

B. Speeches

1. Mr. Michael Henriques, Director, Job Creation and Enterprise Development, ILO

Dr. Kanok Khatikarn, Deputy Director-General, Cooperative Promotion Department,
Ministry of Agriculture and Cooperatives, Thailand
Mr. M.S. Jayasinghe, Secretary, Ministry of Cooperative Development, Sri Lanka
Mr. Max Iacono, Senior Specialist on Entrepreneurship and Management Development
Government Delegates
Employers and Workers Representatives
Distinguished Resource Persons
Ladies and Gentlemen

It is a great pleasure for me to welcome you to this Conference on Job Creation through Cooperatives and SMEs in Asia on behalf of Mr. Juan Somavia, the Director General of the ILO, and Mr. Goran Hultin, the Executive Director of the ILO's Employment Sector.

Since Mr. Juan Somavia took over as Director General of the ILO in 1999, he has focused the organization on assisting people, their governments and representative organizations in achieving the over-riding concern of finding sustainable opportunities for decent work. This means promoting opportunities for women and men obtain decent and productive work in conditions of freedom, equity and human dignity.

The global employment challenge is very large. A total of some 500 million jobs are needed over the next decade to just maintain current levels of employment. And the Asia and Pacific Region faces a daunting challenge of some 800 million people living under conditions of extreme poverty defined by one US dollar per day.

Thus the search for measures to create opportunities for productive employment is very urgent indeed and it is on this background that the present meeting is taking place. The importance of cooperative and small and medium sized enterprises in job creation has been recognized for some time. But it is particularly in recent years that governments and the social partners have embarked on very deliberate strategies to take full advantage of the dynamism and productive job creation potential of these sectors.

Within the ILO's Employment Sector, the Job Creation and Enterprise Development Department specifically focuses on policies and programmes aimed at supporting the social partners in their search for effective ways of mobilizing the productive job creation potential of cooperatives and small enterprises. We have defined our mission to be the creation of large numbers of decent jobs through viable well managed enterprises. One of our key activities in this respect is to identify successful experiences at country level, analyze these experiences and make key lessons available to our constituents.

The present workshop is a step in this process. It will present a number of case studies and national experiences and seeks to take stock of what has been learned in recent years in a number of settings, in Asia and elsewhere, with regard to policy and programme initiatives to promote decent jobs in cooperatives and small enterprises and to extract some conclusions with regard to what could be future initiatives by the social partners in this direction.

The ILO has recognized the important role of cooperatives and small enterprises in job through the adoption of a number of ILO Labour Standards. Recommendation 127 which was adopted in 1966 is concerned with the promotion of cooperatives and this instrument will be going through a process of revision by the International Labour Conference (ILC) during the next two years. The resulting instrument is expected to reflect the substantial changes which have taken place over the last thirty five years, particularly with regard to the universal move towards economies based on market principles where cooperatives are expected to compete on a level playing field with other types of enterprises.

Recommendation 189 was adopted in 1998 and provides guidance to constituents on tapping the vast potential of small enterprises for the creation of decent jobs. The application of Recommendation 189 was the subject of a sub-regional meeting earlier this week and we will get a summary of the main findings from that meeting during the present Conference. Both instruments provide the overall guiding principles for ILO's work in job creation through cooperatives and small enterprise promotion.

A key issue in the generation of quality jobs through cooperatives and small enterprises is the establishment of an enabling policy and legal framework which supports the growth and development of these enterprises. This is therefore a core concern of ILO's programme and in the Asian region we have provided and are providing support to a number of member states in the Region.

Thus currently our In-Focus programme on small enterprise development is working with constituents in Viet Nam, Thailand, Indonesia and Pakistan on ways to ensure that policies and regulations support small enterprise growth and the creation of quality jobs.

And for promotion of cooperative enterprises, the ILO has its COOPREFORM Programme which was launched in 1993 to assist constituents in formulating modern cooperative development policies and to draft appropriate legal and institutional frameworks for the cooperative sector. This programme has assisted governments in Bangladesh, China, Fiji, India, Kiribati, Papua New Guinea, Philippines, Thailand and Vietnam and in many cases the legal framework is a result of ILO's support, including in our host country Thailand.

