companies that only trade over the Internet but these are the exception - for most businesses, e-commerce is a marketing avenue which supplements their more traditional marketing strategies. Cooperatives have also entered this field, including in Latin America, with varying degrees of success. There is much to learn from others' experiences. As you may know, through the joint efforts of the National Cooperative Business Association of the USA, Poptel, an Internet cooperative in the UK, and the ICA, the ".coop" suffix has been approved as a top level domain by ICANN, the Internet's governing body. This recent success will enable cooperatives to trade globally over the Internet while advertising their identity as cooperatives. Cooperatives may continue to use the ".com" suffix or those used on the national level such as ".co.cr", but the ".coop" suffix opens up new marketing channels for cooperative products on a global scale. As Internet connectivity increases by the minute, so the opportunities also increase. Is this "thinking globally and acting locally" or "thinking locally and acting globally"? I don't know, but cooperatives would be wise to study the implications for their own business operations.
6. **Social alliances** - The cooperative movement is one of the longest surviving social movements in the world but cannot survive in splendid isolation. It must establish and develop linkages and build coalitions with other major players in civil society in order to promote the cooperative agenda. I am particularly thinking of trade unions and employers' organizations because these are the constituents of the ILO, and in some ways the natural allies of the cooperative movement, but also of NGOs, peoples' organizations and the women's movement, to name but a few. These organizations are also searching for partners to promote their own interests and where a commonality of concern exists joint campaigns can be established for the mutual benefit of all. Of course, the

choice of partner will inevitably depend on the circumstances in each society, but insularity will not serve the interests of the cooperative movement. The formation of selective lobbies can help cooperatives promote not only their economic interests but also ensure that members and local communities benefit from prevailing global opportunities in a broad sense.

7. **Image promotion** - Returning to the point that I mentioned before about negative views of cooperatives, I was very pleased to see in a recent ICA publication that the “enhancement and promotion of the cooperative identity and image is, without comparison, the most important focus area on the ICA agenda”. A comprehensive “Cooperative Image and Identity Programme” to be implemented over the next 2-3 years is soon to be launched, involving the ICA itself, its specialized bodies and its member organizations. This is an initiative of major importance for cooperatives on all levels and in all countries but its success will depend on the involvement of every part of the ICA network. The improvement of the cooperative image on the global level will impact on the image at the country level and vice versa. In our “global village of rapid communication and transfer of information and knowledge, we are all affected by what happens in other parts of the globe. Negative cooperative development experiences in one country will adversely affect the image of cooperatives, their ability to raise funds, recruit and maintain members, and survive and grow their businesses in others. The distinction between the “local” and the “global” becomes blurred in a global economy. Large multinational businesses have learned this a long time ago - it is time for the cooperative movement to exploit one of its finest assets - a fantastic worldwide network of businesses based on solidarity.
8. **Lobbying for an appropriate legal and regulatory environment** - An appropriate legal and regulatory environment, or what is often known as “a favourable climate for cooperative development” is also of critical importance. Over and above what cooperatives do to serve their members, only too often they are hindered by interference by the State, by heavy-handed regulations and by overbearing auditing procedures. Cooperatives have long called for the role of government to be limited to the establishment of a policy and legal environment based on the cooperative principles, on the establishment of an institutional framework allowing for the registration of cooperatives in a rapid and simplified manner, for an environment that promotes a vertical cooperative structure and for oversight measures on equal terms to those applied to other forms of enterprise. This does not imply that governments have necessarily *intended* to restrict cooperative businesses but often their enthusiasm for cooperatives as instruments of government policies has led them to become too involved in the day-to-day running of cooperatives. As you may be aware, the ILO has been deeply involved in the last decade in assisting member states,

through a participatory process, to adopt a liberalized and more open policy and legal environment so that cooperatives can flourish as member-controlled, democratically-managed enterprises.

An important step in this work is the decision of the ILO's Governing Body to place on the agenda of the International Labour Conference in 2001-2 the revision of the current ILO Recommendation (No. 127) on cooperatives. The first discussion will take place in Geneva in June this year which we hope will lead to the adoption of a new Recommendation in 2002. For this process to be successful it is of vital importance that cooperatives, governments, workers' and employers' organizations on the national level enter into a dialogue to sensitize each other to their respective interests and concerns. A discussion at the International Labour Conference in Geneva on the Promotion of Cooperatives may seem, on the face of it, quite far away from the concerns of cooperative members at the grass roots level, but as I have stressed, what happens on the global level increasingly affects what happens on the local level and vice versa. One local cooperative answer to globalization may therefore very well be an involvement in the process of revising the only existing international standard on cooperatives - ILO Recommendation No. 127.

I strongly believe that a consideration of these eight areas of focus may point to a broad strategy for cooperatives to provide local answers to globalization.

In this short presentation I have tried to outline how the ILO views the role of cooperatives in a globalized economy. The ILO, however, is only as powerful and influential as its constituents are. We need your help and advice at least as much as we hope you value our support.

With these words I wish you, on behalf of the ILO, a very fruitful and successful Congress. Thank you.