

THE CO-OPERATIVE FIRM

KEYWORDS

Edited by
ANDREA BERNARDI and SALVATORE MONNI



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Università degli Studi Roma Tre
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Front cover picture: beyond the Ashton canal, the mill (now residences) of what used to be the 'Co-operative Wholesale Society Bacon Factory and Warehouse' in Pollard Street, off Great Ancoats Street, Manchester. Picture taken in 2015 by Andrea Bernardi. For details, see chapter 'A dictionary of the multifaceted co-operative world'.

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PREFACE

This book represents an idea that has been put into practice and a gamble that has paid off. It is the result of an exchange of ideas that took place between Professor Monni and me when I was President of the Italian Co-operative Alliance and it uses the 'traditional' structure of a dictionary to present a series of 'keywords', with the aim of helping us to gain a greater understanding of co-operative enterprises. It has two aims: one is to present co-operation to a wide audience by clearly explaining its main characteristics and the other is to provide those who are already familiar with and interested in co-operation with new ways of interpreting and understanding a phenomenon that over a period of 170 years has spread to numerous different countries and fields.

In order to meet these aims, academics from various countries, representatives of international institutions, and members of the co-operative world have come together as a collective authorship. The array of themes explored reveals the very distinctive nature of the co-operative, leading us through the co-operative business model, its social and economic impact, its organizational structure, and its system of values. If we glance through the entries that represent co-operative enterprises – ranging from work and participation to safety and well-being, workers' buyouts, control and governance, rural development and co-operative quality – we are confronted with an expressive and complex system whose key principle is yet refreshingly simple: that people play a central role.

The co-operative, as shown by both its historical evolution and by more recent developments, which have seen the model spreading to new areas of activity and organization, is at root a social infrastructure, a tool that allows people to find responses to their needs within a framework of shared responsibility, solidarity, and active participation. Co-operatives are a vital tool for implementing and affirming the socially important role of citizens as a fundamental part of economic and social growth. Such growth, especially given events and experiences of recent years, should no longer be the prerogative of two institutions – the state and the market – who, in a traditional approach, were chiefly, if not exclusively, assigned this task. Challenging this model and tradition, co-operatives are an opportunity for all those who want to play an active part in shaping the future of their own community.



This book is an important contribution to reflecting on and understanding co-operatives. It warrants our gratitude and attention and I hope you, as I have, enjoy reading it.

Giuliano Poletti

Minister of Labour and Social Policy
in the Italian Government



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A DICTIONARY OF THE MULTIFACETED CO-OPERATIVE WORLD

Andrea Bernardi, Salvatore Monni

How did a book on co-operative enterprises entitled ‘Keywords’ come to be written? And, above all, why should we read it? It is the result of collaboration between two colleagues who are first and foremost friends from two different fields, Andrea Bernardi from Organization Studies, and Salvatore Monni from Development Economics. The book came into being after an exchange with the former President of the Italian Alliance of Co-operatives, Giuliano Poletti, Minister of Labour and Social Policy with the Renzi Government since 2014. President Poletti’s perception was a simple one; a book was needed that spread the idea of co-operatives to as many people as possible and above all to those who knew nothing about them. The book would have to be written by young people (in Italy you stay young for quite some time!), would have to include new topics, and would have to be influenced by other fields of research. From this point of view, the different scientific backgrounds of the authors and the way they complemented each other would guarantee something new. President Poletti then went on to become Minister and although he is now involved in affairs that are somewhat more important than our dictionary, he has found the time to write a preface for us.

Who are the contributors? The authors come from a variety of different backgrounds and ten different countries. Although most of them are academics they are not exclusively so; they also include practitioners from international organizations (FAO), research bodies (DIE), and executives from the Italian co-operative movement (Legacoop, Confcooperative, AGCI). The varied backgrounds of the authors and their diverse training have also influenced the words in the dictionary, words that might not automatically be associated with co-operatives, such as Human Development, United Nations, Empowerment, Resilience, War. In short, an attempt has been made to create a dictionary that introduces, alongside the ‘traditional’ words of co-operative studies, other new and equally important words.

What are co-operatives anyway? According to the ICA definition, ‘A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations



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through a jointly-owned and democratically-controlled enterprise'. Co-operatives have a very old history, though they are still out there competing in every market and every industry with their capitalist rivals (Hansmann, 1996). They represent a revolutionary idea (Bernardi and Greenwood, 2014) which is still feasible and effective and which provides work, goods and services to hundreds of millions of members in almost every corner of the globe. Co-operative enterprises represent worldwide-distributed alternatives to the investor-owned limited company model. Thanks to their co-operative business model, co-operatives are seen to meet the expectations of consumers or workers better than firms driven by motives predicated upon investor-ownership. Furthermore, co-operatives are lauded as democratic organizations, prioritising the loyalty of members and customers, value-based motives, and ethical use of profits as cornerstones for their competitive advantages. They are also praised as examples of 'organizations of the future'. Nevertheless, the evident successes of the co-operative model have been somewhat overshadowed within the traditional research literature by dominant mainstream economic discourses (see Chapter T, Textbooks). These have a tendency to sideline co-operative principles and practices as being strange, or at least not recognized, by the media, industrial development agencies, economists or political decision-makers.

The book has been written with a diverse potential readership in mind and its objective is that it is read by as many people as possible. For this reason, we have preferred an electronic edition that is open access to a traditional printed formula. In this way, the book will be available on all digital platforms and it can be used in part or whole by teachers or students at no cost. A free eBook has enabled us to achieve this aim and we are grateful to the University of Roma Tre and its series of publications for this. We wanted to edit a book that was interesting and relevant to co-operative members, practitioners and also academics (professors and students). We wanted to deal with topics that are not found in traditional works on the co-operative sector and we wanted it to be straightforward and without a propaganda agenda (see Chapter Z, *Zeitgeist*).

Why read it? Depending on the reader's background, we hope to provide both a basic insight into something new for neophytes and a new perspective on well-known phenomenon for experts. For the same reasons, the book can be deployed in a wide variety of Higher Education and Further Education contexts. It is for those who are interested in a different way of producing goods and delivering services and in a different idea of market, firms and work. This is the co-operative sector; a possible and



on-going revolution, the revolution of ownership that should be embraced by those disappointed with the failure of Occupy Wall Street protests (see Chapter O). We will be particularly pleased if the book is able to reach some of the people involved in the protest movements that followed the financial crisis of 2008 or those actively involved in community projects of social entrepreneurship.

The book is structured like a dictionary and as such presents several short contributions, each with a different topic and an author's profile and disciplinary perspective. After this introduction, 23 letters/keywords follow. Chapter K presents the methodology of Keywords in literature and social sciences and the history of the word 'co-operative'.

Chapter A, from an Italian perspective, defines the role of national Co-operative Alliances as a key entrepreneurial and civil-society actor, and the recommendations of the United Nations and its agencies are presented in the U Chapter. Several letters deal with work from different perspectives: B Workers Buy Out, W Well-being, L Labour and Participation, Q Quality and Quantity, F Recovered Factories and N New Media. Many contributions deal with development at individual and community level: H Human Development, R Rural Development, R Resilience and W War. A number of chapters deal with the need for better regulation of both capitalist and co-operative firms: O Occupy Wall Street, C Control and Governance, I International Co-operative Law, V Venture Capital and M Mutuels. Finally, G Gung Ho, presents the startling, unknown history of the Chinese co-operative movement and T Textbook describes how 'co-operatives' are disappearing from economics textbooks despite the richness of the movement in terms of dimension and diversity.

Unlike the original work by Raymond Williams (1983), or his followers, this dictionary offers the etymology of a single word, co-operative, which is then collocated with 22 other letters. Chapter K deals with the word co-operative in detail, offering an original account of its origins and the story of the word and its use. Despite the differences, the epistemological device triggered by our 23 chapters/letters is similar to the original attempt by Raymond Williams and the effect on the reader will be analogous.

We have discussed with our colleagues what contribution they could provide to this project and we have selected and allocated 23 letters. They are not random words: there is a common and a joint aim that we hope the reader will notice. All letters aim to show how diverse, rich and old is the co-operative sector worldwide. All letters discuss explicitly or not the ability of the co-operative sector to contribute to growth and development. Taken



together, the letters provide a multidisciplinary explanation of how co-operatives contribute to our life, how they have been doing so for a long time, and, through reinvention, might still do so for years to come. All letters position the role of co-operatives with reference to traditional firms but do so in a critical rather than a polemical or utopian way.

A (CO-OPERATIVE ALLIANCE), Italy, by Mauro Lusetti, describes the need for a strong co-operative association from an Italian viewpoint. The wall of ideologies has finally come down for co-operation as well and old-style separations between Socialist and Christian traditions are no longer useful. The unifying process of the three co-operative unions, products of the noble, glorious ideologies of the 21st century, is final and inevitable. This letter might be read jointly with G, M and Z.

B (WORKERS' BUYOUT), by Marcelo Vieta, describes how the co-operative business model is a good option during a business crisis that needs to be solved with a workers' buyout. National models and experiences are described. This letter should be read together with F, L and V.

C (CONTROL AND GOVERNANCE), by Johnston Birchall, deals with a crucial point. When co-operatives are very small, they do not have a problem with member control; members have a direct say in decision-making and management, and they can usually ensure that the co-operative works in their interest. There may be problems concerned with group dynamics but these are shared with any small group that wants to get something done. As soon as members give authority to a smaller group to take decisions on their behalf, the question of governance emerges. It would be useful to read this letter together with L, M and Q.

D (RURAL DEVELOPMENT), by Mariagrazia Rocchigiani, Nora Ourabah Haddad and Denis Herbel, is a specialized contribution on the co-operatives' role in rural development. In both developed and developing countries, there are examples of producer organizations and co-operatives that are innovative and have proven to be successful in helping small scale producers overcome different constraints. However, they too often remain limited in scale and scope. The main challenge is to build on these success stories in order to catalyse sustainable rural development. FAO and the development community calls for a reorientation of interventions to recognize co-operatives' and producer organizations' capacities to make informed choices in front of different agendas and actors that are more powerful. Support to such organizations needs to build on existing organizational development processes in order to stimulate the active engagement of their members in their own development path, appreciate their own successes and build on existing assets. The examples provided



are from Argentina, Benin and Ethiopia and offer a concrete idea on how co-operatives can contribute to rural development and to the socio-economic development of the communities where they operate. This could be read with E, G and U.

E (EMPOWERMENT), by Francesco Burchi and Sara Vicari, explains how co-operatives can contribute to empowering and giving a voice to the poor and to other marginalised groups, being a means of collective human agency as individuals come together to pursue goals that they value and have reason to value. In particular they explore the potential of co-operatives to promote women's empowerment and gender equality. To be read with D, G and U.