This work has been supported by the publication of guides on coop policy and law making, and four regional conferences on cooperative reform efforts have been implemented in collaboration with the South Asian Association for Regional Cooperation. This programme, as that of our small enterprise programme advocates the

principle of participatory policy and law making. It therefore initiates, in each participating country, a consultation process that involves constituents as well as other parties concerned with the new cooperative policy and legislation. An important element of the participatory approach is the popularization of the new policies and laws. Thus COOPREFORM advises countries to use appropriate communications strategies to inform the public about the new provisions so that cooperative members, leaders and promoters can take advantage of them.

Another aspect of tapping the job creation potential of cooperative and small enterprises is to ensure that these enterprises have access to a range of support services which can help them become more competitive and productive.

Such services include access to credit where cooperative organizations have been a particularly strong mechanism. It is estimated that Asia's savings and credit cooperatives have accumulated no less than 22 Billion US dollars in savings, mostly from poor people. This in turn have helped large numbers of poor entrepreneurs gain access to capital needed to start a small business.

Other services include access to training to develop both technical and managerial skills, both of which are essential to the success of any small business. This is an area where ILO has developed several programmes specifically catering to the needs of small businesses. Our Start, Improve and Expand Your Business is being used by our partner institutions in more than 80 countries. To date over 150,000 entrepreneurs have been trained, and in the Asian region this package has been adapted to the specific needs of cooperative entrepreneurs, a programme which we expect to develop substantially in the years ahead.

Support in access to markets and inputs is another area where cooperatives often play a key role. Shared service cooperatives can enable small and micro enterprises to combine their resources for the purposes of purchasing inputs on more favourable terms than they can individually. Marketing cooperatives can allow small businesses to achieve critical economies of scale and bargaining power without which they would be unable to compete in the market place. And in other instances, cooperative arrangements allow smaller operators to jointly purchase and share expensive equipment to which none of them would have access on an individual basis. In Japan, for example, 45,000 business cooperative associations have been set up by small and medium sized enterprises. The power of such arrangement in facilitating small enterprise competitiveness and growth is vast and during the next few days we will have the opportunity to study several practical examples in depth.

I would also like to mention another example where cooperative methods of working have proven particularly effective. This is in the area of assisting indigenous and tribal communities to achieve self-reliance through income generating activities based on cooperative principles. ILO's INDISCO programme has worked with indigenous and tribal peoples in Viet Nam, Philippines, Thailand, Laos and India. These have been

integrated programmes to achieve a range of inter-related objectives such as creation of jobs through income generation and cooperative ventures, support for a process of self-articulation and self-help empowerment of women through skills development and organization, and management of natural resources such as water and forests, and the maintenance of community infrastructure.

In many cases the results have been impressive. In the Philippines, for example, the INDISCO covers 12 projects areas with a total of more than 90,000 people. More than 2,500 jobs have been created in agriculture, traditional handicrafts, fishery, weaving and community services. Income levels in the partner communities have increased by an average of 44% and literacy rates have risen by 50% as a result of the local capability building and cooperative self-reliance.

The INDISCO programme is one example of ILO's wider programme on Local Economic Development which integrates entrepreneurship, cooperative and small enterprise development into a participatory process based on social dialogue and public-private partnerships in a defined geographical area. Through the Local Economic Development process, local stakeholders are enabled to jointly design and implement a development strategy based on local resources and the comparative advantage of the area with the objective of creating decent jobs and stimulating economic activity. The approach has proven to be able to substantially leverage the impact of cooperative and small enterprise development programmes and is an important dimension of our job creation and enterprise development programme.

Many of the examples I have mentioned have focused on the crucial role which cooperative and small enterprises can play at the grass roots and micro enterprise level. However, many have grown to become very large organizations indeed, such as the Indian Farmers Fertilizer Cooperative with a turnover of 1.5 billion US dollars. The Indian Labour Contracting Cooperative Movement has created over 12 million jobs.

These are impressive numbers and show the powerful scale which cooperative enterprises can attain. It is important to keep in mind, however, that the real power of the cooperative movement is to be found at the village and grass roots level where small groups of people, all over this vast Region, work together in jointly owned, democratically controlled group endeavours to improve their conditions.

This process is one of the building blocks of a democratic society and has the proven potential to empower, economically and socially, large numbers of individuals and small enterprises. It is the power of these ideas and the various ways in which they are implemented in practice that will be the subject of our discussions over the next three days. It is my sincere hope that we will, each one of us, take away a number of practical ideas which we can apply in our own countries and circumstances as our contribution to addressing the employment challenge that face us all.

