

A Global Contemporary Review of Cooperativism

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Next year the world cooperative movement is celebrating its 150th anniversary but cooperative activities are not an invention of our modern times. In all societies there exist or have existed traditional forms of cooperation. These span from simple neighbourhood help to rather complex arrangements or organizations for savings and credit, construction, water supply or land management. In fact, my first task in the ILO some 27 years ago was to prepare a study on this subject for the International Meeting of Experts on Cooperatives held in 1969.

Long before the pioneers of Rochdale opened their first cooperative store, people nowadays forgotten and famous thinkers propagated and experimented with cooperative forms of production and living together. The list is long but one person who stands out among them is Robert Owen. This Welsh/Scottish industrialist created several cooperative settlements, the best known being New Lanark, but none of these establishments managed to survive. Particularly among the utopian socialists there were many who dreamt of a world based upon workers' cooperatives. Looking back one must conclude that the success of production cooperatives, both in agriculture and industry, was limited. The first and second industrial revolutions were more influenced by individualistic entrepreneurs than by ideas of collective action.

Following the 1917 Russian Revolution, the cooperative formula was usurped by the communists, but as we all know, the cooperative principles were not observed and the cooperatives degenerated into extensions of the State and party.

Against this somewhat disappointing background of production cooperatives, the development of service cooperatives stands out as a great success. Powerful cooperative organizations exist in agriculture in practically all countries of the world.

For example, more than half of the European agricultural production is processed or sold through cooperative marketing systems. Certain market shares are much higher, those for dairy products varying between 60 and 100 per cent. In the Netherlands, 95 per cent of flowers, 82 per cent of vegetables and 75 per cent of fruit produced are marketed by cooperatives. In Norway, cooperatives are responsible for 73 per cent of timber production. In Japan, almost all farm households are members of agricultural cooperatives. In the United States of America, over 40 per cent of exports of nuts and nut products; 32 per cent of fruit and fruit products, 25 per cent of cotton and nearly 15 per cent of grains and feeds are handled by cooperatives, responsible for nearly 12 per cent of all exports. In fact, there are several cooperatives among the top 200 firms of the United States, e.g. Sunkist, Land'n Lakes.

Likewise, in the banking sector cooperatives play a major role in many industrialized countries. In Germany, cooperatives have a considerable share in the banking business after the merger of the Peoples' Banks and the Rural Raiffeisen Banks. In the European Union financial cooperatives have a market share of 17 per cent. Credit unions are important too; at the end of 1990, individuals affiliated to member organizations of WOCCU (the World Council of Credit Unions) made up between 35 and 45 per cent of the adult population in Australia, Canada, Ireland and the United States. In the Province of Quebec in Canada, the proportion was more than 60%. In the United States alone, there were 55.7 million members, US\$ 181 billion in savings, US\$

129 billion in loans, with assets of US\$ 200 billion. The average annual rate of growth between 1985 and 1990 was 5.8 per cent for members, 12 per cent for savings, 13.3 per cent for loans and 12.3 per cent for assets.

Cooperatives are active in many other sectors amongst which is the retail market. Consumer cooperatives are particularly strong in Switzerland, Norway and Denmark, but also in Japan. Housing cooperatives, insurance cooperatives, cooperative pharmacies and health cooperatives are to be found in many countries.

The cooperative idea has spread not only in industrialized but also in developing countries and we find examples of very successful cooperative ventures which provide useful services to their members and make considerable contributions to economic development in their area of operations. Examples of such cooperatives are the dairy cooperatives in Gujarat and the sugar cooperatives in Maharashtra, both in India. With the help of trade unions, strong, urban-based cooperative organisations have been created in Singapore. The ILO has recently published two major studies on the framework and the conditions for cooperative development in Asia and Africa respectively. These provide an overview of cooperatives in these two regions.

Coming back to the ILO for a moment, which is celebrating its 75th Anniversary and the 50 years of the Declaration of Philadelphia in 1944, I am glad to say that 75 years of ILO means 75 years of work and activities in favour of the cooperative idea. The first Director-General of the ILO, Albert Thomas, was himself a convinced cooperator and from the very beginning established a cooperative unit in the newly created International Labour Office.

