

**The ILO and Cooperatives:  
A global perspective towards the International Year of Cooperatives  
University of Kobe  
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Dear Students,

I am very grateful to Professor Yoshio Takigawa for his invitation to inaugurate this Cooperative Theory Lecture Series, and I sincerely congratulate him and the Faculty of Economics of University of Kobe for this initiative.

I think it is quite a visionary step of this prestigious institution to introduce the teaching of “cooperative theory” in your lectures to familiarize young women and men with the cooperative philosophy and approach.

I am pleased to be with you this afternoon, to represent an institution that, as I will explain in a moment, has been promoting the cooperative ideals for 93 years.

### **The ILO and the cooperative spirit**

The International Labour Organization was founded in 1919, as part of the Treaty of Versailles that ended World War I, to reflect the belief that “universal and lasting peace can be established only if it is based upon social justice”, as enshrined in the ILO constitution.

It is the international organization responsible for drawing up and overseeing international labour standards. Its unique tripartite structure gives an equal voice to workers, employers and governments to ensure that the views of the social partners are closely reflected in labour standards and in shaping policies and programmes.

From the onset, the ILO recognized the importance of cooperatives in fulfilling its mandate, and in 1920 it established a specialized unit focusing on cooperatives, the Cooperative Branch. Article 12 of the ILO constitution referred to consultation with the international organizations of cooperators, and since then the International Cooperative Alliance has had general consultative status with the ILO. Today, the ILO is the only specialized agency of the United Nations with an explicit mandate on cooperatives.

The close connection of the ILO with the cooperative movement was established since the beginning by the first Director General of the ILO, Albert Thomas who was a French cooperator

and a member of the Central Committee of the International Cooperative Alliance. He once said: “I am a Co-operator and, as such, I have the greatest and fullest confidence in the virtue and efficacy of the cooperative spirit”.

This confidence in the cooperative spirit was shared by the great co-operator, Toyohiko Kagawa, who was born here in Kobe, and a common vision united the two men.

In 1928, Mr. Thomas undertook a visit to Japan that lasted 26 days and was considered a success. Kobe was central to this visit. “Arubato-To-mah” visited Kobe twice in December 1928, upon his arrival in Japan and just before his departure. In this city he met the representatives of the Trade Union of Japanese Sailors and visited the Mitsubishi ship yard. The last “Banzaïs” before his departure from Japan were said to him in Kobe. This visit was critical for the development of relations between the ILO and Japan, particularly in regards to international labour standards.

### **The ILO and cooperatives**

One of the most important functions of the ILO is the negotiation and adoption of Conventions and Recommendations which set international labour standards. When ratified by member states, these conventions create obligations to implement their provisions. Recommendations, on the other hand, provide guidance on policy, legislation and practice; they are not ratified.

A number of international labour standards make direct or indirect reference to cooperatives, but one is entirely devoted to cooperatives: the Promotion of Cooperatives Recommendation (No. 193), adopted in 2002. This recommendation revised and replaced a previous one, the Cooperatives (Developing Countries) Recommendation of 1966 (No. 127). As you can imagine there were many significant changes in the world and in the cooperative movement between 1966 and 2002, and the new Recommendation makes an effort to reflect them.

For instance, the previous recommendation was limited only to developing countries, while the current one is universal and covers all countries independently of the level of their economic and social development. The previous one mirrored the development concerns of the 1960s, especially in the approach to the role of governments and cooperatives in the development process. In some respects, it tended to overemphasize the role of governments in cooperative development and did not sufficiently stress the autonomous character of the cooperative identity. Today, cooperatives are not seen so strongly as tools in the hands of governments.

Recommendation No. 193, which applies to *all types and forms* of cooperatives, emphasizes the business orientation of cooperative enterprises and the role of the State in creating an enabling environment as facilitator of cooperative activity. It upholds cooperative principles as developed by the international cooperative movement, referring in particular to the Statement on the Cooperative Identity adopted by the ICA in 1995.

Since 2002, the ILO has been disseminating the Recommendation in partnership with the ICA in order to promote a better understanding of cooperatives and provide guidance on appropriate policy. Advisory services based on the new Recommendation have been provided to numerous countries and the Recommendation itself has been translated into 34 languages, including Japanese. The promotional process goes together with concrete applications of the Recommendation.

This year, Recommendation 193 on the Promotion of Cooperatives celebrates its 10<sup>th</sup> Anniversary. Since 2002, it has inspired more than 70 countries to change their policies and legislation based on its provisions. Cooperative laws adopted since have increased cooperative autonomy and self-reliance, and enabled more sound cooperative governance and management. We can proudly say that today, most countries in the world have established a conducive legal and institutional basis that allow genuine cooperatives to emerge and flourish. The ILO has supported this process through research, information collection and sharing, technical assistance and advisory services.

