

“Sustainable Enterprise and social responsibility”

Remarks by **Mr. Michael Henriques**
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at the
International Co-operative Alliance General Assembly
Singapore, 18 October 2007

Ladies and Gentlemen,

First, let me convey to you the greetings and best wishes of Mr. José-Manuel Salazar-Xirinachs, Executive Director of the ILO, who unfortunately could not participate in your General Assembly.

It is a pleasure to address this General Assembly of the world's co-operators especially on two issues that are at the heart of the ILO current priorities and concerns – sustainable enterprise and social responsibility.

Sustainable enterprises are the principal source of growth, wealth creation, employment and decent work. They are central to the well-being of people around the world. It will come as no surprise to you that the ILO considers the cooperative to be one of the most sustainable forms of enterprise. Locally rooted, owned and controlled by its members, and committed to servicing their needs, the cooperative must be innovative, respectful of its natural environment and socially responsible to be successful. Indeed, these are key to the success of all enterprise, but it is worth noting that these are the characteristics that define the cooperative form of enterprise. In addition, many cooperatives have passed the test of time, that is to say they are enterprises with a

history of a number decades showing their survival and adaptation capacity as competitive enterprises.

In the recently concluded International Labour Conference a number of points were made with regard to cooperatives which underline the importance of ILO's work in promoting cooperatives with its constituency and the importance of continued close collaboration with the International Co-operative Alliance. Firstly, the report noted that "all evidence suggests that the most significant source of new employment will come from entrepreneurship and small and medium-sized enterprises (SME) including cooperatives or similar organizations which are a rapidly expanding part of the economy". In this, governments, employers and workers organisations reiterated their recognition of cooperatives as providing valuable services to their members, giving them voice and representation, promoting the formalization of employment and having a proven record in generating decent employment. However, they also recognized that entrepreneurial growth demands an enabling environment which includes good governance at all levels, sound and stable macroeconomic policies, good management of the economy, political stability, and the promotion of an entrepreneurial culture. In the case of cooperatives, an enabling environment includes the recognition of the cooperative difference and its translation into appropriate policy and legislation.

This is where our collective challenge lies - to understand the cooperative enterprise and to ensure its visibility.

The ILO Recommendation 193 adopted in 2002 on the *Promotion of Cooperatives* mandates the ILO and its constituencies to focus *inter*

alia on assisting governments in providing appropriate legislation and administrative policy to enable cooperatives to be established and to grow to be successful organisations. ILO has provided advice to nearly 70 governments wishing to revise or amend legislation on cooperatives. It has also recently supported the ICA in the Americas region to work on a model cooperative law. And we have worked with the “Organisation pour l’Harmonisation en Afrique des Droits des Affaires, OHADA” on a regional law for 16 African countries. And we will work closely with African governments and the cooperative movement in that region to look at legislative and policy issues under the newly approved multi-million dollar project, the CoopAfrica Facility. However, Recommendation 193 does not restrict ILO sphere of activity to only cooperative law, but enables and indeed mandates the Organization to look at issues where changes in policies have direct impacts on the viability and sustainability of cooperative enterprise, including taxation, labour and competition law, as well as accounting standards which are featured at this Assembly. Clearly without appropriate policies and laws, cooperatives will be hindered in their ability of improve livelihoods.

Enabling environments however will not be sufficient to continued cooperative achievement, and we know that if the cooperative movement is to live for another 150 years, especially young people will need to adopt the option of cooperative entrepreneurship. Thus a strong case must be made for focusing more seriously on skills development for all but in particular for young co-operators, members and employees; and for ensuring that young people learn about cooperatives from the earliest age by including cooperatives in the school curricula.

ILO is preparing for a major discussion on skills development, “*Skills for Improved Productivity, Employment growth and Development*” for its conference in 2008 in the recognition that in today’s world more than ever before, successful enterprises are built on people. Interestingly, Fortune magazine too has recently reported on a study ¹ it has undertaken and concludes, “the world’s best companies are realising that no matter what business they are in, their real business is building leaders” and thus the age old adage, “people are our best asset” is increasingly finding resonance in the skills development programmes they offer. The study highlights some nine practices to developing talent and leadership. Among them is the need to invest time of current leaders and sufficient financial resources in identifying promising leaders early and developing teams, not just individuals. Although the study is based on investor-owned enterprises, it reiterates something that cooperatives have known since their inception – a strong focus on people is the key to entrepreneurial success and that training and education – the 5th Cooperative Principle – is imperative to productivity and the ability to innovate.

We are all in this room aware of the concrete initiatives taken at national, regional and global levels to support cooperatives. I am sure that we will all agree too that there is a need to further step up skills development for increased productivity, personal development and, in ILO terms, for creating more and better jobs. In this regard, ILO is seeking to continue its support of the Cooperative Learning Centre or CLC, a web-based portal initiative launched by the ICA’s Human Resource Committee, which aims at sharing cooperative training

materials and knowledge. This kind of sharing of curricula and tools for training will assist in the commercial and social innovation of cooperatives.

The youth focus however is important too. The same Fortune study reports that the three top factors in retaining young people with their employers are, “job flexibility, development and community involvement” - all three identified by young people involved in cooperatives as one the major reasons for their interest in working with a cooperative. This is particularly significant when we are reminded that the ILO's "Global Employment Trends Brief 2007" reported some alarming trends on youth unemployment. “Unemployment hits young people (aged 15 to 24) the hardest, with 86.3 million young people representing an unemployment rate of 44 per cent”.