I referred earlier to the role played by Robert Owen in developing the ideas on which modern cooperatives are based. He can also be considered as one of the spiritual fathers of the ILO. In fact, one hundred years before the establishment of the ILO, he proposed measures to be taken at the international level to protect the working conditions of industrial workers and to adopt international agreements in this field. It subsequently took a lot of time and many international negotiations until the establishment of the ILO was decided as a part of the Peace Treaty of Versailles in 1919.

Just like cooperatives, the ILO has traversed turbulent times during its history. Both are now facing formidable challenges as a result of the changes the world is undergoing at present.

Following the end of the East-West confrontation, the cooperation of the ILO's 171 member states in pursuing the Organisation's basic mandate is more important than ever. Three central priorities have been identified for the years to come:

- promoting the advance of democracy - through the rule of law, tripartism, sound industrial relations and the elimination of discrimination;
- the fight against poverty - by developing responsive training systems, employment creation schemes and social institutions, and ensuring that restructuring policies take account of social needs; and
- protecting working people - by creating safe and humane working conditions, reforming and extending social security and meeting the needs of the most vulnerable groups: child

and women workers, migrants and those in the informal sector.

Our experiences have shown that cooperatives can greatly contribute to the achievement of these objectives. In view of the potential role of cooperatives in fostering the ILO's basic mandate, close relations have been established over the years with cooperative organisations worldwide and a vast programme of technical assistance is being implemented. An important instrument in this respect, which provided guidance to newly emerging cooperative movements, is the ILO Recommendation 127 concerning the Role of Cooperatives in the Social and Economic Development in Developing Countries which was adopted in 1966. Like many other institutions, cooperatives are profoundly affected by the political and economic changes taking place in all parts of the world.

In the report the United Nations Secretary-General will submit to the General Assembly later in 1994 on the *'Status and Role of Cooperatives in the Light of New Economic and Social Trends'*, he summarized some of the major trends which can be observed as regards the development of cooperatives.

Already in the 1980s, when structural adjustment policies were implemented in many developing countries, particularly in Africa, the viability of cooperatives was put to the test. In the past they had often enjoyed certain privileges which were however also the price for submitting themselves under the tutelage of the state. With empty public coffers, many governments could no longer afford to maintain large public administrations for cooperative development. In Cameroon, for example, the cooperative administration was reduced from several thousands to just 25 employees.

Greater market orientation, deregulation and liberalization considerably affected the life of cooperatives and their members. Looking back over the past 10 years one finds that in many cases cooperatives have not been able to survive in a competitive market. This was the case particularly for those societies which had been used as instruments of governmental policies and not of their members. On the other hand, there are as many examples where the mutual self-help idea grew stronger and led to the development of genuine autonomous cooperatives. Where cooperatives saw in an opening market more a challenge than a threat, they could fill the lacunae created by the breakdown of public or parastatal institutions, such as marketing boards, supply corporations, banking institutions and the like.

We find such examples not only in developing but also in industrialized countries. For instance, in the U.K., statutory marketing boards were transformed into cooperatives. Only three weeks ago the ILO and the Cooperative Union of India held a national convention to discuss the effects of new economic policies on different types of cooperatives. There was a unanimous view that the trend towards deofficialization and greater independence of cooperatives was irreversible. This confirmed the line taken by the Asia-Pacific Cooperative Ministers' Conference in August in Colombo.

Obviously, the most dramatic changes have taken place in the countries of Central and Eastern Europe and the CIS where so-called cooperatives have dominated agricultural production and the distribution of consumer goods. Following the breakdown of the communist regimes and the introduction of economic reforms, these cooperatives became discredited in the eyes of their members and the public in general. It will be an uphill struggle to convince policy-makers and the public that also in a

market economy, cooperatives have a rightful place and are often essential for the small producer, trader and consumer to maintain their position in a competitive market.

In our view, cooperatives are particularly suited to help in the process of privatization of a formerly state-owned economy since they can provide the necessary support and services to the individual producer, industrial as well as agricultural. It is interesting to note that in the Eastern Germany more than half of the former collectives, the agricultural production cooperatives have chosen to retain their cooperative character and to continue as production cooperatives. This clearly required many adjustments and adaptations to a completely different economic environment. It would go too far in the context of such a paper to describe in detail the process of change that has taken place in the former communist countries. It is, however, encouraging to observe that new cooperative initiatives are being taken in several of them.