In addition to providing advice on cooperative policy and cooperative law, the ILO's Cooperative Branch, advises on the impact on cooperatives of taxation policies, labour law, accounting standards, and competition law among others. It also serves constituents and cooperative organizations in: raising public awareness on cooperatives through evidence based advocacy and sensitization to cooperative values and principles; promoting the competitiveness of cooperatives by tailored tools such as management training, audit manuals and assistance programmes; strengthening the capacities of cooperatives and their apex bodies via technical cooperation projects and programmes; and promoting the teaching of cooperative principles and practices at all levels of the national education and training systems.

Currently ILO work on cooperatives is well on its way to being integrated into a number of our Decent Work Country Programmes, and a range of technical cooperation projects on youth employment, local economic development, value chain development and gender equality in countries that range from Bolivia, Peru and Colombia in Latin America to Tunisia, Egypt, Ethiopia, Tanzania and South Africa in Africa and Sri Lanka, Vietnam, Indonesia and Philippines in Asia.

My.COOP is a training package and programme on the management of agricultural cooperatives that is being utilized in the context of a number of technical cooperation projects. It is the result of a collaborative effort with a wide range of partners including: Agriterra, the FAO, the International Training Centre of the ILO, NGOs and universities. Currently it has been translated into Spanish, French, Bahasa Indonesian and Arabic. Vietnamese and Chinese translation and adaptations are under way.

The ILO also works in partnership with the International Cooperative Alliance (ICA), the representative world body of cooperatives and is a member of the Committee for the Promotion and Advancement of Cooperatives (COPAC), an interagency committee which promotes

sustainable cooperative development. It also collaborates with cooperative development agencies and training institutions.

The ILO's cooperative strategy for 2013-15 outlines the plans on how to address the multiple outcomes and priority areas of our institution from youth employment and rural employment to informal economy through cooperatives. A critical area under the strategy that is worth mentioning is the strengthening of cooperative statistics and research related to the world of work.

### **Cooperative values and the Decent Work Agenda**

The values and principles of the cooperative movement – including self-help, democracy, equality, equity, solidarity, honesty, openness, social responsibility and the principle of caring for their members and their communities – are fully in line with the values and principles of the ILO.

Cooperatives contribute to the four pillars of the Decent Work Agenda: promoting rights at work, increasing employment and incomes, extending social protection, and strengthening social dialogue.

As ethical organizations and with these values, cooperatives contribute to promoting rights at work. The ILO sees cooperatives as important allies in ensuring good work practices and respect of workers' rights.

As for job creation, cooperatives are major employers in many countries, providing direct, indirect and self-employment. They provide income through salaries to their employees, and directly to members. They also promote employment in other business sectors and they boost local economies. For these reasons the ILO is keen on advancing employment through the cooperative enterprise.

Cooperatives are also providers of social protection. Given the fact that 80 per cent of the world's population is still not covered by any form of social protection and the tendency towards privatization of social security systems, there is an important role for cooperatives to play in managing social security systems.

Finally, cooperatives are schools of democracy, they promote dialogue, consultation and negotiation. They are a powerful way of organizing and providing voice to many small economic and social actors that often do not have other ways of coming together. In this way they are an important channel to strengthen social dialogue, as they are often linked to both employer and worker organizations.

## The contribution of cooperatives to inclusive and sustainable development

Cooperatives are a very significant segment of the world of work. Consider the following:

- It is estimated that there are 100 million cooperative employees in the world today; this is 14 million more than the total number of workers employed in multinational corporations.
- It is also estimated that more than 50 per cent of the global agricultural output is marketed through cooperatives.
- The credit union movement is significant in 100 countries, where more than 51,000 unions have nearly 200 million members. They have US\$ 1,563 billion in assets and more than one 1,000 billion in loans. Some of the largest banks in the world, including Dutch Rabobank, Credit Agricole and Credit Mutuel in France, and DG Bank in Germany are cooperatives.
- The UK has now 5900 cooperative enterprises, compared to 4800 three years ago. They range from the mighty Co-operative Group, with £15 bn turnover in food retailing, travel, pharmacy, banking and funeral care, to small co-ops of freelancers, taxi drivers, pubs and football clubs.
- In Switzerland, the largest retailer and private employer, MIGROS, is a cooperative.
- Right here in Japan, I understand that 9 million family farmers are members of cooperatives.

Cooperatives are by their nature and principles socially inclusive and potent tools for empowerment of vulnerable groups. Indigenous people in remote rural areas, refugees, migrants, rural women, unemployed persons, the elderly and persons with disabilities have all founded cooperatives to improve their situation.

Cooperatives respond to demographic differences across countries. In ageing societies like those of Europe and Japan, health care cooperatives are playing an increasing role in providing health and other services for the elderly. Here in Japan you have pioneered the elderly persons' cooperatives, which combine job creation with the provision of social services to elderly citizens and thus ensure that they remain active citizens in the society.

