


DECENT WORK  
INTERNATIONAL LABOR OFFICE

... to maximize not just profit but social impact. To measure returns on investment beyond the bottom line. To care for people and nature at the same time.



**Decent Jobs through  
Worker owned Cooperatives**

- All types of cooperatives create jobs, but this presentation focuses on worker owned cooperatives;
- **Mr Albert Thomas**, the first Director General of the ILO, came from the cooperative movement and established the Cooperative Branch in 1920.
- **Mr Juan Somavia**, the present Director General, developed the concept of decent work. (in the call-out, an excerpt of Somavia's speech on 1 May 2000 in the Vatican).

(please note: picture with Albert Thomas and definition of workers cooperative appears first)

## Coops create jobs



- Total cooperative membership in the world amounts to **800 million people**. The International Cooperative Alliance is the world's biggest NGO and has permanent observer status in the ILO:
- Worker-owned cooperatives alone have created an estimated **100 million jobs** world wide.

# Common Goal, Common Bond

## Where individuals may lack

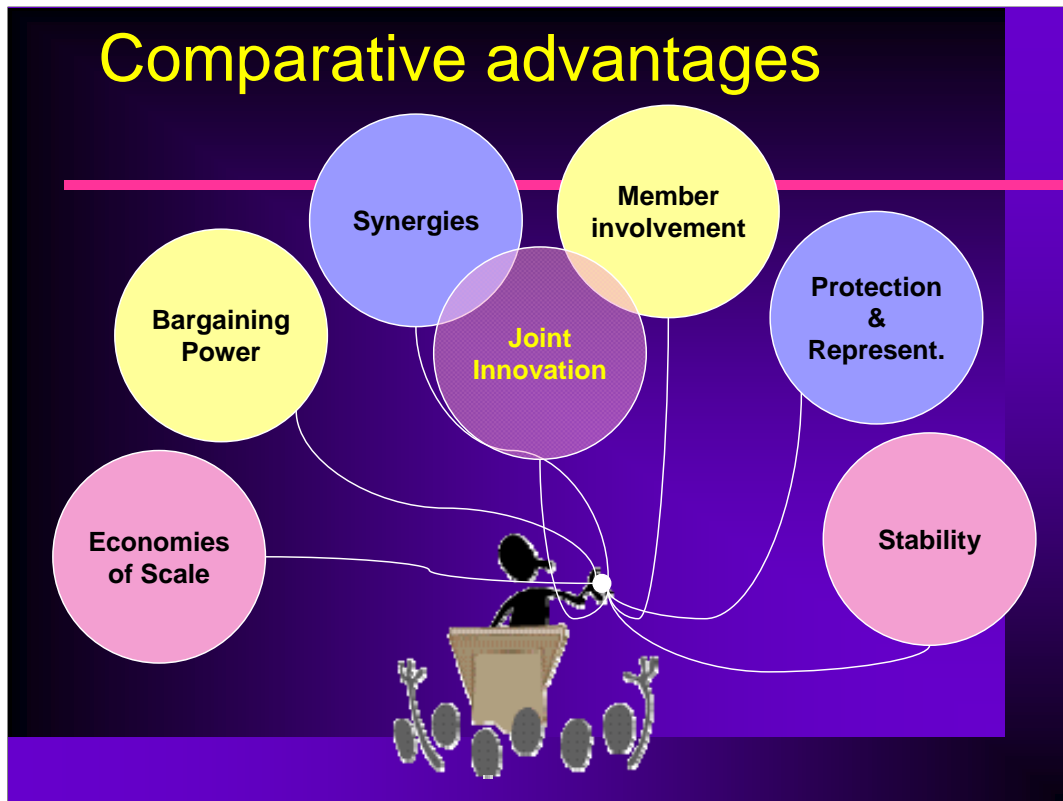
- ❑ ... capital
- ❑ ... power
- ❑ ... ideas
- ❑ ... skills



## Cooperative members

- ❑ ... invest together
- ❑ ... negotiate together
- ❑ ... innovate together
- ❑ ... work together

- Cooperatives create jobs because they allow their members to pool resources, ideas and capital. Cooperatives can succeed where individuals may fail. Cooperatives are of course not the only way to create jobs but they are a valid **option** for individuals who have not enough resources to start their own business.



Because of their double nature as associations of people and businesses, cooperatives have a **distinct employment creation potential** that differs from that of other enterprises:

- synergies between members (facilitates division of labour)
- greater bargaining power (group instead of individual)
- economies of scale because of joint economic operations
- member participation makes management cheaper
- protection and representation (especially in the informal sector which coops can help to “formalize”)
- greater stability (proven by recent studies carried out in Canada, 64% survival rate of coops after 5 years as compared to 36% of other types of enterprises)
- joint innovation (sharing of ideas among members)

(Note: the “balloons” appear in the order given above)

## One Approach - Four Options



- The traditional **workers' cooperatives**; Mondragon as one of the most successful examples (but also the SCOP in France);
- **Labour contracting cooperatives**; very successful in forestry and construction on the Indian sub-continent (about 13 million jobs in India);
- **Workers' take over**; "ESOP" type businesses (5 million jobs in the US); United Airlines as a famous example (54.000 employees); In 1999, UA had a turnover of 18 bn \$ and a net profit of 1.7 bn \$.
- **Shared service cooperatives**: independent entrepreneurs share services through a coop. DENIC, the name server operated by German's Internet Service Providers, as a modern example. DENIC was established in 1997 and grew since then from 41 to 110 members (May 2000). Other examples are EDEKA, Best Western Hotels, and Nugget Distributors in the US.