The general trend towards globalization of the economy and greater market orientation will increase competition in the market place. Cooperatives will no doubt be affected by these developments. Consumer cooperatives in Western Europe have already felt this competitive pressure. One of the ways to react to this development is the concentration of forces through mergers. I have already referred to the amalgamation of the rural and urban cooperative banks in Germany. In many countries, the number of cooperatives has drastically gone down through mergers. Among the aims of such mergers is the wish to reduce inter-cooperative competition, grow in size and become financially stronger. Especially as regards the latter point, cooperatives are by nature disadvantaged. Cooperatives usually find it difficult to raise enough equity capital to remain

competitive. Therefore, in a number of countries cooperatives which want to expand their operations transform into joint stock companies or other capital societies. This is being reported from the UK and Australia where one speaks even of a conversion syndrome. In India, similar attempts are probably more caused by the desire to escape from the supervision and interference of the government. In any case it would seem that the cooperative principle of limited interest on capital will have to be reviewed in the light of the changed situation.

Early in 1995, the Social Summit will be held in Copenhagen. Three topics will be at the centre of discussion:

- unemployment;
- poverty; and
- social exclusion

Three themes of highest interest to the ILO. But also areas in which cooperatives are called upon to make an important contribution. Thanks to the efforts of COPAC, the Committee for the Promotion and Advancement of Cooperatives, the papers which will be submitted to this world leaders' conference will refer to the decisive role cooperatives can play in combatting the evils of poverty, unemployment and exclusion. This is of particular importance for the developing countries and those in transition to a market economy.

In the fight against poverty, cooperatives have already made major contributions, particularly in rural areas. Cooperative schemes helped to mobilize resources in rural areas. Not only farmers but also small artisans use the cooperative way to gain strength and improve their economic situation. The direct employment effects of service cooperatives have usually been rather limited and in any case not enough to deal effectively

with the unemployment problem in developing countries and of late also in industrialized countries.

In the context of privatization policies, and often inspired by the wish for greater economic democracy, the employment potential of production cooperatives, or as I would prefer to call them, worker-owned cooperatives, is receiving increased attention in recent times. As I have said earlier, their success has in the past been limited but there are many explanations for this. The two best known success stories are the Kibbutzim and Moshavim Shitufi in Israel and the Mondragon group in the Basque country of Spain. Now we have the agricultural production cooperatives in Germany and many privatized industries in Eastern Europe and CIS countries which have been taken over by workers and management and run along cooperative lines.

But also in developing countries where unemployment is a particularly pressing problem, efforts are under way to develop new approaches to joint self-employment through cooperatives. In India, for example, several large firms which have struggled with financial difficulties have successfully been converted into cooperatives and there is legislation which restricts the take-over of so-called 'sick' companies to cooperatives'.

In December 1993 the Indian National Cooperative Union and the ILO organized a workshop on workers' cooperatives which recommended action to strengthen the country's labour and industrial cooperative societies. Professor Gary Hansen of the Utah Centre for Productivity and Quality of Working Life at the Utah State University has undertaken a good deal of research on the question of workers' cooperatives. He proposes as a result two innovative group approaches to address the urgent employment and income needs of urban and rural workers in

developing countries and countries undergoing privatization. His '*group entrepreneurship project*' is a basic pre-cooperative approach for the rural poor in developing countries as the ILO uses it in many of its development projects in Africa. The '*cooperative entrepreneurship for enterprise development*', on the other hand, is designed to boost the economies and employment levels of rural and urban communities in both developing and developed countries through the systematic organization of modern worker-owned joint-production cooperatives in the industrial and service sectors.

Despite negative experiences and some intrinsic conceptual and practical problems, it appears that the full potential of workers' owned production cooperatives has never been fully explored.

A final word on the third topic of the Social Summit, '*social exclusion*'. While this can be a general question of inequalitarian societies, it is especially relevant for disadvantaged groups. The ILO has traditionally given great attention to problems of women and child workers, migrants and the handicapped. For indigenous and tribal peoples special Conventions were adopted.

Also from a cooperative point of view, these groups are the subject of distinct programmes. Considerable research has been undertaken regarding the integration of women in cooperatives, special cooperatives for the handicapped and cooperatives for the aged or youth. Only in recent years an action programme has been launched for developing cooperative approaches among indigenous and tribal populations. Pilot projects are operating in Central America, India and the Philippines which will help the peoples concerned to launch their own income-generating projects in a true cooperative spirit which is often still alive in these societies.