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# **Promoting Co-operatives – The Changing Environment for Co-operatives in Europe**

Mervyn Wilson  
Co-operative College Stanford Hall  
Chief Executive and Principal

## **Promoting Co-operatives – The Changing Environment for Co-operatives in Europe**

The purpose of this paper is to try to track the significant changes in the environment for co-operatives in Europe over the last decade. Our view is that we have a real time for optimism. Not only is much of Europe, and the European Commission in particular, starting to recognise the distinctive character and potential of co-operatives, but we also now have a real opportunity to put that into the legislative and political support framework in Europe – provided that we recognise and seize the opportunity. By that the conclusion. First let us go back a few years and see if we can track that changing environment, and the key moments of change.

If we looked back to the 80s, our picture of co-operatives in Europe would be very different to today. In Western Europe many of the consumer co-operatives, traditionally one of the strongest forms on the continent, were facing enormous competitive pressures from the growth of the multiples in retail. In parts of the continent, following the earlier collapse of retail co-operatives in Holland, the once mighty French consumer movement systematically imploded – with many of the regional Societies collapsing as the multiples aggressively expanded.

In the UK market share steadily declined as co-operatives, struggling to maintain their independence at the expense of economic viability reduced the value of member benefits, or stopped them altogether. They often stopped capital investment to stave of the dreaded mergers, often merging too late, and only after huge amounts of assets had haemorrhaged away. In Eastern Europe co-operative organisations frequently enjoyed limited, if any, real, genuine democratic member control. In reality they were parts of a centrally controlled economy.

Put the two sides of Europe together and you have what can best be described as a crisis of confidence. In the West mergers, whilst essential for economic survival, alienated members, and in particular the active members essential for good governance – and in any case their needs, supposed to be the whole purpose of co-operatives, were often forgotten in that rush for survival. Many even started to use trading names that denied their co-operative identity, or at least its very best to hide it. The mantra “We need customers not members” further alienated their traditional base of support. In the east the old order changed with astonishing speed, and as it did organisational forms such as co-operatives that had been supported under the old regimes were perceived as therefore not part of the new god – the private sector.

It was in that context that, in the late 80s, the International Co-operative Alliance launched a project to try to establish what our co-operative values were in the context of the enormous changes taking place in the global economy. It took place at the time of that devastating loss of confidence, described so well in the background papers when the Statement on Co-operative Identity was adopted in 1995 - describing the period as “the triumph

of the investor over the model of enterprise”. At that time the Thatcher/Reagan dogma reigned supreme, and its only with the benefit of hindsight that we can see the damage it caused.

The work on co-operative values was initially led by Sven-Ake Bööck, a Swedish co-operator, researcher and thinker, who was at the time the head of KOOPI, the Swedish Co-operative Research Centre. His report to the 1992 International Co-operative Alliance Congress – *Co-operative Values in a Changing World* - I believe marked the turning point in the fortunes of the global co-operative movement, something he has received little credit for to date.

Bööck looked closely at what was happening to co-operatives, and how, as they fought to survive in an increasingly competitive global economy, they often forgot their fundamental characteristics: their distinctive identity, the values that made them a different type of business. He went further - he set out to define those characteristics, those values that had always been implicit in our organisations, but had never been made explicit. He separated out the values, the fundamental beliefs on which we are based, from the principles, the guidelines through which they are put into practice, and in doing so he challenged head on those who wanted to discard our co-operative heritage in terms of the values to become more and more like our competitors – in fact until we become indistinguishable from them.

For Bööck co-operatives were not just businesses that used their profits to do worthy things for their members and their communities. They were different kinds of business, with distinct sets of values. They were businesses who, if they were to survive and flourish, needed to use that distinct identity to differentiate themselves in the market, and that meant they needed to learn how to demonstrate their difference through their practical actions. . Bööck warned against ‘turning down’ the visioning aspects of co-operation ‘in this period of serious economic difficulties’, and was clear that “the future orientation demands vision both for the identity of the co-operative movement and for an effective democracy, participation and economy”.