## Decent Work in cooperatives

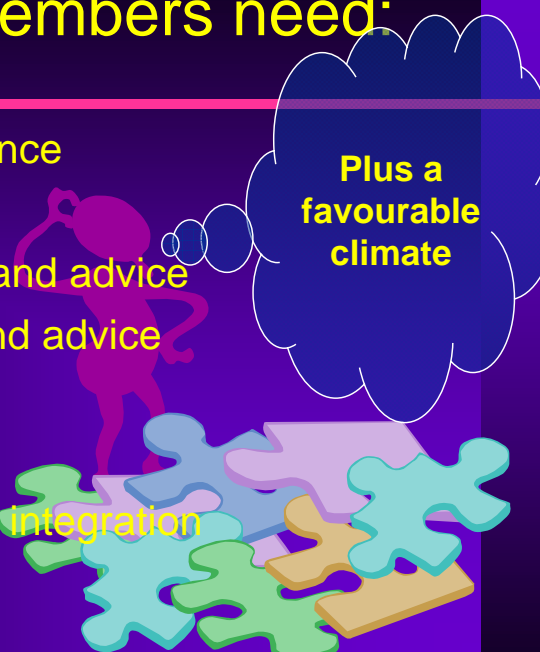


- Self-determination
- member control and co-management
- profit sharing according to member participation
- concern for community

- Cooperatives can provide decent work because they allow members to **determine themselves** under which conditions they want to work (this includes the extreme of self-exploitation).
- **Member control** means that the members of a workers' cooperative supervise its management, and that all members participate in the decision-making process;
- The profit (surplus as it is called in a coop!) is **shared according to the participation** of members in the cooperative's business; it is not based on the share capital.
- **Concern for community** is a coop principle that many companies are beginning to discover, too.
- The above is not a judgement of value. There is much room for the cooperation of coops with other types of business (for example, cooperation between banks and credit unions).

## Cooperative members need:

- ❑ Organizational assistance
- ❑ Seed capital
- ❑ Management training and advice
- ❑ Technology training and advice
- ❑ Marketing assistance
- ❑ Basic social services
- ❑ Vertical and horizontal integration



Plus a favourable climate

- To develop successful workers cooperatives, the founders need the following services:
  - Organizational assistance
  - Seed capital
  - Management training and advice
  - Technology training and advice
  - Marketing assistance
  - Basic social services
  - Support to vertical and horizontal integration
- Only the last service is specific to cooperatives; it means support to the formation of cooperative unions and federations.
- The above services are useless if Government has not created a favourable legal, institutional and administrative environment for the emergence and functioning of genuine cooperatives.

## The may:

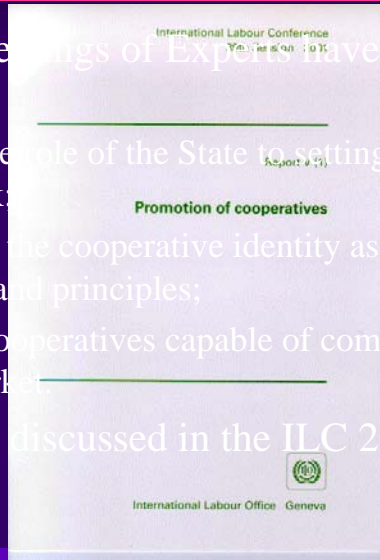
- 1 Assist in creating a favourable climate
- 2 Establish a service infrastructure
- 3 Promote exchange of experience and know-how
- 4 Create universal tools

- The ILO provides advice in cooperative development policy and cooperative legislation to about 60 countries under the **COOPREFORM** programme.
- National service infrastructures supporting cooperatives are being supported under **COOPNET** and through a number of national projects.
- The exchange of know-how is being facilitated through **regional and national meetings**, many of which are co-organized with the ICA and other partners. Meetings on job creation through coops are planned for Africa, Asia, Latin America and the Caribbean.
- COOP has published a whole series of **cooperative management material** (MATCOM) and many other manuals, checklists and guides. A full list is available on our web site.



## Towards a new Standard:

- ❑ Previous Meetings of Experts have recommended to:
  - Confine the role of the State to setting the regulatory framework
  - Recognize the cooperative identity as businesses based on values and principles;
  - Promote cooperatives capable of competing on the global market
- ❑ This will be discussed in the ILC 2001 and 2002



- Meetings of Experts on Cooperative Law have taken place in 1993 and 1995; the 1993 meeting reviewed the relevance of the existing Recommendation 127 and proposed amendments. This set in motion a lengthy process which culminated in March 1999 in the GB decision to put the revision of Recommendation 127 on the agenda of the ILC 2001 and 2002.
- Our development partners believe that the new instrument should situate cooperatives firmly in the private sector and provide them with equal opportunities and treatment.

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Cooperatives:  
A proven concept  
for new  
challenges