Youth and cooperatives therefore seem to be a logical fit. However, as my colleague, Hagen Henry, of the ILO's Cooperative Programme, has already noted to the Youth Conference, too many young people discover the cooperative form of enterprise by chance. Regrettably, information on cooperatives is rarely included in school curricula. This is why the ILO's Recommendation 193 as well as the UN Guidelines on Cooperatives underlined the need to include cooperatives in school curricula at every level of schooling. We recently had the visit at the ILO in Geneva of the Trento Teachers' Union who informed us that in Trento, Italy, the regional government has taken a decision to introduce cooperatives in the secondary school curricula. These kinds of initiatives will no doubt lead to increase growth rates of cooperative enterprise and their capacity to create decent work and are much welcomed. In taking this work forward we can build on some highly

successful ILO experiences with including entrepreneurship components into vocational training and educational institutions through our Know About Business Programme. Since 2004 this programme has trained over 1,100 teachers in 20 countries and reached out to over 40,000 students through pilot activities.

Now back the perhaps the largest challenge – that of the visibility of cooperative enterprise.

Despite the good work of the ICA and the cooperative movement and our own work in this regard, there continues to be a lack of understanding of cooperatives; a lack of recognition of their contributions to national economies in terms of generating wealth and providing jobs; as well as a general feeling that cooperatives are small, perhaps important entities in local contexts, but not major economic and social players. There is a need for statistical information that dispels some of the misinformation or non-information on cooperatives – the ICA's Global 300 initiative is beginning to address this challenge, but not only is information required at the organisational level, it also needed at the national, sectoral and regional levels.

If I may just illustrate the point: the Employment Sector is currently in the process of drafting a report for a major discussion at next year's International Labour Conference on rural employment and poverty reduction. The ILO sent questionnaires to its constituency plus ministers in charge of cooperatives to determine the contribution of cooperatives to rural employment. The replies on cooperative statistics were limited, but those that did contribute – and I add here that the ICA also assisted in the collection – reported some interesting facts: Finland reports a growth

rate for rural cooperatives of 30% in the last five years, 24% in the Philippines, 12% in Moldova, 10% in Lithuania. In India some 67% of rural households benefit from services provided by cooperatives; in Iran 28 million individuals in rural areas are members of or derive benefits from rural cooperatives; 9.1 million family farmers are members of cooperatives in Japan and their cooperatives provide 257,000 jobs; in Mongolia 19% of rural revenues are derived from cooperatives, and in Ethiopia 900,000 people in the agriculture sector are estimated to generate part of their income through cooperatives. These facts make people listen. One cannot underestimate the impact of these figures. And all parts of the United Nations systems, the European Union and no doubt other institutions which recognize the potential of cooperatives to contribute to economic and social development are keen to access and raise awareness of these facts.

Figures are important to highlight the contributions of cooperatives in other domains and social responsibility is just one area where the movement must be more vocal.

This year the ILO celebrates the 30th anniversary of its *Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy* which provides a framework of reference for the meaning of corporate social responsibility. Corporate social responsibility is an opportunity for companies to demonstrate how they share and promote societal values while doing good business. The cooperative movement has a 150-year old commitment to social responsibility, pursuing practical programmes for social justice. It is actively engaged in advancing the ILO's Decent Work Agenda, improving the lives of women and men, their families and communities, opening up pathways out of the

informal economy. The movement is on the vanguard of the contemporary quest for a fair globalization with a human face and it is not surprising that cooperatives have shown leadership in realizing the values of good corporate citizenship. It has practiced corporate social responsibility since long before the term was invented. You and I know this to be true, but certainly there is scope to more effectively highlight the cooperative contribution to CSR. The Assembly will do this by showcasing some innovative experiences in implementing CSR, but there are many others that go unnoticed. Here again, there is an opportunity to make your voices heard.

ILO is committed to supporting and promoting the cooperative movement. Its newly approved CoopAfrica project will strengthen the cooperative form of enterprise in Africa. The report currently under preparation on cooperatives and child labour will highlight that social responsibility is inherent in the cooperative enterprise. The continuing advisory services on cooperative law and policies will contribute to an enabling environment for cooperatives, and continued close collaboration with ICA will identify important areas for joint activities including the reduction of poverty, the tackling of HIV/AIDS, the promotion of gender equality, opportunities for youth employment and for skills development. The ICA-ILO Memorandum of Understanding on a Common Cooperative Agenda, which has already shown its relevance over the last several years, will no doubt continue to guide the ever closer ILO-ICA collaboration.

The International Labour Conference 2007 in its discussion on sustainable enterprise concluded that “cooperatives were an especially important area of work to which the ILO should devote increased

resources”². You have our commitment that every effort will be made to ensure that the full potential of cooperatives can be achieved and that together we will reach of shared goals.

Thank you.

¹ Research undertaken by FORTUNE, Hewitt and RBL Group as reported in “Leader Machines” by Geoff Colvin in FORTUNE EUROPEAN Edition, October 1 2007, Vol. 156. N° 6.

² ILC 2007 Provisional Record # 15. Paragraph 128, page 33.