

The ILO - Cooperative Service since 75 Years

THE INTERNATIONAL LABOUR ORGANIZATION - COOPERATIVE SERVICE SINCE 75 YEARS

by Joe Fazzio and Gabriele Ullrich 1/

The present interest in the United Nations (UN) takes place in different, often contradictory forms. The interest may be positive and negative, however, it is often linked with weak knowledge of structures, instruments and activities of the various UN agencies. What is known about the activities refers mostly to politics, peacekeeping efforts and macroeconomic issues. It is less known how the UN system responds through various structures and instruments to the concern of people in their daily struggle for economic and social survival in their environment. This mostly takes place through the people's own organizations, among them particularly cooperatives and similar organizations.

The promotion of cooperatives is an area of concern for the UN which has recently attracted new attention in the global UN system and is being taken up by UN structures with various instruments. Based on the report of the UN Secretary General on the global situation of cooperatives 2/, the General Assembly of the UN adopted a resolution 3/ which provided a new challenge for specialized agencies of the UN such as the FAO, ILO, UNESCO and UNIDO in promoting cooperatives. In 1994 the Secretary General issued a new report on cooperatives 4/ which led to Resolution A/49/605. The first of July 1995 was declared for the first time the International Cooperative Day for the UN system. The UN issued a special press release 5/ which featured cooperatives as business enterprises within the market system, being both economic and social with a declared ethic of social responsibility while being private enterprises. As "schools for democracy" they fostered social partnership for sustainable development.

Within the UN system the largest programme for the promotion of cooperatives exists with the International Labour Organization. The ILO, with its headquarters in Geneva, is the oldest special agency of the UN system. It was founded in the times of the League of Nations in 1919. Its constitution was established as annex to the Treaty of Versailles at the end of the first World War. Despite this historical weight the ILO is unknown to the public of many countries. Among specialists the ILO is either known as the UN Organization which develops international conventions and recommendations (standards) for the improvement

of working and living conditions of the populations or as an UN organization for the execution of development projects in the framework of technical cooperation through its Secretariat, the International Labour Office. It is rather seldom known how these two types of activities interact and by this offer a unique potential for sustainability.

The example for promoting cooperatives shall illustrate how the ILO can contribute effectively through the above mentioned instruments to developing and sustaining democracy and at the same time to alleviating poverty.

The foundation of the ILO in 1919 was meant to promote social justice and improve living conditions all over the world. One of the most important conditions for this end was the freedom of association which included also the establishment of cooperatives and similar self-help organizations. Democracy could best be practised in self-managed and self-controlled organizations. The social movements of the 19th century influenced hence the founders of the ILO and those of the cooperative movements.

The constitution of the ILO provided therefore for official consultations with the international recognized organizations of employers, workers, agriculturists and cooperators. Consequently, the International Co-operative Alliance (ICA) was given from the beginning a special observer status the right to speak at any ILO body or meeting. Moreover, the Office established in 1920 a special Cooperative Service. The consultations with the cooperators never reached the status of those with the employers' and workers' organizations who have together with the governments voting rights in all ILO bodies.

However, in the past 75 years frequent and worldwide meetings of experts took place on questions on cooperative development. They led to the establishment of a standing panel of experts on cooperatives and in 1966 to the adoption of the ILO Recommendation No. 127 Concerning the Role of Cooperatives in the Social and Economic Development of Developing Countries.

This Recommendation was adopted in the times of intensifying technical cooperation with developing countries and was hence addressed to the governments of these countries. In the 60s and 70s they were considered to play an important role in promoting cooperatives and similar self-help organizations which were regarded as instruments for achieving global development goals. This approach started changing in the 80s nevertheless Recommendation No. 127 as the only international standard on cooperatives was recognized for having contributed significantly to develop a more precise idea of cooperative policy and legislation. The text gave a clear definition, that a cooperative is "...an association of persons who have voluntarily joined together to achieve a common

end through the formation of democratically controlled organization, 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" (12, 1(a)).

This formulation is up-to-date recognized and allows to include also similar self-help organizations in other legal forms or without legal personality to be included in the deliberations. The ICA Statement on Cooperative Identity which was declared at its Centennial Congress in Manchester 1995, follows in its definition the major lines of the definition in the ILO Recommendation No. 127.

Recommendation No. 127 puts furthermore emphasis on the importance of cooperative legislation and related laws in promoting cooperatives, on the importance of education and training, of financial and administrative aid as well as on the importance of supervision and international cooperation.

