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18375

Distr.
LIMITED

ID/WG.498/45(SPEC.)
22 May 1990

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Interregional Symposium on the Role
of the Industrial Co-operative Movement in
Economic and Industrial Development

Moscow, USSR, 11-15 June 1990

TENDENCIES IN THE DEVELOPMENT OF THE INDUSTRIAL
COOPERATIVE MOVEMENT*

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5/25

*The views expressed in this document are those of the authors and do not necessarily reflect the views of the Secretariat of UNIDO. This document has not been edited.

As time goes economic experience is being collected in the course of development of the newer forms of industrial cooperative movement; under existing conditions certain peculiar trends in cooperative activities came into being.

One can refer to more important among them such as a non-even spread of cooperatives over the territory of this country. There still remain regions where a new cooperative movement is developing rather slowly.

This new cooperative movement has a clear urban character. In rural regions on the contrary its progress is weak. Though there exist both practical experience of cooperative activity and theoretical basis for organization of various forms of cooperatives covering whole rural regions.

One more tendency clearly came out. It appeared in the cooperative movement itself, namely the differentiation between cooperatives already existing, having money, know-how, assured markets and those just coming into being. The former channel their efforts into organizing also sorts of cartels, shareholder enterprises etc. They move out on foreign markets. The latter (newly organized cooperatives) very often experience difficulties in starting their economic activity. And sometimes when they already started this activity they have to close down themselves or local authorities do it. They are simply not interested in this activity because there are some other efficient and active, the so-called rich ones, already in the field. Many of these "rich" cooperatives achieve their economic success thanks to the virtual monopoly in the field of production.

They and those alliances and cartels created with their participation show little interest, if at all, in encouraging and promoting cooperatives being newly organized. This is, of course, understandable: the reason lies in the very essence of cooperative movement itself - the tendency to privacy, sharp competition on the market. However, on the other hand as we see it the main goals of organized cartels and alliances must become support and assistance to promote cooperative movement as such in general. As yet this is practically a wishful thinking. Only some cartels such as, for example, the Union of Industrial Construction Co-operatives of the USSR render some assistance in organization and gaining the firm ground to cooperatives of the same type. Others are usually far from it.

Still another tendency is observed in the development of cooperative movement. It is characterised by a structural shift of the cooperative movement on the whole towards channelling its effort not into production of consumer goods for population but to satisfy the needs of state-run enterprises and organizations representing a consumer-buyer. This is done by a considerable number of large fully formed efficiently working cooperatives.

This tendency is defined by a number of factors among those most important are: the right (according to the Law on Co-operatives) to work jointly with state-run organizations which extends possibilities for cooperatives to utilise state resources within the limits of the state organizations; cooperatives themselves have changed: they acquired a definite ability to perform more complicated types of work, to produce much bigger volume of goods; they fixed up efficient ties with suppliers and consumers. In short the cooperatives have conquered the market and won power and prestige in economic life.

The acting Decision on certain unlawful types of cooperative activities has also encouraged the ties between cooperatives and state-run enterprises, as it contains a list of the types of activities which cooperatives can perform only on the basis of agreements

Working hand in hand with state-run enterprises cooperatives acquire certain negative features though on the other hand they enjoy certain advantages too: they are using advanced technology assured resources, they have stable state order for goods, services etc. But in the process of such cooperation we observe the following situation: here certain elements of "shadow" economy are born; there opens a possibility of realization of some goods via the state run enterprises to avoid taxation, on the one hand, and to increase the volume of production by the state-run enterprise (the aim is to show that the state plan was overfulfilled) on the other hand. Thus the two partners can use each others' accounts etc. Under the conditions where the state-run enterprises enjoy a certain amount of independence the negative character of their ties with cooperatives, serving not the needs of consumer market, is reflected in the fact that the former pay the services and work rendered by the latter through accounts, thus increasing and aggravating inflation processes, raising unwholesome discussions and rumours, and leaving impression of unearned but paid out money.

Another still rather clearly defined tendency in cooperative movement development is connected with use of labour resources (not really pensioners, students, mothers who have many children but mostly physically fit young people). It's well known that during the first steps of cooperative movement a large number of workers from state-run enterprises who couldn't, for one reason or another, realize their abilities and know-how left their jobs and joined cooperatives. They cannot be blamed as the state sector did not satisfy their needs and aspirations in full. As a result cooperatives drew in their ranks most enterprising, energetic, and daring people of the so-called "labour-lit" and young age. This in itself created certain difficulties in the economic and social life of the country. At the same time the cooperatives did not draw in their sphere of activity those workers who lost their jobs