F (RECOVERED FACTORIES), by Francesco Vigliarolo, brings us to the well-known case of the *Fabricas Recuperadas*. The term 'recovered factories' is used to indicate the process in which workers recover enterprises which have filed for or declared bankruptcy. Process which gained momentum in Argentina after the 2001 crisis and led to systematic forms of self-management. Although the first recovered factory dates back to 1959, the phenomenon is mainly linked to the crisis in 2001, a time when there was great social unrest following one of the biggest financial upsets in human history. It is useful to read this jointly with V and L.

G (GUNG HO), by Andrea Bernardi, is an original account of the history of co-operatives in modern China. Gung Ho is the oldest Chinese co-operative association and the closest to the principles of the international co-operative movement. However, regrettably it is not the biggest and most powerful co-operative organization in China and this chapter tells us why this is so.

H (HUMAN DEVELOPMENT), by Pasquale De Muro, Salvatore Monni and Sara Vicari, explores co-operatives from the perspective of this new paradigm of development. As enterprises that put people and their active participation at the heart of their business, it is argued here that co-operatives are institutions well placed to foster human agency and capabilities. The factors needed to enable these outcomes are also investigated. This chapter could be read together with D, E, U and W.

I (INTERNATIONAL CO-OPERATIVE LAW), by Gemma Fajardo García, defines how international law can help or slow down the development of co-operatives at international level. Co-operative law, understood as a set of rules that regulate the formation and functioning of co-operatives, has a long tradition in European countries. For example, the industrial and provident act in the United Kingdom was passed in 1852 and the Prussian co-operative act (the Schulze-Delitzsch law) in 1867. To be read with U.



K (KEYWORDS), by Fabrizio Martello and Rowan Tomlinson, should perhaps be the first chapter to read, since it gives an account of the original project of Keywords by R. Williams and offers an exploration of the origins and history of the term 'co-operative'.

L (LABOUR AND PARTICIPATION), by Tiziano Treu, deals with a wider issue than the co-operative sector: that of workers' participation. Since its origins, work co-operation has represented a type of work relationship that is different from the employer/employee relationship associated with a market economy. The difference in the work co-operation relationship is due to the fact that the work of the employee members is structurally inserted into an enterprise, that of a co-operative, which is different from a capitalist one. It would be interesting to read this letter jointly with S.

M (MUTUALS) is written by Salvatore Monni, Giulia Novelli and Laura Pera. In a comparative study between Italy, the USA and Europe, the authors remind us of the importance of co-operative enterprises when essential services such as energy are provided to the community by municipal utilities. It is increasingly difficult for local authorities or states to set up public utilities in both Western nations and developing countries. This chapter attempts to explain the role of co-operatives and the reason why co-operatives should take initiatives at least at local level towards providing services to communities. There may be an economic reason for supporting these programmes, but, above all, there could also be a social reason for doing so.

N (NEW MEDIA), by Mattia Miani, is an original reflection on the relationship between co-operatives and new media. Miani chose to tell two stories that illustrate the complexities of the relationship. One story refers to the development of the virtual community The Well that at a certain point became a co-operative enterprise. The second story refers to the development of the .coop top level domain. Both stories show how the original nature of the co-operative enterprise can have a special place in the cyberspace and how new media can have a role in communicating co-operative identity.

O (OCCUPY WALL STREET), by Andrea Bernardi, deals with the recent crisis and a failed attempt at paradigm change. The 2008 financial crisis triggered the economic recession and an ideological crisis of Western capitalism. The worldwide protest movement has been ineffective in delivering an impact on policies and providing a feasible alternative. The co-operative movement and the protest movements have several points in common, and, despite their lack of dialogue, it is argued that credit unions, workers' and consumers' co-operatives are a feasible model for



sustainability, fairness and growth. The occupy movement needs a feasible and pragmatic plan of action to make protests constructive and consequently more effective. Their emphasis to date on methods rather than on solutions has proved to be largely ineffective. Without a feasible and sound proposal, the occupy movement will either decline (Roberts, 2012) or will end up reinventing itself more radically.

P (LABOUR PRODUCTIVITY), by Pasquale Tridico, introduces us to the important construct of productivity. As discussed in earlier studies (Bernardi, Treu, Tridico, 2011), we can see that the productivity performance of co-operative enterprises during the crisis was higher than in traditional firms. This should be read with chapters S and L.

Q (CO-OPERATIVE QUALITY), by Vincenzo Mannino, is a short essay by one of the leaders of the Italian Co-operative Movement. Why is the nature of co-operative firms questioned? Other types of enterprises don't face such questions. If there is an incident at a joint-stock company or a traditional capital company, nobody questions the entire genus. Obviously when mistakes become very frequent or patently obvious, the debate is re-opened on the need for prevention, by correcting or strengthening governance or regulating corporate offences in another way. By means of what policy (today, a European co-operative policy is needed rather than a national one) high quality co-operation can be sustained? This could be read with letters A and I.

R (RESILIENCE), by Alexander Borda-Rodriguez and Sara Vicari, explores the key factors found to be conducive to co-operative resilience, thus allowing co-operatives to overcome shocks and crises. Their analysis draws largely on developing countries, particularly on case study material from Malawi and Uganda. It could be coupled with letters D, E, U and W.

S (SAFETY AND WELL-BEING), by Jorge Muñoz, is a short account of an original and important line of research on the relationship between participation and well-being at work. According to the literature to which the author has made a valuable contribution, the higher the ability of workers to participate (in a co-operative business or in a traditional one), the higher the performance in terms of occupational health and safety. To be read with letters E and L.

T (TEXTBOOKS), by Panu Kalmi, deals with an important issue for academics and practitioners. Are our textbooks focusing only on mainstream business models? Apparently so. Co-operatives have been an important part of the economic system for more than 150 years, especially in market-based economies. Despite this, most post-WWII economics textbooks pay very little attention to co-operatives. Notably, this has not always been



the case: many textbooks written in the early 20th century had considerable coverage of co-operatives and well-informed discussions. To be read with letters O, Z and U.

U (UNITED NATIONS AND CO-OPERATIVES), by Hagen Henry, is a highly informed and informative contribution to our understanding of the relationship between the co-operative sector and UN agencies. Interaction between the UN system and co-operatives has a long history and is multifaceted. Over the past 20 years, three international instruments, the ICA statement, the UN guidelines and ILO Recommendation no. 193 have been adopted. Independently of their individual legal value, together they define the powers and tasks of the UN system, respective member states and other actors in the development of co-operatives. It would be enlightening to read this with letter W and with letter D for further information on FAO's work in support of cooperatives and producer organizations.

V (VENTURE CAPITAL FOR CO-OPERATIVES), by Giustino Di Cecco, presents surprising data on the Italian case. A lack of cultural development in Italian corporate finance is to blame for disappointing results in Venture Capital. Surprisingly, the development of Venture Capital in the non-profit sector is more successful. This paradoxical success of mutual venture capital lies with a clever, albeit somewhat fortuitous, intuition of a law. To be read with letters A, F and L.

W (WAR), by German Dulcey, describes the role of the Colombian co-operative sector in conflict areas and during the peace process. The experiences described and the conclusions drawn are relevant to many developing countries and conflict areas worldwide. This could be interestingly coupled with letter U and D.

Z (ZEITGEIST), by Andrea Bernardi and Salvatore Monni, is devoted to the need of the co-operative sector to be in tune with the spirit of the time. We argue that co-operatives have never been abstract entities but rather effective organizations born to serve the needs of members and users. The spirit of the time, the *Zeitgeist*, needs to be the beacon of the co-operative movement. The identity of the sector, its objectives and diversity compared with capitalist competitors, must be periodically re-examined to make sure that it fits the contemporary needs of members and users.

We would like to spend some final words on the picture that we have chosen for the cover page. This is a photo that we took in 2015 in Manchester. You can see the Ashton Canal and the mills along Pollard Street; industrial modes of transport, construction and production built at the beginning of the 19th century, at the apex of the first Industrial Revolution, and recently transformed into flats and offices.



Our favourite modern British painter, the great artist of the industrial urban environments, Laurence Stephen Lowry (1887-1976), worked on such landscapes in his career, living in Manchester across a period when 19th-century industry was changing but had not yet been transformed into the knowledge and services economy that dominate today, and depicting the hard lives of workers in industrial urban environments (Wagner, Clark, 2013). In Lowry's day, the buildings we see in the image still spoke of industry, yet were already abandoned, on their way to dereliction.

These mills, which are now swanky modern apartments, well beyond the reach of today's average salaries, were once symbols of the terrible working conditions of that time. Men and women used to work up to sixteen hours a day, children up to eight, teenagers up to twelve. All were exposed to relentless and unbearable noise and frequent injuries, working without suitable equipment or protection and spending their few non-working hours in the nearby slums as documented by Friedrich Engels and Karl Marx. Life expectancy even briefly declined midway through the 19th century. This was the case exactly of Ancoats, the industrial village of our picture. As an example, a structural failure in the roof of one of the Pollard Street mills caused the death of a female worker in 1847 and the injury of another five workers.

Marx (1867) and Engels (1887), gave little attention to the rising co-operative movement. As far as we know, Lowry devoted no special attention to co-operative firms in his work, this despite the fact that his native city gave birth to the modern co-operation only a few decades before his birth and was expanding throughout his early life. We might, though, imagine that his exquisite portraits of the urban life of his time, of an existence polluted by factories and dehumanized by industry, inspired those driving the co-operative movement to work harder still. A movement whose fight against irresponsible businesses, bad working conditions and lack of spirit of community grew in scope and spread across Europe and further still through the course of the 19th and 20th centuries.

Indeed, the mill in our picture is itself a part of the co-operative story since it was bought by the largest British co-operative organization of the time (Wilson, Webster, Vorberg-Rugh, 2013), the Co-operative Wholesale Society (CWS), at the start of the 20th century, and was used by the CWS as a food processing factory. For a few decades from 1930, co-operative tinned food, spices, baking ingredients and bacon were shipped the 'Co-operative Wholesale Society Bacon Factory and Warehouse'¹ of Pollard Street, off

¹ Thanks to Gillian Lonergan, Head of Heritage Resources, Co-operative Heritage Trust, National Co-operative Archive, Manchester, UK.



Great Ancoats Street, Manchester. When the Co-operative Wholesale Society took over, more than 100 years after their construction, mills were a much healthier workplace, in large part thanks to the institutions and the social movements that flourished in Manchester after the industrial revolution: among them, the co-operative movement itself, the Trades Unions, and the Labour Party. The CWS sold the building in 1994 so it could become a residential building. Yet this wasn't the end for co-operatives. Today, in a completely different Manchester, where manufacturing has almost entirely disappeared, new types of co-operatives are being established.