After the adoption of Recommendation No. 127 by the International Labour Conference 6/ in 1966 another meeting of experts took place in 1968 in order to analyze the impact of the Recommendation. The experts came to the conclusion that it was too early to assess the consequences of such a far reaching recommendation. However, the framework for the cooperative development policy of the ILO itself was established.

As an UN Organization which has to respect the autonomy of national policies and therefore cannot influence the implementation of a recommendation directly, the ILO's activities were limited to making the Recommendation known and to promoting its ideas through technical cooperation projects with cooperative movements and authorities in the countries concerned.

In the following period which lasted 25 years, no further meetings of experts were organized by the ILO on this subject. The Cooperative Service of the ILO concentrated its efforts on the implementation of technical cooperation projects for cooperative development. Meanwhile, the research and information activities lost their importance. Financed through multi-bilateral programmes of the Scandinavian countries, the Netherlands, Switzerland and later also Germany, France and Italy as well as through the UNDP such projects assisted the creation of cooperative authorities, training and development centres. This resulted in an increased foundation of cooperatives and the improved education and training of the members and staff of cooperatives.^{7/}

In order to promote the economic autonomy of cooperatives projects fostered the trade among cooperatives, the development of training materials on cooperative management (the best known is certainly MATCOM 8/), the adjustment of

cooperative structures to the requirements of economic undertakings e.g. in the areas of accounting, audit and credit. At the same time the ILO provided advisory services on cooperative legislation which was one of the issues Recommendation No. 127 focused on.

In the course of the 80s, however, it became more and more evident that the cooperative authorities of the countries concerned did not so much forward their know-how to the cooperative movements, but rather use it for directing and controlling cooperative affairs. As the human capital of most of the developing countries was concentrated in governmental structures, the efforts of training and sensitization started in these structures. At the end of the 80s many political declarations, however admitted that the state has to withdraw from interventions in cooperatives (e.g. at the ILO 7th Regional Conference for Africa in Harare 1988). In order to promote the development of democratic forces other approaches had to be developed for also in promoting self-help organizations: education and training at grassroots level, assistance for the creation and management of autonomous cooperatives and self-help groups, development of participatory approaches in promotional activities and the setting of a political and legal environment conducive to cooperative development.

The Cooperative Branch of the ILO developed various programmes which aim at facilitating acquisition of know how, skills and attitudes directly at grassroots level 9/, at the economic survival of cooperative organizations 10/, the adjustment of structures and policies to the changing environment 11/, and at facilitating networks among cooperative institutions at national, regional and interregional levels for the development of their human resources.12/ In these programmes poverty alleviation through increasing income and (self-) employment and developing democratic behaviour go hand in hand.

In 1993 the ILO convened after 25 years another worldwide meeting of experts on cooperatives. It was meant to assess developments in this area which are of relevance to the ILO mandate. In particular the above mentioned Recommendation No. 127 was to be analyzed, as well as the role of human resource development in the economic viability, efficient management and democratic control of cooperatives and the role of cooperatives in the promotion of employment and income. With these agenda items the experts assessed the role of such organizations in the improvement of the economic situation and of social justice of lower income groups in the sense of the UN Resolution of 1992.

The role of such expert meetings is to advise the Director General of the Office in the preparation of subjects relevant to the International Labour Conference. At the meeting in 1993, 15 experts from cooperative institutions from all over the

world as well as two each from employers' and workers' organizations were present. Twelve observers from institutions working in this area, including the ICA having a standing observer status in ILO meetings also participated.

The experts were of the opinion that Recommendation No. 127 had contributed significantly to cooperative development in the countries concerned. The text of the Recommendation, however, should be revised in the light of changes in the democratization, structural adjustment and employment. In particular should the Recommendation be addressed to all countries, as the observed global developments and changes also apply to the new democracies in Central and Eastern Europe and to industrialized countries in the West. All countries should create an environment which is conducive to the development of cooperatives able to survive as private enterprises: without state intervention and with abusing them as instruments to implement macro-economic goals. The experts underlined that such developments are only possible if the human resources or the human capital of all groups concerned is well prepared to participate in and contribute to these developments.