state-run enterprises to work under the new conditions. These workers and also a number of those who volunteered to cooperatives from the... state sector and also others working for cooperatives on part time basis formed the contingent of people who, though actually working for cooperatives, are not their members. The reason of this phenomenon lies in the fact that it is an uphill job to get through the "red tape" of the command administrative system to obtain a licence for a cooperative activity. Thus those who have gone through it and achieved it feel reluctant to share the right to manage business activity and determine economic policy, i.e. in other words to share profits with anybody else. At the same time there arise various situations in which specialists who came to cooperatives from the state-run enterprises (and this fact is practically confirmed by the experience of all industrial cooperatives) do everything in their power to withdraw all their profits from the cooperatives' accounts whereas those who started these cooperatives and who determine their policy on the contrary are trying hard to prevent them of doing this. In this case we clearly observe a recurrence of a modern worker's psychology. This type of psychology is predominant among workers and employees of state-run enterprises where "everything is ours", i.e. in fact belongs to nobody, consequently "we" could not care less as to perspectives of development and progress of the production, let "them" up there break their heads over the problem. Besides that the growth of criminal activity in particular that of the racket substantially diminishes the number of perspective cooperative members as well as those who could be employed by contract. Thus the total number of cooperative staff is growing rather thanks to new cooperatives coming into existence though on the other hand the number of those employed by contract has been growing relatively steady and fast. In the USSR on the average half of those employed in cooperatives make for contracted workers, i.e. part time workers (46.6%).

This index is the highest in Estonia (72.6%), and the lowest in Uzbekistan, Kazakhstan, Azerbaijan, Kirghizia, Tadjikistan, and Turkmenia. All this creates tension in our society and in the whole cooperative movement too.

In connection with high earnings of the cooperatives' members the idea of exploitation of labour in cooperatives appears and is being discussed, certain decisions are being taken to curb the number of those in cooperatives who work by contract etc.

All the above mentioned facts and trends are also connected to certain changes in cooperatives' structure as to the types of their activity.

Already in 1988 and especially in 1989 cooperatives in the field of science, engineering activity, medicine, and other spheres of social and cultural services were developing at a progressing speed. Their number grew from 7% to 25% from the total number of cooperatives. They employed 35% of those working for cooperatives (by Jan I 88 - 9%), they accounted for 27% of the total output of cooperatives' production, 56% of their workers were contracted or part time workers. All in all the number of part time workers employed by cooperatives of all types in our country was 47%.

During 1989 wholesale purchase and trade cooperatives were developing progressively. Their number increased fourteen fold and rose to 4,416. They had 32% of employed workers by contract. These cooperatives by far exceeded those in catering business and in processing secondary raw materials put together by the volume of their activities, though at the beginning of the year they had lagged far behind the both of these groups taken separately. The total share of catering cooperatives fell from 22% to 10% (in numbers) and by the volume of production which was realized in the total volume of all types of cooperatives it fell from 25% to 6%.

Each 2 out of 3 catering cooperatives (in Leningrad-80%, in Moscow -60%) came into being replacing the earlier acting state-run

However in the situation where by this time there exists no functioning market and consequently there is no possibility for legally acting catering cooperatives to obtain raw materials and food products, low quality of those, their high wholesale prices etc. - all this resulted in the fact that the so-called contract prices at these cooperative catering establishments exceed those at state-run catering enterprises of the highest category by 2 or 3 times.

The number of activities within the framework of any cooperative grows. This can be explained by the very nature of cooperative movement: everlasting search for more effective production processes and services, possibility to quickly substitute an inefficient method for an efficient one, and not the least by the conditions in which cooperatives are forced to look for a way to avoid or overcome (by hook or by crook if no other possibility is left for them) all kinds of limitations and obstacles which the command-administrative system richly and skilfully "manufactures" for them.

These limitations and obstacles make the existing cooperatives manœuvre, look for various new optional lines of development.

According to expert estimates there goes a process of self-liquidation of some cooperatives caused by the following reasons. Firstly, cooperative management are uncertain as to what may come next day while this or that type of their activity may be prohibited forthwith, their licence withdrawn etc. This uncertainty is based on imperfection and insufficiency of legal laws which are so easily issued and so easily revoked by arbitrary decisions of local authorities and also because of hostile attitude on the part of population. Secondly, co-operators are scared by taxation policy, since it is too unstable, by the threat of bankruptcy before they could set a firm foot in the business. Thirdly, difficulties with material supplies. Cooperatives are often accused without reason of procuring from limited stocks raw materials and equipment, of giving bribes for the above mentioned, though giving bribes literally for everything has

cooperatives should share the responsibility for this situation with the corrupt administrative bodies, however up to now mostly cooperatives themselves are accused of such wrong doings. Fourthly, while cooperative movement structures are getting more complex there appeared a necessity to organize their branches, but their legal status has not yet been fully worked out. And at last, cooperatives get very often self-liquidated without even starting their real business activities, because of lack of credits etc.

The tendencies in developing cooperative movement mentioned above are not incidental and can be well explained. Thus cooperatives dealing with science, engineering and other types of scientific servicing are well versed in the utilization of the latest achievements in science and technology, foreign know-how, modern equipment, computerization and automation of industries etc. They also perform research and development work in all spheres including economy, law making, the latter being closely connected to switching over to new forms of economic activity by many state enterprises, cooperatives also do some translator/interpreter work and the like. Secondly, these types of cooperative activity demand material and technical resources, premises and other things in much lesser degree. It is very important to take into consideration. The matter is that the first wave in the cooperative movement, stimulated by certain government decisions and by the Law on co-operation has utilized those resources which were at hand including those belonging to the state-run unprofitable enterprises which were leased to cooperatives or transferred to cooperative lines. Then the supply of raw materials for cooperatives became more complicated as leasing land to building cooperative facilities still remained an unsolved problem: no available resources, absence of wholesale trade etc.