To the ideal of a co-operative and sustainable business, to the quest for fair and safe work and to Manchester, the homeplace of industries, trades unions, labour and democratic movements, our cover page and our book is dedicated.

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A: CO-OPERATIVE ALLIANCES, ITALY

Mauro Lusetti

The Wall of ideologies has finally come down for the Italian co-operative movement as well. The main three co-operative associations have been gradually merging into the newly established Italian Co-operative Alliance. This has been a long process, after decades of competition and separation.

The unifying process of the three co-operative unions, products of the noble, glorious ideologies of the 21st century, is final and inevitable. After all, it would be something of a paradox that co-operatives are unable to co-operate, i.e. work together and jointly run a major project which is not only economic (the Italian Co-operative Alliance accounts for approximately 8% of the Italian GDP), but, above all, cultural and ethical. In a world that is divided and worryingly witnesses the blind defence of boundaries and borders, Italian co-operatives have been pursuing the path of unity with great conviction for some time (since January 2011 to be exact). The spirit of the pioneers of Rochdale, a town on the outskirts of Manchester where the first consumer co-operative was founded 170 years ago, is being interpreted in a new, modern light by the Italian Co-operative Alliance. This single, united Italian co-operative association is managing to be a driving force at a time when great global changes are underway and, at the same time, in consolidating a tradition in the field of work, both social and economic, that helps to give a solid foundation and democratic voice to the entire system.

Before discussing the cultural, social and economic prospects of the Alliance, I would like to begin with a series of figures that give us a clear idea of what the co-operative movement is today in Italy and how it came to be. As already mentioned, the Italian co-operatives account for approximately 8% of the GDP and have an aggregate capitalisation of over 52 billion euros and a net capital of over € 6 billion. The Alliance brings together 43,000 businesses and represents approximately 90% of the Italian co-operative movement with 1,200,000 people employed, a € 140 billion turnover and over 12,000,000 members. The Alliance is very strong in the agro-food sector with a *Made in Italy* production that amounts to € 35 billion and the banking sector with the big banks like Unipol-Sai or Credito Cooperativo which account for 13.4% of the banking sector in the country with direct deposits of € 157 billion. The retail distribution and consumers' co-operative sector is also huge, controlling about 34% of



the market, with a turnover of € 28 billion and over 8 million members. The social sector employs 355,000 people and provides social and health care services to 7,000,000 people (employment has grown by 115% in the healthcare sector in ten years). In the co-operatives, 52.8% of the people employed are women and represent 25% of governance, foreigners account for about 20% of the workforce, one Italian in five is a member of a co-operative and one in three people buy from co-operatives. As we can see from these few figures, co-operation in Italy is an essential, vital part of the economy.

It is a huge phenomenon based on three important work and community experiences from the last century. The Alliance consists, at a formal level as well, of Legacoop, Confcooperative and AGCI. Here is a brief outline of their origins.

The Federation of Italian Co-operatives, founded in Milan during the first congress of Italian co-operative members (1886), changed its name to the League of Co-operatives during the 5th congress which was held in Sampierdarena in 1893. Although it has changed dramatically in many ways, its mission remains that of 'supporting the leading economic, social and civil role of the co-operatives in the most dynamic and effective way. For 125 years, this has been the aim of Legacoop, an association close to socialist ideals that brings together over 15,000 co-operatives operating in all regions in Italy and in all sectors which are capable of creating development and wealth by focusing on people and the local area and community.

Founded in 1919, the Italian Confederation of Co-operatives, Confcooperative, is inspired by the Church's social doctrine (as can be seen in Article 1 of its Statute). Based on the social function that the Italian Constitution (art. 45) attributes to co-operation, Confcooperative promotes its development, growth and diffusion and currently brings together over 19,000 firms.

AGCI, the General Association of Italian Co-operatives, was founded in Rome in October 1952 by a group of republican-, liberal- and social democratic-inspired associations which formed a new union of co-operatives. It currently includes nearly 8,000 co-operatives.

Although figures and historical origins are all equally important, the ideas for developing co-operation in the very near future are even more so. The model can be found in the International Co-operative Alliance Statement on Co-operative Identity, which focuses on a number of critical points which can be briefly summarised below. Voluntary and open membership, the principle of democracy, strengthening of the role and contribution of women as a structural aspect, and value that helps to



define co-operative identity and an element of competitiveness between enterprises. Maintaining a balanced growth is only possible if human capital is not wasted, and the principle of centrality of people and their dignity is preserved. Equity, the importance of merit, must guide renewed interest in work and its importance as a primary need in today's society.

It is not accumulation that distinguishes co-operatives from joint-stock companies, but the substantial limit to the private appropriation of the wealth produced which introduces innovative elements of pluralism and democracy to the market and determines, on a social level, the special bond between co-operatives and the community. The limits to the appropriation of resources (indivisible reserves, limited return on capital) are the conditions that lead to a sustainable capitalisation and to maintaining the distinctive nature of a co-operative as an enterprise that responds to the needs of its members and the community, both now and in the future.

However, the principle that will be increasingly valued in the future is that of intergenerationality, i.e. creating ways of handing co-operative values and assets down to future generations, training the social base and rotating decision-makers, focusing on meeting the needs of the members. To keep the intergenerationality profile high, innovation, which involves promoting co-operation in new areas, is vital.

This is a huge challenge based on the awareness that in future societies and economies there will always be a space for co-operation. A strong, united co-operative association will help in facing this challenge. This approach should be considered also in those countries where the representation of the co-operative sector is still fragmented.

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B: WORKERS' BUYOUT

Marcelo Vieta

A workers' buyout (WBO) is part of a business restructuring, rescue, or conversion process whereby employees purchase an ownership stake in the business that employs them, or in a division or subsidiary of the business. In its more progressive expression, a WBO also includes workers' participation in the running of the firm, either directly or through the election or appointment of management.

Through a variety of legal mechanisms that vary according to the national jurisdiction, employees involved in a WBO may first form a new entity, termed a 'newco' by accountants, in order to engage in the legal requirements for buying all or part of the original business interest, which in turn is known as the 'target company' (Bernstein and Hodge, 2008). In simpler WBO procedures, the newco can be a transitory employee association of some sort or employees can form a trust, where the target company is subsequently converted into a new legal entity, usually a worker co-operative. The newco, association, or trust on behalf of the employee collective, is entrusted with the purchase, and the newco then either fuses with the target company or forms a new company and dissolves the target company (Mraz, 2012).

Four possible routes to a workers' buyout

While there are many reasons for employees to engage in a WBO (Co-operatives UK, 2013), broadly WBOs can take four routes:

(1) Employees form a newco that then buys some or all of the assets of the target company in what is known as an 'asset sale,' usually through the issuance of share capital by the target firm. This purchase is financed by workers' shared contributions to the newco from their savings, redirected pension plans (as in the case of Employee Share Ownership Plans, see below), advances on unemployment insurance (as law permits in Italy and Spain, see below), or from other financial sources (such as with the assistance of institutional investors, which can themselves be co-operatives, individuals, or publically traded or private business, such as Italy's 'socio finanziatore').

(2) The employees' newco purchases some or all of the assets of the target company as in scenario 1 but via loan financing (either from banks,



credit unions, or other institutional investors), which is secured by the assets and future revenue potential of the target company or newco, or at times in combination with or directly by workers' own collateral. This is a type of worker-centred 'leveraged buyout.'

(3) The employees, with their unions or other local supporters and legal representatives, first negotiate the transfer of a failing or bankrupted target company or a portion of it with bankruptcy courts or local authorities through some sort of legal or legislative mechanism (e.g., bankruptcy protection or even expropriation legislation, corporate legislation recognizing business conversions to worker co-operatives, or favourable usufruct laws). These mechanisms, in turn, secure the conversion of the target company to workers' collective ownership and management. Versions of this model are used, for instance, in Argentina, Spain, France, and Italy (Ruggeri, 2014; Vieta *et al.*, 2016a). In this third scenario, the newco, most usually in the form of a worker co-operative, is established just before or during the negotiation process. Negotiated conversion settlements may arrive at: (a) a usufruct legal structure where the workers can use, manage, and work the assets of the firm before a final settlement is reached, (b) a rent or lease-to-own model where the workers pay for the use of the assets of the target company over an agreed-upon timeframe and sometimes from so-called 'labour credits' calculated on unpaid wages incurred by the target company, or (c) from an 'expropriation' of the firm through specific legislation passed by local regional governments on behalf of employees when saving a failing firm is deemed to be in the public interest, which is a common scenario in Argentina.

(4) Any combination of the above three scenarios, including co-ownership and co-administrative models between employees and owners or employees and managers of the target company.

The three types of workers' buyouts

Generally, today's WBOs consist of three types: the 'labour conflict WBO', the 'Employee Share Ownership Plan (ESOP) WBO', and the 'negotiated WBO.'

(1) Recent years have witnessed a rise of the 'labour conflict WBO.' Having a long pedigree as a form of workers' control and self-activity dating back to the factory occupations of early 20th century Europe, these types of WBOs have been particularly visible recently in countries and communities hardest hit by the global economic crisis that began in



2007-2008 and the austerity measures that have followed. Labour conflict WBOs emerge in situations with some degree of conflict between workers and owners, management, and/or local and regional authorities, as witnessed for instance in Argentina, Uruguay, Brazil and other Latin American countries over the past 20 years or so and with many new WBOs in Southern Europe today. Often, local unions, community activists, or social-movement groups become involved in assisting the workers in their struggle to save the firm and their jobs. At times, these conflicts lead to extreme measures, such as owners abandoning failing firms and/or worker takeovers and occupations of these firms, sometimes with some degree of repression by the state justified by the upholding of property laws that clash with people's rights to decent jobs. In these situations, the actual WBO process occurs after the worker collective's occupation of the business, which can sometimes last weeks or months, as occurred in Argentina around the years spanning the crisis of its neoliberal model in 2001-2002 (and still occurring to date), and more recently in Greece, Turkey, and increasingly in Italy. The newco – usually as a worker co-operative – is formed during this period of conflict. Resolving the conflict also involves the workers' collective negotiating the control of the firm's assets with bankruptcy courts and/or local authorities (Vieta, forthcoming).