Before finishing I would like to thank Mr. Nodera, the ILO's regional director and his

very efficient team at the regional office for all the preparatory work which has gone into the planning of the Conference. The meeting represents an excellent example of the collaboration between the Region and the technical department in Geneva.

Thank four your attention.

2. Mr. Yasuyuki, Regional Director, ILO Regional Office for Asia and the Pacific ¹

Dr. Kanok Khatikarn, Deputy Director-General, Cooperative Promotion Department,
Ministry of Agriculture and Cooperatives, Thailand
Government Delegates
Employers and Workers Representatives
Cooperative Delegates
Distinguished Guests

It is my great honour and pleasure to welcome you to the first ILO Regional Conference on the theme “Employment Creation Through Cooperatives and Small Enterprises”. Employment creation is one of ILO’s four strategic objectives, and is the *raison d’être* of ILO’s Employment Sector. To quote our Director General, Mr Juan Somavia, *the primary goal of the ILO today is to promote opportunities for women and men to obtain decent and productive work, in conditions of freedom, equity security and human dignity.*

In many parts of the world, unemployment and underemployment are rising. The pressure is heightened by the limited capacity of the formal economy and the informal sector to absorb new entrants into the labour market. In many developing countries, poverty, unemployment, and inflation are on the rise. The ILO estimates that, out of a world labour force of three billion people, 25 to 30 per cent are underemployed, and about 140 million workers have no employment at all. In sum, the employment situation in the world remains grim. There is a pressing need to find new ways to overcome barriers to employment. This poses an urgent challenge for countries around the globe.

Persistently high levels of unemployment and underemployment mean that concern is also mounting over social exclusion. Some groups are at particular risk, among them, unemployed youth, the long-term unemployed, older displaced workers, the less skilled, workers with disabilities and ethnic minority groups. Women face higher barriers to employment across all these categories. Of special social concern is the severity of youth unemployment worldwide.

Recent developments, such as the deregulation of national economies, the privatization of public enterprises, and the globalization of finance and trade have contributed to the

¹ Speech read by Mr. Max Iacono, Senior Enterprise and Management Development Specialist, ILO.

“informalization” of entire economies, and to a changing world of work. Most informal sector workers are unprotected and unrepresented. Far too many live and work under appalling conditions.

Unfortunately, our continent has not escaped this trend. The aftermath of the so-called Asian Financial Crisis is still being felt. The ILO estimates that as many as 25 million people lost their jobs to crisis. Many more have felt the effect of declining job quality and working conditions.

Ladies and gentlemen,

We face an enormous challenge. We face a challenge that demands new answers – new solutions. We know that neither the State nor existing private enterprises will be able to absorb the growing number of unemployed. Therefore, we have to find new ways to create jobs. Self-employment through the formation of cooperatives and similar enterprises is one of the avenues we must explore. The International Cooperative Alliance estimates that one hundred million people worldwide are already self-employed through cooperatives.

Cooperatives, by their very nature, have a *specific* employment creation potential. Cooperatives are enterprises that are based on people, not on capital. People, and employment, are central. Cooperatives also foster economies of scope and scale. They increase the bargaining power of their members, they encourage innovation, and they provide basic social and legal protection. Cooperatives can do this for individuals as well as for micro-enterprises. Indeed, the shared service cooperative is a good example of how cooperative action can provide economic benefits to independent entrepreneurs. Moreover, cooperatives can build bridges between the informal sector and the formal economy. A cooperative can serve as a tool with two uses - allowing informal sector workers and entrepreneurs to organize themselves- and to better represent their interests. Finally, cooperatives mean that members are able to decide their own future – and this improves job quality.

The ILO believes that cooperatives are successful in economic development because they are commercial organizations that are based on a broader set of values than pursuit of profit alone. Cooperatives are primarily businesses but, at the same time, they practice economic fairness by ensuring equal access to markets and services among an open and voluntary membership base. Since they are owned by the users of the services they provide, cooperatives make decisions that balance the need for profitability with the greater interests of the community which they serve. Cooperatives provide opportunity, empowerment and protection. These are also the three essential ingredients of any poverty alleviation strategy.