After the 1992 Tokyo Congress of the ICA, Bööck’s paper was taken forward through a global consultation exercise with the co-operative movement led by the Canadian, Professor Ian Macpherson from the British Columbia Centre for Co-operative Studies at the University of Victoria. He crafted the Statement on Co-operative Identity adopted by the International Co-operative Alliance Congress in Manchester in 1995. But that statement was clearly based on the work on values developed by Bööck.

It is also worth reminding ourselves that in that debate, in that consultation exercise, amongst the many drafts, there was consideration of adding another principle – confidence in co-operative possibilities. Whilst that was clearly in response to the particular circumstances and difficulties the movement had faced through the 80s, and were still facing in the early `90s, it is worth remembering today. I often regret that “confidence in co-operative possibilities” did not make the final list - in my view it is a fundamental

characteristic of a co-operator - confidence in co-operative possibilities – confidence in the power of self help solutions that empower people and their communities.

But why was the adoption of the statement on co-operative identity so important? Precisely because, for the first time in its history, the global co-operative movement had agreed a statement on what it meant to be a co-operative. The work that led to its adoption attempted to be as inclusive as possible, drawing from the various traditions of co-operation around the world. Those distinct values and operating principles became encapsulated in just two sentences – the global definition of a co-operative.

*A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically controlled enterprise*

That short (but certainly not simple) statement has proved to be of immense importance to the global co-operative sector.

It first of all influenced the United Nations. The General Assembly resolution 54/123 emphasised the importance of co-operative organisations in social development, poverty reduction, employment creation and participatory development. The subsequent UN guidelines specifically linked the Statement on Identity, stating;

*“in order to ensure equality the special values and principles of co-operatives must receive full recognition as being desirable and beneficial to society...”*

Perhaps of even greater importance though was the debate that led to the adoption in 2002 of ILO recommendation 193 on the promotion of co-operatives. Like other ILO conventions and recommendations, this carried the endorsement of global employers’ and workers’ organisations as well as governments. Recommendation 193 states;

*“the promotion of co-operatives should be considered as one of the pillars of national and international economic and social development”*

Other key points in recommendation 193 include:

- The 1995 ICA Statement of Co-operative Identity should act as the basic definition for all forms of co-operatives.
- Measures should be adopted to promote the potential of co-operatives in all countries.
- Co-operatives should be enabled to respond to their members’ needs and the needs of society, including disadvantaged groups in order to achieve their economic participation and social inclusion.
- Special consideration should be given to increasing women’s participation in the co-operative movement at all levels.

It goes further to give specific guidance on the roles of government, employers' organisations and workers' organisations and co-operatives themselves.

In the context of today's seminar, the role of Government is particularly worth emphasising – with their role being:

- to provide a conducive policy and legal environment.
- to facilitate access to support services.
- to provide oversight of co-operatives in a way which respects their autonomy.
- to ensure they enjoy equal treatment with other types of enterprises.
- to develop partnerships with co-operatives.

Put simply, ILO 193 is about creating an enabling legal and political environment in which co-operatives can flourish.

It has already been used as the basis for discussions leading to updating co-operative law across the world. Guinea Bissau became the first country in the world to introduce a new law based on the recommendation when a new national policy on co-operative development based on 193 was passed in December 2002. In the developing world, countries such as Ethiopia, Uganda and Tanzania have prioritised co-operatives as important instruments of poverty reduction and growth in relation to rural development and employment strategies as part of their poverty reduction strategy papers, which are the key documents to access donor funding.

Recommendation 193 has been used as the basis for revisions to co-operative law in Hungary. In the Balkans, pro co-operative legal reforms have already taken place, and further discussions are underway based on recommendation 193.

But 193 also presents serious challenges to co-operatives themselves. Put simply, it is no use us asking Government to provide an enabling political and legal framework for co-operatives to develop, if we are not equally putting into practice measures to make sure that our co-operatives live up to the values defined in the Statement on Co-operative Identity and reinforced in the UN and ILO statements. We need to get better at practicing the values and making sure that the actions of our co-operatives do not run counter to them.