(2) The 'ESOP WBO' model was created in the US in the 1950s and was legislated formally in the US in the early 1970s with reforms to its pension laws (Freeman, 2007). Growing in numbers throughout the 1970s and 1980s, ESOPs have seen a re-emergence in recent years in the US, Canada, and the UK, in particular (NCEO, 2014). ESOPs are a mechanism whereby employees of the target company, via an 'ESOP trust' (a trust fund analogous to a defined contribution pension plan), purchase ownership shares. Retiring owners gain tax advantages for selling part or all of their company (Kruse *et al.*, 2011) and ownership of the target company is usually shared between employees and other types of more traditional shareholders. Most often the ESOP purchase is financed by workers' pension plans (paid out to workers when they leave the firm), but can also be financed by employees' personal savings or via loans (Freeman, 2007). Today in the US, over 7,000 firms have ESOPs involving over 13.5 million employees (NCEO, 2014), including companies such as Publix Supermarkets, Price Chopper, W.L. Gore, and Austin Industries. While a minority of ESOPs have the structure of a worker co-operative (one member, one vote), usually ESOPs do not include workers' direct control of the target company's assets or management rights. Thus, the 'ESOP WBO' is, in reality, only a partial WBO.



(3) In between the two extremes of the labour conflict and ESOP WBO models is the ‘negotiated WBO’. These are WBOs that are negotiated between owners and workers with the mediation of state authorities. Most often in the negotiated WBO, employees have already established a newco early on in the negotiation process – again, often as a worker co-operative – with the intent of buying or renting part or all of the target company. The negotiated WBO model is further facilitated by clear legislation for such buyouts and works with various community experts, lawyers, the co-operative sector, or unions, as well as with local, regional, or national authorities. In some instances, such as in Quebec’s worker shareholder co-operatives, employees may form a worker co-operative and purchase a portion of the stock of the target company, entering into an agreement with the other shareholders (Vieta *et al.*, 2016b). In this scenario, the worker co-operative may or may not also participate in the management of the firm, depending on the agreement reached with the target company’s original owners and administrators. Other such negotiated WBOs include business succession plans, converting conventional sole proprietorships or investor-owned firms into already-existing labour-owned company structures such as France’s Société Coopérative Ouvrières de Production (or SCOPs) or Spain’s Sociedades Laborales (or SALs) (where at least 51% of share capital must be owned by employees), and Italy’s Legge Marcora-based WBOs.

The Italian road to workers’ buyouts: a collaborative approach

Saving upwards of 10,000 jobs and somewhere between 250-300 or so firms across Italy since the early 1980s, and witnessing a spike in new WBOs since the 2007-2008 economic crisis, the Italian method of WBO formation deserves particular mention for the unique way in which it serves to overcome firm failure and economic crises (Vieta *et al.*, 2016a). Since the passing of Law 49/1985, known as Legge Marcora after the senator who sponsored it, Italian WBOs have been facilitated by national legislation and financing that maps out a collaborative approach to workplace conversions to co-operatives between workers, the state, and the co-operative sector.

(1) *Workers* can finance the WBO in part via their savings, labour credits, and/or advances of their unemployment insurance benefits (i.e. ‘*indennità di mobilità*’ and ‘*cassa integrazione guadagni straordinari*’). (2) *The co-operative sector* can also assist in capitalizing WBO start-ups and consolidating the



newco via share or loan capital financing through the 'fondo mutualistico' made up of 3% of all Italian co-operatives' revenues and from the substantial proceeds of dissolved co-operatives, mainly via Legacoop's Coopfond and Confcooperative's Fondosviluppo. (3) *The state*, mainly through the Ministero dello Sviluppo Economico's (MSE) regulation and underwriting, further supports WBOs via two funds: (a) Foncooper, a rotating fund made of low-interest loans (originally controlled by the Banca Nazionale di Lavoro (BNL), and since the early-2000s Italy's Regional governments and other co-operative sector consortia and financing institutions), and (b) a 'Special Fund' where financial institutions that are mandated to manage the fund on behalf of the state share in the corporate capital of the new worker co-operative on a 1:1 ratio with workers' initial start-up or capital investments. The Legge Marcora – facilitated WBO process and the Special Fund is primarily managed by Cooperazione Finanza Imprese (CFI), which also collaborates with the regional chapters of Italy's co-operative federations and territorial experts. CFI is a limited liability 2nd tier co-operative institutional investor formed in 1986 and mandated by the Italian state, via its principal member, the MSE, to facilitate, help consolidate, and provide business consultancy services to Italy's WBOs and, increasingly since the reforms to the Legge Marcora in 2001, other non-WBO worker and social co-operatives.

As of 31 December 2014, almost 70% of Italy's WBOs were made up of manufacturing firms that can be classified as small-and-medium-sized enterprises (SMEs) of fewer than 50 employees (Vieta *et al.*, 2016a), a typical size for firms created via WBOs (Ben-Ner, 1988). Italian WBOs have particularly taken off in the so-called 'Third Italy' (also known as the 'Made in Italy' areas of the country) where around 75% of the country's WBOs emerged between 1979-2014. The Third Italy is located in the industrial regions of the Centre and the Northeast where the majority of the 'Made in Italy' manufacturing sector is located (Becattini *et al.*, 2009). The creation of WBOs in the Third Italy have also been facilitated by the social capital arising from most of its SMEs being situated within intricate cross-firm production processes in industrial districts consisting of tight, inter-firm production networks (Vieta *et al.*, 2016a).

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C: CONTROL AND GOVERNANCE

Johnston Birchall

When co-operatives are very small, they do not have a problem of member control; members have a direct say in decision-making and management, and they can usually ensure the co-operative works in their interest. There may be problems to do with group dynamics but these are shared with any small group that wants to get something done. As soon as members give authority to a smaller group to take decisions on their behalf, the question of governance emerges. What delegated powers shall this group have, and how will they be held accountable? As soon as members give authority to one or two people to manage the business, the parallel question of management emerges, and again this leads to delegated powers and accountability mechanisms. The elected members then have the task of controlling the managers on behalf of the rest of the members. In economic theory, they become the 'principal' and the managers the 'agent', but it is really a three-cornered relationship between members, the board of directors and the managers.

There is a pessimistic view of co-operative governance that predicts problems. Because members have limited ownership rights, they will not have much interest in participating. Because there are many members all with equal rights, they will tend to free ride on the participation of others. Because market signals are limited (they do not have tradable shares and are not threatened by takeovers), their members will be less well informed than shareholders in conventional businesses. Because profit is not the overriding motive, the business will be harder to govern. Because their managers cannot become owners (through issue of shares as bonuses), their interest will not easily be aligned with those of members, and because of the lack of member participation they will tend to take over the co-operative and run it in their own interests. However, these pessimistic predictions are confounded in practice, since most large co-operatives do seem to be well governed. (Birchall, 2014a) They have some inherent advantages. They tend to foster high trust relationships, with no profit-taking by intermediaries, and have a long-term focus on member needs. They are able to monitor board and management performance in relation to a clear set of objectives focused on meeting member needs and expectations. However, these advantages only occur if they can find ways of aligning the interests of members and elected governors, and of



controlling managers in the members' interest. Good governance is all about relationships, and focusing relentlessly on meeting the needs of the members (Birchall, 2013a).

This is easier to do in some kinds of co-operatives than others. In producer co-ops (owned by farmers, retailers or other small businesses), members have a direct incentive to participate and ensure good governance as their livelihoods depend on it. Like any other business, individual producer co-ops have sometimes failed because of poor business strategy, lack of expertise, or over-reliance on a powerful manager, but they have not shown any systematic weaknesses compared to investor-owned businesses. In consumer co-ops (owned by their end-customers in food retailing, banking, insurance and other retail sectors), members have much less incentive to participate and, when the rewards from membership are low, it is easy for boards to become oligarchic and for managers to take power. This is what happened in the consumer co-operative sectors of several European countries in the post-war period, and in some countries the sector disappeared. Also, in the 1990s many insurance mutuals and building societies were demutualised by oligarchic boards whose members had no idea that they were the joint owners. In these cases, it is better to see mutuals as 'non-owned' rather than member-owned; they are more like foundation or trust boards answerable to nobody but themselves. However, some mutuals have rejected the call to demutualise and are finding innovative ways of connecting with their (millions of) members.

Worker-owned co-operatives have a particular set of requirements for good governance. They have to involve their members, but putting limits on the extent to which they can interfere with management, and safeguards against their selling or converting the business for private gain. When they have done this (e.g. at the Mondragon Corporation, the John Lewis Trust), they can be well governed and gain the benefits of high-trust relationships and a highly motivated workforce. Some co-operatives are 'multi-stakeholders,' and the governance structure of these has to be carefully designed to balance the different interests. Examples include the Italian social co-operatives that have employees, clients and volunteers in membership, the worker-consumer owned Eroski Corporation (Spain) and the consumer-farmer owned iCoop (Korea). On a pessimistic view, they will have conflicts of interest that make their governance too costly (Hansmann, 1996). On a more optimistic view, their complex governance structures will enable them to bring the different interests into harmony (Turnbull, 2001).

How can effective co-operative governance be ensured? In designing governance structures, we struggle to give some weight to each of three different



types of authority: voice, representation and expertise. We have to listen to the voice of the members, to find an effective way of representing them, and to find the expert help they need. Only when all three types of authority are present can a co-operative be governed effectively. (Birchall, 2014a: ch. 2) If one of these is weaker than the others, then there will be problems. Not enough member involvement and the board will be an oligarchy, not enough representation and it will be unaccountable, not enough expertise and it will be incompetent. The recent poor performance of the UK Co-operative Group, and the loss of its bank, are partly explained by the lack of expertise on their boards, and the very restricted member involvement that their constitutions provided (Birchall, 2014b).

A recent study of the 60 largest co-operatives (10 each in six industry sectors), found that there is no single blueprint for good governance (Birchall, 2014a). In most large, well-established co-operatives, the governance structure has evolved, sometimes over several decades, and is the result of initial design, adaptation, mutation and occasional redesign mixed in with the usual human reliance on routines and a certain amount of inertia. Member voice is orchestrated by these co-operatives in innovative ways that are not too costly and work well – informal meetings, newsletters and forums that encourage exchange of views and information, and that motivate members to vote for their representatives. Often, in order to ensure accurate representation, the members are divided into natural constituencies by geographical area or interest group. Some co-operatives have a two-tier system in which a larger representative assembly can call to account a smaller board of directors.

Expertise is achieved by having a mixed board of representatives and appointed experts. Around half of the 60 boards have independent appointed experts on them, and others are actively considering this option. Most boards achieve some balance between representativeness and expertise by controlling the appointment of new board members through nomination committees. This can become undemocratic, particularly when they neglect member voice and make sure only their recommended candidates get elected. It is better to open up elections of representatives to competition while ensuring expertise through appointing extra independent board members.

What should be the place of management? Most co-operatives have an executive board or committee of top managers that relates to a separate board of directors, but among the 60 co-operatives there are some interesting permutations. Having a large assembly of representatives enables some co-operatives to have a smaller, mixed board of directors and managers that seems to work well. It is all about the effective distribution of different types of authority.