However, if cooperatives are to fully exploit their job creation potential, they must be allowed to operate in a conducive legal, institutional and administrative environment. Until recently, the cooperatives in many Asian countries were subject to stringent state control. They benefited from substantial government assistance but were not allowed to freely manage their own affairs. In some countries, cooperatives have even been reduced

to instruments of the state. Many governments in Asia have realized that it is not beneficial for this to continue, and have embarked on ambitious cooperative reform programmes that aim to fully integrate cooperatives into the private sector. The ILO strongly supports these efforts, and has provided several Asian countries with technical assistance in the field of cooperative policy and legislation.

The growing interest in cooperatives as a mechanism for job creation through self-help has been at the heart of the ILO's Governing Body's decision to include "Promotion of Cooperatives" on the agenda of the International Labour Conferences in 2001 and 2002. The ultimate aim is the adoption of a new, universal instrument on cooperative promotion, that could replace the existing Recommendation 127 which dates back to 1966. The new instruments will be the basis for the future work of ILO's Cooperative Branch.

This conference has been organized first and foremost to allow participants to meet and share experiences. We will listen to country reports and a series of very interesting case studies whose lessons could be replicated throughout the Asian region. We will look at ways that cooperative approaches can be used to strengthen small businesses, and to enhance their productivity and competitiveness. The workers' and employers' spokespersons will present their views on the role of cooperatives and similar enterprises in the field of employment creation. We will also briefly discuss the revision of Recommendation 127.

Ladies and gentlemen, I would like to extend my thanks to the Government of the Kingdom of Thailand, and in particular the Ministry of Agriculture and Cooperatives, for their very valuable assistance in organizing this conference. Indeed, without their assistance, this event could not have taken place.

I wish you every success with your discussions and deliberations during the coming three days, and look forward to sharing the results.

Thank you.

3. Dr. Kanok Khatikarn, Deputy Director-General, Cooperative Promotion Department, Ministry of Agriculture and Cooperatives, Thailand

Mr. Michael Henriques, Director, ILO Job Creation and Enterprise Department,
Mr. Michael D. O'neil, ILO Senior Administrative and Finance Officer,
Mr. Max Iacono, Senior Enterprise Development Specialist
Fellow Government Representatives,
Workers and Employers Representatives,
Cooperative Leaders,
Distinguished Guests,
Ladies and Gentlemen,

Mr. Petipong Pungbun Na Ayudhya, Permanent Secretary, Ministry of Agriculture and Cooperatives, has to apologize that he cannot grace the opening sessions and deliver the inaugural address today due to his participation in the Royal Ploughing Ceremony. Therefore, he assigns me to deliver his speech on behalf of the Ministry of Agriculture and Cooperatives.

On behalf of the Ministry of Agriculture and Cooperatives of Thailand, I would like to welcome you to Bangkok for the holding of the ILO Regional Conference on Employment Creation through Cooperatives and Small Enterprises. We are glad the organizers chose Bangkok to be the venue of this meeting. We hope you can learn from the Thai experiences in this regard and we as well can learn from the experiences of the other participating countries.

The Asian crisis exacerbated the unemployment and underemployment problems in most of Asia. It became clear that neither private corporations nor States have enough resources nor capability to confront these problems. In fact, in most countries, more jobs were created in the informal sector of the economy.

But jobs in the informal sector almost always mean higher job insecurity, lower wages and more difficult working conditions. Innovative forms of employment have to be sought. This is where employment creation by cooperatives and related self-help small enterprises offers good alternative. Cooperatives and related small enterprises provide good ways of balancing economic benefits with the desired social results of greater equity, greater workers' participation, better job quality and improved working conditions. This is because cooperatives and other related self-help undertakings are business enterprises that are grounded on the motivation to improve the socio-economic condition of their members rather than simply generate profit.

Many governments in the Asia and Pacific region have now paid much attention to the cooperative approach as a mechanism for job creation. To strengthen the potential of cooperatives in the role of generating employment, exchanging views among the

participants representing various sectors and learning from each other in this conference represents a momentous occasion.

I do hope this Conference will contribute substantial recommendations and find ways of making a better use of the specific employment creation potential of cooperatives and small enterprises for higher income and better standard of living of the population in this region. I wish all of you every success and have a most pleasant stay in Thailand.

Thank you.