



## ICA GENERAL ASSEMBLY

"Co-operation and Peace in the Era of Globalisation"

15 - 17 October, Seoul - Korea

### **Co-operatives and Globalisation: An ILO Perspective**

**Jürgen Schwettmann, ILO Cooperative Branch**

**October 16, 2001**

The International Labour Organization is – quite obviously – primarily concerned with the impact of globalization on employment. The World Summit for Social Development held in Copenhagen in 1995 committed heads of state and government to promote the goal of full employment as a basic priority of our economic and social policies, and to enable all men and women to attain secure and sustainable livelihoods through freely chosen productive employment and work. The ILO was given the mandate to help member States to fulfill this commitment. Today, the primary goal of the ILO is therefore to promote opportunities for women and men to obtain decent and productive work, in conditions of freedom, equity, security and human dignity. This is ILO's « decent work agenda ».

This presentation will take a look at the nature of globalization and its impact on employment and the world of work. It will then examine how cooperation can help tackle the employment challenges brought about by globalization, and thus contribute to poverty alleviation, social justice and peace. The presentation ends by pointing out three concrete measures that the ILO will take after the present ICA General Assembly in order to strengthen the role of cooperatives in the promotion of decent work.

#### **The triple nature of globalization**

The term « globalization » is a generalisation which focuses on particularly strong emerging patterns such as increased world trade and investment, increased of international financial flows and the creation of a single political system after the end of the Cold War. Globalization is not limited to the economic sphere; it includes social and political changes such as the general acceptance of democracy and pluralism as desirable political systems, as well as the move towards greater individual freedom and decentralized decision-making. Globalization has been fostered by information and communication technology, and has led to the adoption of a « Western » culture by young people all over the world.

It is, however, in the economic sphere that globalization has the greatest immediate impact. The market economy is now the only surviving economic system, we are witnessing a global shift from production to services, national economies are being integrated into regional blocks almost everywhere on the planet, and deregulation, liberalization and privatization have become the key terms of economic policy anywhere.

But globalization does not mean that every economic activity is global. Most people still work in jobs which are fixed in place, and remain rooted to a particular town or nation all their lives. Therefore the term globalization reflects a distinctive expansion of international economic activity rather than the complete replacement of local activity by global activity.

#### **The Global Employment Challenge**

Globalization opens new opportunities for sustained economic growth and development of the world economy. At the same time, however, the rapid processes of change and adjustment associated with globalisation have been accompanied by intensified poverty, unemployment and social disintegration. In some ways, the global economy today resembles the capitalist economies as they were at the end of the nineteenth century – with affluence and opportunity at one pole; and unemployment, poverty, insecurity and lack of opportunity at the other.

The policy makers in the world today are faced by a daunting employment challenge, as can be seen from the figures on the slide above. The employment challenge is not only one of income, since

employment is a primary vehicle for self-realization and social integration. The fair treatment and dignity to which people aspire in employment must be assured in order for there to be decent work.

The challenge therefore is not «just» to create more jobs – the challenge is to create decent employment for everyone. Employment needs to be placed at the centre of the policy-making agenda because properly developing and using human resources is crucial in achieving higher productivity and ensuring equitable growth.

### **The changing world of work**

The different facets of globalization, in particular the deregulation of (labour) markets, the privatization of public companies and liberalization of international trade and finance, have had a considerable impact on the world of work:

- We are witnessing in many countries an informalisation of the economy and, consequently, the disintegration of labour relations and a deterioration of working conditions. The share of the informal sector in the national economy is growing even in those countries where that share has already been very high. In addition, the percentage of women in the informal economy is on the increase, thus causing the feminisation of the informal sector.
- The tremendous progress of information and communication technologies enables more and more people to do their work at home. This creates new job opportunities, but also contributes to the isolation of the employee vis-à-vis his or her employer and colleagues.
- The outsourcing strategy pursued by many companies for reasons of cost-effectiveness amplifies the phenomenon of «disguised employment relationships»: this means the re-hiring of dismissed employees as «independent» sub-contractors who are not entitled to any social benefits.
- All the above weakens the position of the traditional social partners, i.e. trade unions and employers' organizations; they do not cover informal sector workers and enterprises, they do not represent the interests of the newly independent sub-contractors, and they cannot defend the rights of workers working outside national boundaries.
- As a result, the world of work as a whole has become less structured and more volatile. Such a flexible labour market may create more jobs – but it is likely that the additional jobs are of very low quality.

### **The Decent Work deficit**

Decent work finds expression in workers' feelings of value and satisfaction, and its absence can be noticed at once. Decent work is about our job and future prospects, about our working conditions, about balancing work and family life, about gender equality and equal recognition; it is about the personal abilities to compete in the market place, about receiving a fair share of the wealth that one has helped to create, and not being discriminated against; it is about having a voice at the workplace and in the community.

Decent work is missing when:

- there is involuntary unemployment and poverty;
- there are abuses of rights at work, and forced and child labour exists;
- basic income security is missing, and workplace anxiety, depression and exhaustion are commonplace;
- workers and employers are either not organized to make their voice heard, or face obstacles to effective dialogue;
- life at work cannot be properly balanced with the claims of the family.