Cooperatives and similar self-help organizations were considered by the experts to be an efficient possibility of self-employment and thereby for the absorption of the workforce which can be neither employed by big and small private enterprises or by the public service or enterprises. According to the World Labour Report of the ILO in 1992 in most developing countries less than 50 per cent of the workforce in the non-rural sector and less than 75 per cent in the rural sector are absorbed by wage employment. This fact makes the search for alternative employment opportunities to one of the most urgent challenges at the end of this century. Cooperative organizations offer for micro, small and medium entrepreneurs survival in the formal and informal sector but also an improvement of the living standard of households in these sectors. Through joining together in such organizational forms, small economic units can obtain services, finance and information at favourable conditions. Thus cooperatives have an impact on the employment and income situation and can contribute to poverty alleviation in developing countries.

At the ILO meeting in 1993 the experts of cooperative institutions, employers' and workers' organizations confirmed these effects of cooperative organizations. Nevertheless they warned to draw from there the conclusion to abuse such self-help organizations as instruments of governments, donors and NGOs for the achievements of macro-economic goals. 13/

In May 1995 the ILO convened another worldwide meeting of experts in the area, this time with a focus on cooperative law. The Governing Body of the ILO decided that the agenda of the meeting was to treat the impact of labour law,

industrial relations systems and international labour standards on cooperatives and cooperative law as well as cooperative law and the regulatory role of the State.

The Meeting noted that recent economic trends throughout the world, including structural adjustment and particularly privatization, have highlighted the role of cooperatives in promoting self-employment and wage employment. Cooperatives are being formed with a strong emphasis on their original values, including collective self-help, equality, democracy and strong member participation. The growth of the cooperative movement worldwide required an examination of labour law and labour relations in relation to cooperatives as business enterprises, which are employers. In recent years, due to increased competition in the market economies, many cooperatives have grown from small member-owned and operated enterprises into larger business with a formal organizational structure, a detailed division of work and with salaried employees and managers. This was the case for both service and production or worker cooperatives.

Therefore, cooperatives have become increasingly subject to the application of labour law and labour relations systems as any other form of business enterprise in the private sector.

The Meeting considered nevertheless that the issue was more complex in the case of worker cooperatives, where the members were simultaneously both the owners and the workers. The members as self-employed individuals are subject to an association agreement to establish a cooperative business enterprise as owners, and yet at the same time they work in the enterprise.

The Meeting noted that a major question arises in the case of worker cooperatives as to whether the member-workers have the legal status of employees and thus are subject to labour law, or whether they are independent self-employed workers subject only to the agreement of association establishing the cooperative.

Legal practice in many countries does not provide a clear answer to this question. Thus the application of legislation governing hours of work, holidays, minimum wages and collective bargaining is often difficult to enforce in these circumstances. The Meeting, however, noted that safety and health as well as social security aspects should receive particular attention. The Meeting was of the opinion that the relationship between the cooperatives and the labour market should be further investigated.

The issue of labour relations was also examined by the Meeting. The experts observed that the traditional employer/employee relationship would apply to paid managers and workers in cooperatives who are not members. The critical issue,

however, is the relationship between the management of a cooperative enterprise as an employer and the members in their quality as both owners and workers. This management-member relationship in cooperatives is very important, especially when compared to other forms of business enterprises, as the members are not only owners of the enterprise but are simultaneously involved in business operations as suppliers or clients or as workers. This relationship has inevitably given rise to legal problems, but the general trend is to apply to at least worker-members all the benefits of labour law and social security, as in the case of worker non-members.

The Meeting gave careful consideration to the importance of international labour standards to cooperatives, their members and non-member employees. The experts noted that the standards concerning employment, training, social policy, freedom of association, labour administration, occupational safety and health, social security and working conditions were all relevant to worker members and non-member employees alike. Furthermore, the Recommendation concerning the role of cooperatives in the economic and social development of developing countries, 1966 (No. 127) was reviewed and judged to have had a beneficial impact on the promotion of true democratic and independent cooperatives. The experts therefore endorsed the conclusion of the earlier Meeting of Experts on Cooperatives in 1993 that the Recommendation should be revised to update and extend its policy guidelines to all countries and that ILO member States should take appropriate action.