It has become normal for co-operatives to adopt the governance codes that are available in the business sector they operate in, but these have had to be adapted to make them fit the 'co-operative difference.' The co-operatives that impress are the ones that confidently adapt existing codes, explaining why they cannot always comply with codes written for investor-owned businesses. They supplement their governance codes with ethical guidelines that go further, or introduce a rating system that grades the performance of different parts of their group. From their websites, it is clear that some co-operatives are continually striving to improve their governance processes; they define what good governance means in practice.

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D: RURAL DEVELOPMENT

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In spite of the significant progress made in recent years in reducing the number of the poor and hungry, 70% of the world's poor live in rural areas. In 1990, 54% of those living in rural areas in developing countries lived on less than \$1.25 a day and were considered extremely poor. By 2010, this share had dropped to 35%. However, rural poverty remains widespread especially in South Asia and Africa. These regions have also seen least progress in improving rural livelihoods.

Many of the rural poor are small-scale producers, family farmers or landless agricultural workers. They include crop producers, fisherfolk, pastoralists, and forest-dependent peoples with limited access to productive means. Given that many farmers in developing countries operate in isolated and small economic units, they face numerous barriers which prevent them from accessing assets and marketing their output. Therefore, they have little capacity to seize economic opportunities, or influence policies that affect them. They are often excluded from decision-making, whether in markets or in policy making processes.

However, when rural producers come together in groups and form co-operatives or other types of collective action organizations, they can shape their own paths out of poverty, and make their voices heard. Efficient and equitable (i.e. inclusive and gender sensitive) co-operatives are a means to increase agricultural productivity in a sustainable manner thus responding to social, economic and environmental needs.

Effective co-operatives in rural areas provide a wide range of socio-economic and environmental services and benefits to their member farmers including access to output and input markets, access to and management of natural resources, access to information, communication and extension as well as influencing decision-making processes. At the economic level, through sharing and pooling of resources, they manage to improve their access to markets, leading to higher returns for their products and strengthened bargaining position. Co-operatives are a means to facilitate engagement in food processing, allowing their members to access and benefit from higher value-added markets.

In Benin (Herbel *et al.*, 2011), local co-operatives known as the Agricultural Shared Use Co-operatives (CUMA) support agricultural mechanization through the collective purchase of agricultural equipment



(tractors, ploughs and trailers). Collective purchase allows farmers to acquire equipment they would have been unable to afford on their own. It also means that farmers can share risks and optimize the use of the equipment (achieving economy of scale), thus reducing mechanization costs. Each CUMA organizes on average ten farmers, with a total farm area of 100 ha or more. The CUMA buys equipment by financing a part of the cost with farmers' own funds and the rest with a long-term bank loan. In the Borgou-Alibori region, a regional union of CUMA brings together 100 co-operatives, with over 800 members. In those areas where the first CUMA was launched in the late 1990s, the area under maize cultivation in particular has doubled and yields have stabilized. The CUMA model is now recognized by the Beninese authorities as a key component of both the 2006 Strategic Plan for Agricultural Rehabilitation of the Ministry of Agriculture, Livestock and Fisheries and the 2007 Promotion of Agricultural Mechanization Programme.

In Argentina (Herbel, Crowley, Ourabah Haddad, Lee, 2011), the creation of the Fecovita Federation, encompassing 32 wine co-operatives and approximately 5.000 members, has allowed wine producers to access national, regional and international markets. The members provide their produce to the co-operative, which is responsible for processing it into wine or juice, and packaging and marketing the final product. The federation focuses on national distribution chains for its low-value products, targeting small grocery stores rather than supermarkets. It now also sells table and high-value wines in regional and international markets (e.g. Brazil, the United States of America). This business model illustrates how limited economies of scale of national and small-scale producers can be overcome by the formation of co-operatives. By joining this co-operative, small producers can add 15 to 20 per cent more value to their products.

Moreover, farmers' co-operatives improve members' livelihoods and support local re-investment in the community in which they live and operate. For instance, by creating and sustaining employment opportunities; or by setting up a school for the whole community not only for the co-operatives' members. In addition, co-operatives that sell their products under the fair-trade label are obliged to provide services for or to invest in the community. In Ethiopia (Meskela, 2012), the Oromia Coffee Farmers Co-operative Union¹ puts part of its surplus into a social fund to be used for the community-oriented activities such as water development, health, education and electricity.

¹ <<http://www.oromiacoffeeunion.org/>> [accessed on 25 Mar. 2016].



As co-operatives continue to be embedded in communities and farmers operate in a strongly regulated environment, co-operative leaders need to have the skills for policy dialogue. Co-operation among farmers can also help small-scale producers to voice their concerns and interests and ultimately increase their negotiation power by influencing policy making processes. In 2001, the Network of Farmers' and Agricultural Producer Organizations of West Africa (ROPPA), a regional apex farmer organization from ten west African countries (Benin, Burkina Faso, Côte d'Ivoire, the Gambia, Guinea, Guinea-Bissau, Mali, Niger, Senegal and Togo), negotiated the formulation of a West African Regional Agricultural Policy with the Economic Community of Western African States (ECOWAS). ROPPA organized consultations with each of its national platforms within ECOWAS countries. Providing tools, resources and external expertise, it improved small-scale farmers' capacities to analyse the implications of the ECOWAS policy on rural development. This enabled farmers and their representatives to understand the concepts underlying agricultural policy and to propose alternatives. Under the umbrella of ROPPA, national farmers' organizations developed and presented a joint proposal to government officials, resulting in increased ownership of the ECOWAS Agricultural Policy by farmers' organizations. ROPPA also facilitated discussions on the policy among farmers from different countries. Following these consultations, farmers' organizations developed and sent to ECOWAS a common proposal on how to develop the agricultural sector and jointly identified the challenges, roles and responsibilities of the various actors involved. As a result small-scale producers' interests were included in the new regional policy (Herbel, Crowley, Ourabah Haddad, Lee, 2011).

The question is now how small-scale farmers and their organizations can best be supported by international organizations like FAO to develop their capacities so that they can improve their well-being, the economic performance of their organizations and lead their development path.

In both developed and developing countries (as mentioned above), there are examples of producer organizations and co-operatives that are innovative and have proven to be successful in helping small scale producers overcome different constraints. However, they too often remain limited in scale and scope. The main challenge is to build on these success stories in order to catalyse sustainable rural development.

FAO and the development community calls for a reorientation of interventions to recognize producers' capacities as individuals and as organizations to make informed choices in front of different agendas and more powerful actors. Support for such organizations may need to build



on existing organizational development processes in order to stimulate the active engagement of small producers in their own development path, appreciate their own successes and build on existing assets. Creating new organizations from scratch is the least desirable option. This sounds good in theory but it is extremely challenging in practice. The first challenge is for policy-makers to formulate and design better policies that support small producers' strengths and respond to their needs rather than directing them. The second challenge for development practitioners is to be demand-driven rather than supply driven. Development practitioners need to shift from a role of implementer (expert adviser, problem solver, and trainer) to a facilitator's role (coach, process adviser). A shift from being service providers and problem-solvers to facilitators of institutional improvements is essential to build on small producers' strengths and enhance their problem-solving ability. This change requires focusing on outcomes and long-term sustainability rather than on outputs and immediate results.

Strengthened knowledge and capacities of individuals are central to fostering rural farmer dynamics and strong organizations, but this cannot happen in a vacuum. Capacity development² is constrained when the organizations and the overall environment to which individuals belong lack the ability to absorb and maintain the enhanced resources, or fail to anticipate emerging needs. Hence, three key dimensions of interventions are recognized and need to be addressed: individual, organizational and the enabling environment. The individual dimension concerns the technical and managerial skills and information that producer organizations can obtain on topics concerning the business environment, the technology and the market in which they operate; the organizational dimension concerns the on-going learning process through which the organization readjusts its vision, goals and structures in order to maintain its competitiveness, ensure survival in the market as well as increase and improve delivery of benefits to its members. The enabling environment dimension relates to the need to strengthen the voice of rural organizations at the policy level as well as to stimulate country policy reforms through provision of transparent regulatory framework and economic incentives with a new approach based on the principles of participation and consultation rather than top-down processes. Many governments are encouraged to support this approach and FAO has an important role to play.

However, putting this into practice is a long-term commitment, requiring

² FAO approved in 2010 a Corporate Strategy on Capacity Development which calls for strategic approaches going beyond the training of individuals.



mobilization of local resources and local knowledge for self-reliant development and willingness to engage into 'win-win' partnerships. These new types of partnerships imply that member-based organizations such as co-operatives become partners on an equal footing with other powerful actors (including donors) and decision-makers. It is only through this new relationship that co-operatives and other forms of collective action organizations will be able to become agents of change and to overcome the challenges of poverty, food security and rural development.

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E: EMPOWERMENT

Francesco Burchi, Sara Vicari

The role of co-operatives in reducing poverty and fostering human development has been increasingly acknowledged in the academic literature (Sen, 2000; Birchall, 2003, 2004; Bibby and Shaw, 2005; Münker, 2012; Vicari and De Muro, 2012; Vicari, 2014) and by international institutions (FAO *et al.*, 2011; United Nations, 1992-2013). The emphasis has been placed especially on co-operatives performing according to the principles and values identified by the International Co-operative Alliance (ICA) in 1995¹. These ‘genuine’ co-operatives adopt participation as way of working (Sen, 2000). Notably, participation is a valuable process in itself, because as such it empowers people (Alkire, 2002). Therefore co-operatives not only contribute to poverty reduction by enlarging members’ well-being outcomes (Birchall, 2004; Vicari and De Muro, 2012); by promoting a participatory approach they empower people, particularly the most vulnerable, such as women living in patriarchal communities, youth and indigenous minorities.

In what follows we investigate the relation between empowerment and ‘genuine’ co-operatives, also providing some findings about how the process of participating in a co-operative can have a spill-over effect in other domains of members’ life, such as household decision-making.

What is empowerment?