### **Decent work through Empowerment**

**Workers and entrepreneurs operating in the informal economy have no voice and very little bargaining power. The simple fact of organizing these people into cooperative-type organizations greatly increases their ability to participate in decision-making processes, and to better negotiate conditions and prices with clients, customer, suppliers and banks. There are many striking examples of how cooperative organizations have successfully built a bridge**

**between the informal economy and the formal sector, thus greatly enhancing the job quality of their members.**

The same is true with regard to the organization of small consumers and producers. In fact, because of their democratic nature, cooperatives have the capacity to empower people, as they have proven since the times of the Rochdale Pioneers. By organizing people, cooperatives can therefore fill the structural gaps that are left after the withdrawal of the State from economic and social functions.

### **Decent work through new opportunities**

Globalisation creates new opportunities that can be used by cooperatives to create decent jobs through self-help. One example are cooperatives that exist on the Internet or through the Internet, or that use the Internet as a new type of « common bond ». We have come across several examples of small cooperatives operating in developing countries that use the Internet successfully to market their products. In other cases, self-employed people such as translators have formed « virtual cooperatives » on the Internet in order to be able to offer a broader range of translation services and to standardize contractual arrangements. Finally, many Internet Service Providers are actually cooperatives established by Internet users.

The very nature of cooperatives as value-based organizations provides them with a comparative advantage. Cooperatives have indeed a distinct job creation potential. They can create jobs in economic sub-sectors or geographical regions that would not be « profitable » for capital-oriented companies, simply because profit and shareholder value are not the sole guiding principles of a cooperative. There are many examples of cooperatives having saved thousands of jobs through the collective action of the employees of ailing companies.

### **Decent work through greater protection**

Cooperatives have demonstrated their capacity to organize social and community services that the State is no longer willing or able to provide. This includes cooperatives established by the users and providers of health services, as they can be found on all continents, as well as child care and preschool cooperatives, cooperatives for the elderly and community services cooperatives. In many cases, these cooperatives are the only channel through which poorer citizens can gain access to basic social services, which is indispensable for decent work.

Social care cooperatives formed to provide assistance to vulnerable groups are also relatively new, and a direct result of the crisis of the public welfare system in many industrialized countries. The most prominent example of this particular type of cooperation are certainly the Italian social cooperatives. They extend basic social services to excluded population groups such as the handicapped, the elderly, homeless people and drug addicts. At present, there are over 2,000 social cooperatives in Italy whose contributions are equivalent to 13% of state expenditures for social sectors. In addition, they have created over 60,000 jobs for marginalized people.

There are many other very interesting examples of socially oriented cooperatives, or of cooperatives providing social services. Cooperatives may indeed provide the ideal, alternative delivery mechanism for user-controlled, democratically managed and locally rooted social services. Cooperatives can thus help to privatize social services in a decent way.

### **Decent work through Cooperation**

This presentation aimed at showing that cooperatives can empower people through concerted action, create opportunities through joint initiative and enhance social protection through mutual help. These three elements – empowerment, opportunity and protection – are the key ingredients of any poverty alleviation programme, as it has been discussed extensively in the recent poverty reduction strategy paper published by the World Bank. Genuine, autonomous, well managed and economically viable cooperatives can do a lot to alleviate poverty, fight social exclusion and strengthen social justice, and thus contribute not only to decent work, but to peace.

It is our responsibility to show that cooperatives have a greater role to play in an environment characterized by globalization and a changing world of work. We must put cooperatives as a development option on the agendas of policy makers everywhere.

**The next steps**

The ILO will organize in two weeks time the first Global Employment Forum, which shall adopt a new Global Agenda for Employment and build a global alliance for employment. The Global Agenda considers cooperatives « as enterprises that combine productivity and competitiveness with social objectives, thereby making them unique vehicles for quality job creation ». The ILO Cooperative Branch is associated with the organization and follow up to the Forum.

The first discussion on a future ILO Recommendation on the Promotion of Cooperatives took place during the 89th International Labour Conference in June 2001 in Geneva. These discussions resulted in a draft Recommendation which was sent in August for comments to all ILO constituents. The constituents may send their comments until 30th November. Simultaneously, the ICA has sent the draft Recommendation for information to all its members. We would suggest that all cooperative organizations get in touch with their country's tripartite constituents – governments, workers and employers – in order to offer their advice in preparing comments on the draft Recommendation. On the basis of these comments, the ILO will publish a revised version of the draft Recommendation which will be sent to our constituents in early 2002. The final discussion on the Recommendation will take place in June 2002 in Geneva. Once adopted, the new Recommendation will form the conceptual basis for ILO's work in the field of cooperative development.

the 90th International Labour Conference in June 2001 will also include a « General Discussion » on the Informal Sector. The preparatory document for this discussion (not yet published) contains an extensive chapter on the issue of « voice ». There, the role of cooperatives in empowering informal sector workers and in providing them with voice and representation has been discussed extensively and very positively.