The Meeting also gave careful attention to the regulatory role of the State in cooperative law in the light of changing economic conditions in the world of today. Due to recent trends towards political liberalization and the market economy in developing countries and economies in transition, long-established government supervisory structures have been called into question and have been weakened. The role of the State and of cooperative law has changed, and basic elements of the legal structure such as collective, cooperative or state property have now become part of the private sector. Cooperatives, formerly viewed in some countries as parastatals, have become true private and autonomous institutions. Structural adjustment policies have reinforced political liberalization and the trend towards democratization, de-officialization and the deregulation of the cooperative

movements in developing countries and in the former socialist countries. The experts noted that experience has shown that cooperatives cannot develop under strong government control, and that the trend is towards the reform of cooperative law to limit the regulatory powers of the State. In developed countries, the role of the State under cooperative law has been historically limited to a promotional role based on the belief that efforts should be encouraged to improve the business efficiency of cooperatives and to enhance their capacity to compete with other enterprises. At the same time, cooperatives are allowed autonomy to adopt rules of management and finance similar to other forms of enterprises in the private sector. The Meeting endorsed the view that the required reform of the regulatory role of the State would be facilitated by a revision and updating of Recommendation No. 127. 14/

Through the results of these meetings of experts a process was initiated which has led to discussions at the level of the Governing Body of the ILO and of the International Labour Conference which may result in a revision of Recommendation No. 127. This would, however, depend on the reaction of governments, employers' and workers' organization represented in these bodies and also in the need for such a discussion expressed in the lobbying process for the agenda of these bodies. The disadvantage for the cause of cooperatives is here that there is no formal constituency in the ILO bodies and thus the lobbying has to take place via the voice of governments', employers' and workers' representatives. The dialogue among the over 172 member States of the ILO, involving governments, employers' and workers' organizations as well as cooperative federations would yet re-launch the concerns of cooperatives and similar self-help organizations at broad and highest levels. Never before was the chance greater for them to be recognized as autonomous, economically self-reliant and democratically controlled enterprises of the private sector, which should be offered the same opportunities for development as other private enterprises: without interference from the State, however, in an environment where they can develop the impact which was described above. This concerns the improvement of the employment and income situation as well as the development of human resources.15/

At the same time the Cooperative Branch of the ILO continues its assistance to the cooperative institutions and those to create

for them an enabling environment through technical cooperation projects and advisory services. They are meant to help improving the conditions for democratic attitudes and efficient management as well as the development of employment and income opportunities.

NOTES:

- 1/ Joe Fazzio is Chief of the Cooperative Branch of the ILO; Gabriele Ullrich was until September 1995 Chief of the Section on Human Resource Development, Legislation and Information in the ILO Cooperative Branch.
- 2/ Status and role of cooperatives in the light of economic and social trends, Report of the Secretary General of the UN (A/47/216/43) of 28 May 1992. The drafting of this report was assisted by the Joint Committee for the Promotion and Advancement of Cooperatives (COPAC) to which besides UN agencies also international NGOs such as ICA and WOCCU belong.
- 3/ UN General Resolution 47/90 adopted on 2 November 1992.
- 4/ Status and role of cooperatives in the light of new economic and social trends, Report of the Secretary General of the UN (A/49/213 of 1 July 1994).
- 5/ United Nations in Focus: "Cooperatives: Schools for Democracy", New York, 1 July 1995
- 6/ The International Labour Conference (ILC) is the annual general assembly of the International Labour Organization which offers the member governments, employers' and workers' organizations a global forum for the discussion of social and labour issues. The ILC adopts the international labour standards and the Office's budget.
- 7/ See also the ILO background paper for the Meeting of Experts on Cooperatives in 1993 by H.-H. Munkner "Review of the Impact of the Recommendation Concerning the Role of Cooperatives in the Economic and Social Development of Developing Countries", Geneva 1992.
- 8/ ILO Materials and Techniques for Cooperative Management Training.
- 9/ The ACOPAM (Appui associatif et cooperatif aux initiatives de developpement la base) and INDISCO (Inter-regional programme to support self-reliance of indigenous and tribal communities through cooperatives and other self-help organizations) programmes.
- 10/ The INTERCOOP (International network of cooperative trade

partners) programme.

- 11/ The COOPREFORM (Structural reform through improvement of cooperative development policies and legislation) programme.
- 12/ The COOPNET (Human resource development for cooperative management and networking) programme.
- 13/ ILO Final Report on the Meeting of Experts on Cooperatives, Geneva, 29 March to 2 April 1993, ILO Working Paper on Cooperative Development, 1993.
- 14/ The report of the meeting was approved by the Governing Body of the ILO in its 264th Session (November 1995).
- 15/ The role of cooperatives as "schools of democracy" in the process of economic liberalization and of employment creation is specifically emphasized by the ILO Director General's report of 1992 on "Democratization and the ILO".

January, 1996