Definitions of empowerment can be gathered into two major classifications (Alsop *et al.*, 2006). The first one considers empowerment as an expansion of *agency*: agency, in turn, is the ability to act on behalf of what you value and have reason to value (Rowlands, 1997; Ibrahim and Alkire, 2007). The second definition focuses on the social and institutional preconditions

¹ According to ICA, the co-operative is defined as 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’. The principles inspiring co-operatives are (1) voluntary and open membership; (2) democratic member control; (3) member economic participation; (4) autonomy and independence; (5) education, training and information; (6) co-operation among co-operatives and (7) concern for community.



required to exert agency (Narayan, 2002; Alsop and Heinsohn, 2005). This is the approach followed by the World Bank in the 2000-2001 World Development report where empowerment is defined as a process of 'enhancing the capacity of poor people to influence the state institutions that affect their lives, by strengthening their participation in political processes and local decision-making.' Similarly, Narayan (2002) defines empowerment as an 'expansion of assets and capabilities of poor people to participate in, negotiate with, influence, control and hold accountable institutions that affect their lives. She develops this framework mainly into two blocks: institutional climate and social political structures (to build the opportunity structure); and poor people's individual assets and capabilities and poor people's collective assets and capabilities (to build agency). In this approach, empowerment is a product of the interaction of these two blocks, while in the approach followed by Ibrahim and Alkire, empowerment is exclusively considered as an expansion of individual agency. Certainly, the institutional context where the choice is made and the power is wielded is extremely important, and concerning this, Ibrahim and Alkire (2007) agree that 'clearly a process of empowerment is incomplete unless it attends to people's abilities to act, the institutional structure, and the various non-institutional changes that are instrumental to increase agency.'

Empowerment and co-operatives

Considering empowerment of members as a dynamic and multi-domain process, participation in a co-operative may be considered the manifestation of agency in a particular domain, that is, the one of participation in collective actions. While the existence of this kind of agency could be considered as a precondition for a genuine co-operative, co-operative behaviour can foster changes in the power dynamics and could have a strong impact on the relational and individual dimensions of members' life. Here Rowlands (1997: 115) pointed out the existence of a circular inter-relationship: 'participation in the group may feed the process of a personal empowerment, and vice-versa.'

Indeed, genuine co-operatives, as participatory enterprises, have the potential to activate democratic processes, involving more people in social-choice formation (Hill, 2005). It follows that genuine co-operatives can contribute strongly to the spread of new knowledge, values and processes and bring about the meaningful empowerment of groups usually relegated to subordinate positions, such as small-scale farmers and, above



all, women in rural areas. In this way, participation in co-operatives can contribute to widening human choices and foster more equal gender relations, helping both women and men to exercise their human agency. More specifically, in patriarchal contexts, co-operative membership may contribute to increasing women's self-confidence and self-determination and their ability to make independent choices, enabling them to pursue what they value and have reason to value, not only in the workplace, but more generally, in multiple domains of their lives (Ibrahim and Alkire, 2007; Alkire, 2009), such as household decision-making (Burchi and Vicari, 2014).

However in order for this to happen, it is fundamental to examine how the co-operative operates. On this topic, Mayoux (1992, 1993, 1995) points out that co-operatives do not automatically operate in favour of more gender-balanced relations: they can contribute to it only if they are able to challenge power structures and the unequal division of labour, which are usually transmitted across generations. She stresses the importance of addressing gender-sensitive topics such as reproductive issues or the division of labour through ad hoc training programmes in order to enable the co-operative to work effectively towards gender equality. Not surprisingly, the scant literature on the topic shows that women are still insufficiently represented in co-operatives, in terms of membership or as employees and leaders, being constrained by more limited access than men to assets and education as well as by cultural perceptions adverse to gender equality (Majurin, 2012; Rawlings and Shaw, 2013).

Empowerment in household decision-making

So far, few academic articles and reports have looked at the role that co-operatives could play in empowering vulnerable groups and improving women's life conditions. Among the notable exceptions, the study of Burchi and Vicari (2014) analysed the specific effect that being a member of a co-operative, where women and men have the same opportunity to participate actively, has on people's capability to participate in household decision-making and on gender equality within the household. The authors' hypothesis is that a process of democratisation activated in the workplace through the co-operative enterprise may then be transferred to the household. This relationship was tested empirically in some communities of one of the poorest States of Brazil, Maranhao. More precisely, the assumption is that greater participation by all household members in decision-making and more balanced decision-making between partners may result from a



greater demand by women for democracy and equality as a consequence of participatory dynamics experienced in the co-operative, greater openness on the part of male co-operative members to share decisions with their partner, or a mix of these two reasons. Findings obtained through quantitative and qualitative methods showed that indeed members of the co-operative have a statistically significant higher capability to participate in decision-making and share decisions with their partners in the life domains of health, household expenditures and tasks at work than other people living in the same communities but not participating in the co-operative (control group).

Conclusions

Co-operatives, democratic and participatory enterprises can contribute to empowering and giving a voice to the poor and to other marginalised groups, being a means of collective human agency as individuals come together to pursue goals that they value and have reason to value. Co-operatives that open their doors to women and other marginalised groups have the potential to transform societies, changing social power dynamics and activating co-operative behaviours that can be transferred to other people's domains, such as household decision-making.

Policy makers should therefore promote the enabling environment for co-operatives to flourish and contribute to the effort of reducing poverty and empowering communities. Moreover, policy makers should focus on removing obstacles that prevent women's and other marginalised groups' effective participation in co-operatives. This way co-operatives could play a role in improving the relative status of women and therefore ensure more balanced gender relations, especially in highly patriarchal societies.

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F: RECOVERED FACTORIES

Francesco Vigliarolo

Definition

The term ‘recovered factories’ is used to indicate where workers rescue enterprises which have filed for or declared bankruptcy, a process which gained momentum in Argentina after the 2001 crisis and led to systematic forms of self-management. Although the first recovered factory dates back to 1959, the phenomenon is mainly linked to the crisis in 2001, a time when there was great social unrest following one of the biggest financial crises in human history.

At present, there are approximately 350 recovered enterprises in Argentina. These involve approximately 40,000 workers across the country (a number that has been constantly increasing since 2001), working in all areas of production. From 2001 to the present day, numerous contributions have been made on the subject by academics as well as others. Generally speaking, there are three main approaches (Partenio, 2006; Badenes, 2006) to the study of recovered enterprises which can be distinguished according to which aspects are their focus (Vigliarolo, 2011).

- the first highlights the ‘political commitment and the grassroots push;’
- the second highlights ‘the new organizational structure of the production process;’
- the third refers to a study of the workers’ role and the ‘social organization that contributes to growth in the local area.’

On an economic level, the phenomenon is far from being homogeneous. Many firms find themselves in a process of ‘stagnation’ and have underlying structural weaknesses that prevent them from achieving their full potential as well as outdated or damaged machinery inherited from the previous owners. However, the main issues are linked to factory ownership and in 2011 a national law was passed which supplements the regulations governing bankruptcy procedures in Argentina by acknowledging two important aspects: the right of workers to expropriate a factory when bankruptcy has been declared based on an economic plan considered sustainable by a commission of judges, and the pre-emptive right to buy the property. This legislation is an innovative step forward which recognizes, even if only partially, the right to safeguard work as a priority over the



right to capital ownership, or the main dichotomy of the Argentine crisis.

In spite of these transversal issues, some companies, on the other hand, have found a new vocation, a 'territorial' one. This makes them more stable and presents elements, on an economic level, that are diametrically opposed to the causes of the crisis that they have faced, consciously or unconsciously, as a response needed at microeconomic level.

Causes

With regard to the causes of the phenomenon, we can identify at least two main groups. The first, a historical one, is linked to the policies that the country has implemented from the 1970s onwards. The second one, a system one, is linked to the dominant economic science (Vigliarolo, 2001).

For the first group, reference can be made to the reforms which began in 1976 with following the laws:

- N° 21,382 of 1976 which established that foreign investments should be treated with the same rights and obligations as national investments (art. 3) in order to attract foreign capital from the so-called 'developed' countries independently of local production;
- N° 21,608 of 27 July, 1977 which marked the beginning of a plan to promote 'indiscriminate' industrial growth, i.e. the promotion of private industry with no industrial policy strategy through centrality of the free market.

Over the years, these measures led to what has been defined as the deindustrialisation of the country. This caused, as stated by Rapoport (2008), a loss of industrial identity that led to fragmentation of the worker movement which became increasingly weaker, crushed by foreign capital which gradually destabilised the value of the workforce.

It is precisely in relation to these aspects that the second group of causes refers to the dominant economic system and to what is defined as the positivisation of the economic systems that have lost their social function. This means the creation of systems which can only be understood using mathematical laws that increasingly push 'human and social visions into the background' and over the years have meant that the economy has moved away from the needs of local communities. Today this can be seen in the asymmetrical relationship between nominal financial values and the gross domestic product of a country, as highlighted by economic financialization.



The territorial model

Over the last 15 years or so, two main types of recovered enterprises can be defined. The first, linked to maintaining capitalist systems and defined as ‘under a boss,’ has only concentrated on starting up the production process again, often with great difficulty since the enterprises do not have the same technological conditions and machinery as they did before or as do other capitalist enterprises on the market; the second is defined as ‘territorial.’ In the latter case, the recovered enterprises present interesting elements that can be considered a response to the causes and offer a radical change in direction, from the financial markets to the local territory. In this direction, they have also reviewed the production process and added new goods and services to it based on the context they find themselves in. In many cases, they have begun participatory local-development processes by changing the organizational structure of their territorial context. In this model, after an initial stage in which priority was given to safeguarding the source of wages, they have become a means of safeguarding and promoting their human capital (on a cultural level as well). They have become an instrument of social self-determination and self-identification whose economic outcome is only one of several instruments. These enterprises promote round tables that become an arena of democracy that goes way beyond the traditional channels of political parties, new forms of political lobbying through leaders who socially represent their own territory. In some cases, in addition to the manufacturing of goods, new services and activities are created in environmental and social areas such as training, education, recreation, support to areas of the population at risk, housing and nursery places, and activities linked to culture and social networks, to mention a few. For example, it is not unusual to find cultural spaces such as theatres, radio stations or training schools within the enterprises. Official investigations¹ have shown that one enterprise in three is involved in cultural activities on a permanent basis. The case of the UST (Unione Solidale dei Lavoratori) Co-operative is emblematic. It began its recovery process with 35 workers; today, 90 people work full time and it has created 350 jobs through its work in the area where, among its main initiatives, it has promoted a secondary training school, runs a sports centre, manages social and recreational services in collaboration with the local municipality and provides housing for citizens in need by organising

¹ Programa Facultad Abierta Facultad de Filosofía y Letras de la Universidad de Buenos Aires. Secretaría de Investigación/Secretaría de Extensión Universitaria, Informe del Tercer Relevamiento de Empresas Recuperadas por sus trabajadores. *Las empresas recuperadas en la Argentina*, 2010.



a round table in which, together with other organisations, priorities are established for the area which also guide the work of the enterprise. Over the years, it has been transformed into a frame of reference which is also political since, at national level, it has promoted a new trade union, ANTA, as well as other initiatives, and constantly debates critical issues regarding workers and social policies at local and national level.