Intensive development of cooperative movement in wholesale purchase sphere and intermediary activities is determined by the fact that these branches of national economy haven't been properly develop

ment which reigned for a long time effectively prevented it. Backwardness of these spheres brings about immense losses and primarily in the agro-industrial sphere. But not only there. It's just the sphere where cooperative movement started to develop. Having channelled their efforts into wholesale-purchase sphere, cooperative movement met face to face with the population painfully aware of any slightest price rising, especially sensitive was it when food and consumer goods prices were affected. But cooperatives could not offer their goods and services at prices equal to those of state-run producers, while creation of wholesale-purchase cooperatives turned out to be a rather capital intensive business. This is true when cooperatives build their own transportation and storing facilities (buying transport vehicles at commercial prices etc.), it is also true in case when they rent state-owned vehicles and use state-owned storing facilities (the rent, services are high, there are certain limitations on goods export etc.).

The tendencies in the development of the new cooperatives which have taken shape now are determined by the fact that they have overtaken in their growth those changes in the national economy which had been expected. Just because of that many state sector employees and workers got a negative opinion on co-operators' activities. This opinion is formed not only on such items as salaries and wages of cooperatives' staff which are considerably overshooting those received by the employees and workers in the state-run enterprises; or more advantageous compared to the state ones budget payments and higher prices for goods produced and services rendered. The above mentioned opinion is also strengthened because labour resources are being transferred to cooperatives and namely those resources which had previously been used in more technologically advanced spheres. Lagging behind on the part of state-run enterprises caused a negative attitude of population towards cooperatives which turned out to be a powerful social press.

This attitude often leads to decisions not only curbing the development of cooperative movement but also facilitates distorting its essence, it also stimulates transformation of sound cooperative relations into "shadowy" ones.

As a result of the above mentioned processes the development of cooperative movement caused serious contradictions within our society, the main of them being a considerable difference of the earlier set up cooperative strategy from today's cooperatives' development tactics. The contradictions which have taken shape at present in our society, in the national economy, in cooperative movement, including the attitude to cooperatives, brought about various and numerous negative phenomena in cooperatives. Many of them turned out to be completely different from what they were meant to be originally. Part of them have preserved classic cooperative features, i.e. they serve to realize the genuine interests of cooperative members. These interests are not aimed at getting maximum profits but they serve to raising the well-being of the other members of our society, to realization of activities and creative potentials of man, to solving social problems. The more so some cooperatives put forward even much wider social goals, e.g. rebirth of degrading villages, developing their infrastructure etc. At the same time a considerable number of the new cooperatives are built on purely business-like principles and this is only natural since in the conditions of officially non-recognized private property on the means of production the cooperative form of business may be acceptable only for those who are inclined just to develop both individual and collective business activity. Besides that when separate elements of economic freedom are implanted in a deficit ridden and imbalanced economy a certain possibility of quick and direct raising profits can come to the forefront (the more so such economy allows to achieve it without great effort). Genuine cooperative principles come into being only then and there when

and where common interests begin to dominate, which have nothing to do with obtaining maximum profit. That demands a more stable economic situation, sufficiently developed market, and specific spheres of activity, e.g. farming.

The unstable position of the new cooperatives caused by inconsistent government policies, uninterrupted pressure from various social circles bring about the fact that short-lived interests prevail over long-term ones in cooperative movement. This in its turn causes public dislike and distrust of cooperatives.

Taking into account public dislike of most working population regarding cooperative movement it is necessary to consider the scope of existing cooperative activities, the number of people already drawn into them when one makes any economic decisions especially aimed at directly or indirectly cooperatives or against them. In this case we do not mean the strategic direction in which cooperative movement goes - it is well defined: cooperatives must develop further. We mean here the choice of tactics, that is if some time ago it was sufficient to follow the general strategy when taking this or that measure and consider the forces within the society opposing cooperative movement, now it is not enough. It is necessary now to evaluate the existing forces which are interested in cooperative movement and which, though not always directly, but still support cooperative interests.

What are these forces? First of all these are the members of cooperatives themselves, secondly, people permanently or part time working for cooperatives by contract. Thirdly, members of the families of the above mentioned persons. Fourthly, those in government and local administration connected with cooperative movement. Then there are consumers of the cooperatives' goods and users of their services including those who cannot receive that kind of services in the state sector. And the last, potential co-operators or consumers of cooperative production. By our rough estimates the

number of such persons in the total number of self-employed population in this country makes not less than 10%. Their number will constantly grow and when any economic decisions not stimulating cooperative movement are taken these people as well as today's open enemies of cooperatives will exercise social pressure and cause social tension to oppose the decisions being taken.