Cooperatives are also providing young people with jobs and skills for creating their own enterprises. Cooperative ideals address young people's concerns for democracy, autonomy, independence, social and environmental responsibility, and ethical business practices. In Spain, where youth unemployment is significant, worker cooperatives have seen an increase of 7.5 per cent with nearly 13,000 newly created jobs during the course of the last quarter, the majority by

and for young people. In some countries, governments are promoting cooperatives for unemployed youth. This is the case in Panama and Morocco where entrepreneurship programmes provide specific support for cooperative start-ups.

In many developing countries cooperatives are also major instruments for those working in the informal economy. Through cooperatives they can access productive inputs, product markets, build self-confidence, and achieve self-organization and collective voice. We see this in the case of domestic workers, construction workers, and street traders.

Cooperatives also help millions of workers in urban and rural areas connect with Global Value Chains. The most important GVCs involve millions of small producers at one end, and millions of ordinary consumers on the other. Think of coffee, cocoa, cotton, for example. The Oromia Coffee Farmers' Cooperative Union in Ethiopia represents 22,000 small coffee growers. And in Japan, you have well over 1,200 fishermen's cooperatives. Cooperatives are at the forefront of the fair trade movement.

Cooperatives are also uniquely positioned to contribute to the green economy. Agricultural cooperatives, for instance, know the dangers of ecosystem degradation and the related threat to food security. Renewable energy cooperatives, in solar energy or wind energy, provide access to affordable electricity. In many countries renewable energy cooperatives are taking an increasing slice of the energy market. In Germany, Greenpeace Energy is the largest national energy cooperative. It has 21,000 members and supplies 110,000 clients with clean energy.

### **The resilience of cooperatives**

Today, as the world looks for more stable and sustainable business models, and more responsible and principled governance than the irresponsible capitalism often seen and that contributed to the financial crisis, interest in cooperatives, employee-owned business, mutual organizations and other diverse forms of ownership is growing.

Recent ILO research provides evidence on the success of the cooperative model of enterprise to survive crisis and maintain the livelihoods of the communities in which they operate. The research shows that in Europe, for instance, 4,000 local cooperative banks serve more than 176 million customers, 50 million of whom are members. While European cooperative banks have 21 per cent of the market share they only accounted for 7 per cent of all the European banking industry's write-offs and losses during the recent financial crisis mainly due to their limited exposure to US subprime mortgages and fewer investment banking activities.

A study carried out in 2008 in Quebec in Canada found that the survival rate of cooperatives is on average 25% higher than that of other types of enterprises. The stability of the cooperative enterprise indicated by a low number of bankruptcies and the longevity of cooperatives is attributed in part to the fact that they are locally rooted in their communities.

Enterprise reconversion into worker cooperatives has been used as an option to rescue bankrupt enterprises, protect jobs and maintain local economies. The experience of Argentina with its multiple crises has seen the growth of “empresas recuperadas”, enterprises that have been converted into cooperatives, a phenomenon with over a decade of experience. Similar initiatives have been taken in other countries in Latin America. Most recently the United Steel Worker Union in the USA is examining the possibility of SME conversions into worker cooperatives as a means of reviving local economies and maintaining and creating new jobs.

The strong solidarity values at the core of cooperative principles also make cooperatives quite resilient with respect to employment generation and retention during natural disasters.

Cooperatives were heavily affected by the 2005 Kobe earthquake: damages and losses were estimated at around JPY 50 billion. Cooperatives were particularly efficient in resuming activity. Their members initiated mutual help and volunteered to assist victims to supply basic goods (like food, water and blankets) and services to the homeless.

Moreover, we all have recent memories of the tragic East Japan earthquake and tsunami of March 2011. In this occasion Japanese cooperatives, once more, promptly mobilized to support the victims with food, energy and care for self-sufficiency in the affected communities.

Dear Students,

Young people such as yourselves are bringing a new dynamism to cooperative movements around the world.

In 2012, the ILO made a Call for Action to tackle the severe youth unemployment crisis. As part of a broad policy portfolio, this Call for Action and the follow up Youth Employment Strategy highlight youth entrepreneurship through cooperatives, and provision of information about cooperatives to students within national curricula.

Young co-operators have also made a statement during the UN International Year of Cooperatives Official Closing Ceremony in New York last week outlining what they have to offer cooperatives and what they expect from cooperatives, governments and international organizations in ensuring their participation in cooperatives.

This Cooperative Theory Lecture Series could not be more timely. Japan is a country with strong and old cooperative traditions and the cooperative sector in your country offers no end of good options and opportunities in different fields. I would like to conclude by expressing my sincere hope that as you consider your career choices in the future, you will give due consideration to the cooperative option.

Thank you, and I wish you great success in your studies and a smooth school to work transition!