Conclusions

Based on the above reasons, recovered enterprises or factories, especially those based on the territorial model, can certainly be considered a phenomenon that is potentially and profoundly interesting since they offer a change in paradigm at the dominant economic system level. Although operating only at a cultural and microeconomic level at present, they meet the need to re-establish a regulatory dimension that guides the economy, also in productive terms. They do this by rebuilding reciprocal relations with the territory which are considered necessary to promote its identity and by inverting the existing hierarchy that exists today between normative economics and positive economics.

For these reasons, the recovery of the factories can be interpreted as the recovery of a human and social vision that guides the economy based on its everyday world which, by applying only mathematical formulas, has ended up measuring itself according to the laws of supply and demand alone. Recovery has also meant focusing on the 'work force' in order to recreate the well-being of a nation which has ended up being crushed by financial capital and, above all, 'the skill of workers' which, Hegel defined as the true capital of a nation in economics.

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G: GUNG HO

Andrea Bernardi

Co-operatives and China

Gung Ho is the oldest Chinese co-operative association and is the closest to the principles of the international co-operative movement. It is not, however, the biggest and the most powerful co-operative organization in China. This chapter explains why.

The origin and the role of co-operation in Asia, and particularly in China and other countries with a Confucian culture, have received relatively little attention in scholarly research (Taimni, 2000; Bernardi and Miani, 2014). In 1844, the first modern co-operative organized around a formal business model was established in Rochdale. In the following 150 years, the modern co-operative became a worldwide model of economic organization in agriculture, retail, manufacturing, services and banking sectors (Birchall, 1997) and arrived in Asia with a few decades of delay. The modern form of co-operative arrived in China at the beginning of the twentieth century.

Etymology

The word ‘co-operation’ in English means ‘working together,’ using the prefix ‘co-’ from the Latin ‘cum’ (‘be with’). The Chinese definition is more complex. It brings in a number of related concepts that in English have found expression through other formulations, such as ‘mutual aid,’ ‘mutual help’ and so on. In Mandarin Chinese, the characters used for co-operative are 合作社; the Pinyin transliteration is He Zuo She.

He (合): a pictographic character. The character is reminiscent of a container, the lower rectangle (口), with a lid, the upper triangle (厶). This originally meant ‘close or shut the lid,’ subsequently, it has come to mean assemble, unite, ally, combine, and even to merge, amalgamate, marry and make friends (Zuo, 2006; Xie, 2000).

Zuo (作): an ideographic character. In ancient bronze-age inscriptions, the lower part resembled a knife and the top represented divination. The overall image is that of an oracle engaged in divination through the use of the knife on plants or animals. The range of meanings of the character has



included making, embarking on, cutting and setting up. Later the meaning of the character was extended to doing, arising, building, performing, playing and reaching (Gu, 2008).

She (社): an ideographic and pictographic character. In the ancient scriptures of the Bronze Age, it represented veneration of the god of the earth. The character is composed of two parts: on the right, a stone altar, a place for offerings and sacrifices, and on the left worship combined with the character for wood. In ancient times, these traits take on the complex meaning of a place of sacrifice to the god of the earth, municipality and agency (Gu, 2008). Today, the immediate meaning is work unit or social structure. The place of worship of deities or ancestors in Chinese villages was located at the centre of the family home or the village itself. For this reason, the image of the place of worship takes us to the idea of social structure.

While *He* stands for an attitude (coherence, no conflict, harmony), *Zuo* stands for a form of behaviour (to act, to do, to start) and, finally, *She* stands for a place where the action takes place (the team, the group, the community, the small firm). Thus the etymology of the Chinese word for co-operation invokes images of union, mutual help, realization, society and community. Such images are fully compatible with the western conception of the idea of co-operation (Cheng-Chung, 1988). In this model of a firm, it is the workers and members of the co-operative who are its owners.

History

It is possible to divide the modern history of the Chinese Co-operative Movement into three phases: the Republican period (1912-1948), the Maoist period (1949-1976) and the Contemporary China period (after Mao's death in 1976). The Republican period and the Contemporary China period see a gradual convergence with the international notion of the co-operative. Maoism has represented a deviation from the western, or, indeed, international notion of co-operation. The Maoist version of co-operation, even more than the Soviet one, has instead represented a discontinuity from the traditional idea of co-operation (MacFarquhar and Fairbank, 1987, 1992; Bernardi and Miani, 2014).

The history of Chinese co-operation, excluding the primordial forms of informal co-operation widely present in ancient civilizations worldwide (in China connected to the management of water for agricultural purposes), seems to date from the first decade of the twentieth century. For a long time, the Empire of Japan controlled Manchuria (1931-1945)



and the island of Taiwan (1895-1945), and during this period successfully introduced the co-operative model in agriculture. However, a native Chinese Co-operative Movement emerged, at the time of the establishment of the Republic of China in 1912. In the early decades of the twentieth century, some Chinese political and social reformers, such as Sun Yat-sen, the founding father of the Republic, introduced the co-operative model encountered abroad. This idea met with repression out of fear that co-operation came hand in hand with socialism. In 1921, the Chinese Communist Party was founded.

We know that the first co-operatives appeared in 1912 and the first co-operative bank was founded in 1923 in Hebei Province. We also know that in 1937 there were over 12,000 co-operatives across 191 counties (Fairbank and Feuerwerker, 1986). The European co-operative ideals and practices, once they had arrived in China, were elaborated by local intellectuals; for instance, Xue Xian-Zhou, who theorized a utopian 'Project of National Co-operativisation' (Cheng Chung, 1988).

Between 1928 and 1949, following a financial crisis, the Nationalist Government of Chiang Kai Shek decided to support the introduction of a system of credit co-operatives along the German Raffaisen model. During the era of Chiang Kai-Shek's Republic of China, Chinese organizations for the promotion of co-operative firms were established with the financial and intellectual support of the West. This is the case with the intervention of the Rockefeller Program and of the missionary devotion of a Christian philanthropist and social reformer, John Bernard Tayler (Trescott, 1993).

Gung Ho Co-operatives

The oldest co-operative society was founded in wartime, with a set of values including mutual assistance and the defence of national identity. This organization, named the Gung Ho, or ICCIC (International Committee for the Promotion of Chinese Industrial Co-operatives), was founded in 1938 in Hong Kong, thanks to the inspiration of the New Zealander Rewi Alley and some other foreigners (intellectuals, journalists, western diplomats, adventurers, bankers, Christian missionaries and British politicians) and western-educated Chinese (engineers, intellectuals and the wife of the founder of modern China, Dr Sun Yatsen). Their aim was to organize the unemployed and refugees to take part in productive activities in support of the war of resistance against the Japanese invaders. Gung Ho spread throughout the unoccupied Chinese territories from



1939 and reached its peak in 1941. Approximately 3,000 co-operatives were active, with 30,000 members, and produced essential goods for the population, as well as supplying the front with blankets, uniforms and other goods for the Chinese army (Cook and Clegg, 2012). The Gung Ho became the place for the cultivation of ideas and the mobilization of patriotism and independence. Something very similar occurred in Finland. There, the Pellervo Society and its co-operatives, during the Russian rule of Finland, were the only associations not prohibited by law. The society was then a place for the elaboration of co-operative and patriotic ideals.

The Statute of the ICCIC says that the spirit of Gung Ho is to 'work hard and work together, helping one another to achieve common prosperity'. The organization's principles are: voluntary organization, self-financing, self-government, independent accounting, taking responsibility for gains and losses, democratic management, with distribution to each in proportion to their work and dividends in proportion to shares. These resemble modern western principles of co-operation and recall many aspects of the ICA Manchester Statement in 1995 (voluntary and open membership; democratic member control; member economic participation; autonomy and independence; education, training and information; co-operation among co-operatives, and concern for community).

The Gung Ho was supported by western individuals, organizations and government bodies because of its strategic role during the Japanese invasion and the Second World War (Barnett, 1940). The British Empire and the USA decided to fund and support the Gung Ho because they recognized in it a social democratic political and economic alternative to the increasingly powerful Chinese Communist Party (Wales, 1941; Barnett, 1940). The Gung Ho originally operated in the areas under the control of both the Communist and the Nationalist armies and was supported by both Mao and Chang Kai Sheck, though this support was accompanied by a certain suspicion and they both soon started to express objections about its foreign-influenced nature (Cook and Clegg, 2012). When Mao gained full control in Mainland China, he managed to have the activities of ICCIC suspended. Mao's ideology did not fit well with the Gung Ho which was an advocate of democracy, bottom-up participation and industrial rather than agricultural development (Fairbank, 1998; Vermeer, Pieke and Lien, 1998).

Despite formal support by Mao Zedong, Zhou Enlai, Soong Ching Ling, Ye Ting and other revolutionary leaders for its contribution to the cause of Chinese liberation, the ICCIC activities were suspended in 1949. Other associations of co-operatives, more in line with party ideology and the institutional developments of China, were established later. Among



those, for instance, the All China Federation of Handicraft and Industrial Co-operatives was established to serve national planning started in 1950. Such federations still exist and they have kept a very strong relationship with the Government.

Co-operatives and Maoism

A very different period begins when Mao enters the stage of Chinese history (Osinsky, 2010). Even before the establishment of the People's Republic of China in 1949, Mao had recognized that it would be necessary to organize production, consumption and credit along co-operative lines in order to develop a collectivized economy (Keating, 1997).

Maoism took shape during the Civil War and the 1933-1935 Long March and was put to the test, drawing from Marxism-Leninism and from the Soviet example, in the remote base of the Red Army in the middle of China, near the city of Yan'an, where Mao's revolutionary army was headquartered. Mao quickly focused his strategy on agriculture rather than on industry (Teiwes and Sun, 1993) or on the intellectual class.

The number of Chinese co-operatives leaps from 722 in 1928 to almost 169,000 in 1948 (Du, 2002). With the establishment of the People's Republic of China, Mao would progressively collectivize the organization of economic production based on the Soviet model, but going further still (Teiwes and Sun, 1993). In rural areas – a large part of Chinese territory even today, and especially at that time – three main types of co-operatives developed: production co-operatives, distribution and marketing co-operatives, and rural credit co-operatives (Cheng, 2006; Lynette Ong, 2012).

The escalation of the collectivist ideology began in 1958, with the launch of the Great Leap Forward. In that long period, several forms of collective work were deployed in agriculture, industry and services. The co-operative model was involved in that huge economic, political and social experiment that peaked in the 1970s but which, as it turned out, proved dramatically ineffective and inefficient when it came to fulfilling Mao's projected goals. The concept of People's Communes originated in 1958. By the end of that year, more than 740,000 rural production co-operatives had been reorganized into 26,000 People's Communes. The system would remain fairly stable until the decade of opening-up policies and reform when new forms of co-operative arose under such names as 'specialized co-operatives' and 'stock-holding co-operatives' (MacFarquhar and Fairbank, 1992; Vermeer, Pieke and Lien, 1998).