That is why, when the International Co-operative Alliance and the ILO Co-operatives branch held one of its Regional Seminars on Recommendation 193 in Budapest earlier this year, its final declaration included the following points - calling on all co-operative organisations in Europe:

- to review their own laws and statutes to ensure that they are consistent with the Statement on Co-operative Identity and enshrine our co-operative values and principles.
- to monitor their own actions in implementing co-operative values and principles so that they can be sure that their actions demonstrate that they

are democratic member-owned and controlled enterprises acting in a manner true to those values and principles.

Putting our own house in order is crucial if we are going to move to the next stage, making the most of a changed political environment within the wider European Union to strengthen and build a diverse co-operative sector.

The final piece in the jigsaw of the changing environment is the very positive attitude to co-operatives now coming from the European Commission.

The most powerful evidence of this is unquestionably the Communication from the Commission to the Council on European Parliament, European Economic and Social Committee, and the Committee of Regions on the Promotion of co-operative societies in , published in February of this year.

The document, which built on the contribution on co-operatives and enterprise Europe by Francesco Ianello, Head of DG Enterprise at the European Commission to the Lisbon Conference in 2002 is simply something most of us in the co-operative movement would not have dreamt possible a few years ago. Those who felt, and possibly still feel, that the European Union is simply a capitalist club would hardly have expected statements such as that on the contribution of co-operatives to community objectives;

*“Co-operatives are an excellent example of a company type which can simultaneously address entrepreneurial and social objectives in a mutually reinforcing way. In addition to the entrepreneurship policy, co-operatives play an important role in the agricultural economy, for the development of regions with economic difficulties, whilst their structure is ideal to enhance employment and social cohesion”.*

The communication goes on to ;

*“Promoting a wider dissemination of the role and potential of co-operatives is therefore not only important in the respect of the immediate benefits of co-operatives themselves, but also because of its links with the important policy and objectives as a community”.*

It is worth reminding ourselves what the objectives of the communication are;

- *The promotion of the greater use of co-operatives across Europe by improving the visibility, characteristics and understanding of the sector.*
- *The further improvement of co-operative legislation in Europe.*
- *The maintenance and improvement that co-operatives` place and contribution to community objectives.*

I have said earlier in this contribution that some 20 years ago co-operatives were facing a crisis of confidence. They had lost their self-belief, and even amongst their leadership, many had real doubt that they could survive. That was because they saw them only as businesses, and businesses struggling to find how they could compete in an increasingly global marketplace. But not

only have co-operatives survived, but in parts of Western Europe they have reversed the trend of decline. In 2003 the UK consumer co-operatives recorded a first growth in food market share for the first time in over three decades. We read weekly in our Co-operative press of our major retail co-operatives pursuing acquisitions – buying up competitors stores to extend their effective operation in the convenience store part of the retail sector they now operate in – having been squeezed out of the superstore retail sector in the past two decades.

If we look globally there is still greater proof that co-operatives can survive and flourish in the most competitive of economic environments. Ocean Spray, the leading US brand in bottled and canned fruit juice (and known by every family in the UK as the brand that produce the cranberries used in the sauce that accompanies the turkey for Christmas dinner), rejected a “merger” with Pepsi earlier this year, so that it could remain a farmer-owned and controlled co-operative.

If we want to renew our own confidence, then let’s look closely at the European communication and the actions it proposes, and let’s remember again the debt we owe to Sven-Ake Böök and those who pioneered the work on co-operative identity, for yet again we see these being used as the guidelines by the Commission as it asks its member states to be guided when drafting national regulations governing co-operatives by the:

*“definition, values and co-operative principles of the above mentioned recommendation...”.*

Put simply, we have won the battle. Now let’s see how we can work together to secure the ground we have gained.

Mervyn Wilson  
Chief Executive and Principal  
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<http://www.co-op.ac.uk/mervynw.htm>