An example of how the co-operative model was used by Mao, beside Soviet-style collectivization, is the so-called Rural Co-operative Medical Scheme. This was the main provider of health care in rural China until the late 1970s (Bernardi and Greenwood, 2014). Also in this case, Mao used the co-operative model ideologically partially to disguise his plans of forced collectivization and propaganda. During his long rule of China, collectivized work and production were confused with the notion of the co-operative firm that had appeared in China before Mao gained power.

Co-operatives in China today

Over the years, very different organizational forms and structures have been given the label co-operative or collective (see [Table 1](#)). The dramatic institutional transition that transformed the nation at the founding of the Republic and later of the People's Republic, through Maoism, the Cultural Revolution, the opening-up policies, to the most contemporary reforms, has entirely altered the legal framework and the very notion of the co-operative in China (MacFarquhar and Fairbank, 1987, 1992).

Table 1

INSTITUTION	SECTOR	PERIOD	CHARACTERISTICS
<i>Gung Ho</i> Co-operatives	Manufacture	1938-49	Small scale, voluntary membership, individual investment in the equity and individual incentives.
Mutual Aid Team	Agriculture	1949-55	Up to 5 families, voluntary membership, individual ownership of land.
Elementary Co-operative	Agriculture	1955-79	Up to 30 families, voluntary membership at the beginning.
Advanced Co-operative	Agriculture	1955	No individual ownership of means of production, no voluntary membership.
People's Commune	Agriculture	1958-78	Up to 5,000 households originally, than 30 families, no voluntary membership.
Supply and Marketing Co-operatives	Agriculture and distribution	From 1954, reformed in 1982	No voluntary membership until reform. 15 and then 30 years lease of land to farmers, individual responsibility on productivity and revenues.



Technology Association	Agroindustry and distribution	From 1980s	Focused on technological improvements.
Household Responsibility System	Agriculture	From 1981	Voluntary membership. Individual responsibility and rewards.
New Rural Co-operative Medical Scheme	Health-care	From 2002	Voluntary membership.
Specialized Farmer Consortia and Co-operatives	Agroindustry	From 2007	Individual lease of the land for a medium to long period. Small and multi business.

Maoist variants are examples of deviation from western principles. Over time, efficiency, responsibility and incentives that were originally individual became collective. The average dimension of the collective grew and voluntary membership disappeared. The most recent forms represent a return to the original characteristics: small scale, individual participation and incentives (Keating, 1997; Xiangyu, Schmit and Henehan, 2008). The co-operative societies that today represent China at the International Co-operative Alliance, however, are not small at all. They are giants with millions of members and employees and very close relationships to government bodies. The Gung Ho society still exists and is also a member of the ICA but of minor importance compared to other Chinese organisations.

Despite some historical problems and some contemporary uncertainties, the co-operative movement has certainly proved to fit with Chinese institutions and local contingencies and it might prove especially useful to help face the transformations that contemporary China is undergoing, particularly in dealing with social and economic inequalities and sustainable development. The Chinese Government and Legislature have recently (in the 12th Five-Year Plan and in the 2013 meetings of the National People's Congress) defined such challenges and, in some cases, have explicitly mentioned the co-operative firm as a tool that might help to address them. The memory of forced collectivization and limits placed on the growth of a proper civil society are far from helpful to the revival of co-operation in China. However, notwithstanding a very heavy historical legacy and some contemporary institutional constraints, a bright future is possible and desirable for the Chinese Co-operative Movement.



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H: HUMAN DEVELOPMENT

Pasquale De Muro, Salvatore Monni, Sara Vicari

‘Human Development’ is the successful synthesis of a new idea of development that has had currency since the early Nineties, thanks to the publication in May 1990 of the first annual report of the UNDP (United Nations Development Programme).

At the base of this new Human Development paradigm and the related Capability Approach – also known in the literature as HDCA – there is the belief that people are at the centre of development, moving away from previous approaches in which both scholars and policy makers were too focused on economic growth rather than on choices that allow people to live a life that they have reason to value (Costantini and Monni, 2008; De Muro, Monni and Tridico, 2014). Indeed, as recalled by Fukuda Parr (2003), the first Human Development Report launched by Mahbub ul Haq in 1990 had an explicit purpose, namely ‘to shift the focus of development economics from national income accounting to people centred policies’ (Haq, 1995).

Shifting attention from national income to people also means considering gross domestic product (GDP) as a means of development whose main end is the expansion of human capabilities, that is, ‘the various combinations of functionings¹ (beings and doings) that the person can achieve (...)’ reflecting the person’s freedom to lead one type of life or another’ (Sen, 1992: 40).

In the HDCA, people are seen ‘as active agents of change rather than as passive recipients of dispensed benefits’ (Sen, 1999: xiii). Therefore, expanding their human agency, that is, ‘what a person is free to do and achieve in pursuit of whatever goals or values he or she regards as important’ (Sen, 1985: 203), is a key component. Participation, an important dimension of well-being in itself and an expression of a person’s agency, is considered a development pillar, to the extent that development cannot be dissociated from it (Sen, 1999). However, to be consistent with HDCA, participatory processes should enable people to be active agents in ‘identification, assessment and addressing of the problems that challenge their ability to achieve the economic, social, political and ecological freedoms that define development’ (Duraiappah *et al.*, 2005). This can be with the purpose of obtaining

¹ Functionings are ‘the various things a person may value doing or being’ (Sen, 1999: 75).



valued and chosen outcomes, as well as supporting a choice process that may be intrinsically valuable or empowering (Alkire, 2002). Here, special attention should be given to institutions that can contribute to expanding agency and freedoms, both as an end and as a means for further freedom expansion (Drèze and Sen, 2002; Johnson, 2009).

De Muro and Tridico (2008) identify three main features of institutions for Human Development: i) they play an instrumental role, i.e. they may guarantee a stable and sustainable economic development; ii) they play a constitutive role, as institutions that foster human capabilities without any economic justification; iii) they have a participatory role, since people are the main actors of social change and institutions should be created and modified by people themselves through deliberative processes.

Considering the fact that accomplishing human capability expansion, especially among the poor, is usually closely linked to the possibility of acting with others (Evans, 2002; Stewart, 2005; Ibrahim, 2006), institutions for human development that can foster collective agency are of particular relevance.

Among institutions able to foster human development, co-operatives hold a crucial role (Bernardi, 2008; Vicari and De Muro, 2012; Vicari, 2014). Genuine co-operatives satisfy all of the above-mentioned features. They are one of the main actors in local development, able to contribute to the creation of wealth in a sustainable way, and to economic and social cohesion (Becattini, 2000). Moreover, the autonomy and meaningful relations that members establish in a co-operative have an intrinsic value, without any economic justification, thus representing one of the main motivations for members to join a co-operative. In this way, motivated members actively participate in the managing and decision-making of the co-operative, and through a deliberative process, they are actors of social change. Therefore co-operatives are a fundamental instrument for building and strengthening economic democracy. Praised by Sen (2000) for their ability to adopt active participation as a way of working, co-operatives can be considered the result of collective action in which members organize themselves to directly meet 'common needs and aspirations' and not just to maximize profit as is the case with conventional enterprises. One of the most important human capabilities, according to the HDCA, is 'being able to work as a human being, exercising practical reason and entering into meaningful relationships of mutual recognition with other workers' (Nussbaum, 2000: 79-80). Indeed, this central capability is the subject of the latest Human Development Report by the United Nation Development Programme (2015). Co-operative enterprises can make a



great contribution to the expansion of this capability, as they generate not just employment and income but also meaningful relationships of *mutual* recognition between members, especially through pro-active participation in decision-making processes.

The co-operative advantage (Birchall, 2004 and 2011) is tightly interconnected with co-operatives' dual entrepreneurial and participatory features. As sustainable enterprises, they can help members to achieve their common needs and aspirations, and by improving their economic condition, they can contribute to the expansion of many income-related capabilities. At the same time, by participating in a co-operative, members are involved in distributional processes of rights, knowledge, and powers which can have a direct impact on people's empowerment, thus modifying their sense of self-worth (Kabeer, 2005) and enacting changes in practices and shared knowledge that can lead to institutional transformations at different levels (Hill, 2005).

Although co-operative membership can bring about such meaningful outcomes, an analysis of how it can be turned into agency and capability expansion is important. We must be aware that it is only recently that contribution of the co-operative to human development has been acknowledged, this delay in part caused by a less-than-positive legacy from the past. In the 1980s, the ability of co-operatives to combat poverty in developing countries was questioned due to their inability to bring about structural change (Attwood and Baviskar, 1989; Holmén, 1990). After the Second World War, in many developing countries, co-operatives were considered by national governments² and international aid agencies as a tool for delivering economic growth, using a top-down approach (Birchall, 2004). Members were not actively involved in the management of the co-operative, which was in the hands of political elites and was damaged through corruption, debts, and mismanagement (Develtere *et al.*, 2008; Münkner, 2012). As a consequence, with the advent of structural adjustment programmes, the majority of them collapsed and were discredited as a means of poverty reduction in a market economy (Birchall, 2004; Develtere *et al.*, 2008).

Since the 1990s, a new, 'genuine', bottom-up, member-owned model of co-operatives has begun to develop in many developing countries and their important contribution to poverty reduction and human development has been acknowledged by scholars (e.g. Birchall, 2004, 2011; Develtere *et al.*, 2008; Johnson and Shaw, 2014) and by international

² For instance, this is still the case in China (Bernardi and Miani, 2014).



institutions (UN, 1992-2013³; FAO/IFAD/WFP, 2012; ILO-ICA, 2014). Some scholars even mention a ‘renaissance’ of co-operative movements such as, for instance, in Africa (Develtere *et al.*, 2008). It has therefore become clear that when co-operatives are an autonomous, democratic, and inclusive form of business and when they operate according to the principles and values of co-operation as laid out by the International Co-operative Alliance (ICA), they can represent an important means for capability expansion. Indeed, being participatory and democratic organizations is the first precondition for co-operatives to be considered as institutions for human development.

What, though, are the other important features that can help us understand how participation in co-operatives can be turned into agency and capability expansion? The literature on HDCA offers a key concept that help us here: the conversion factor and rate. Conversion factors are introduced in HDCA to explain the degree or rate to which a person can transform a good, service, or social institution into well-being achievements (Robeyns, 2005, 2011). These factors are personal, such as physical health and education; environmental, such as climatic factors and infrastructure; social, such as public policies, social norms, and power relations related to class and gender; and intra-household, since the distribution of resources and advantages within the household may be unequal.

In the case of a person who has the opportunity to join a co-operative, conversion factors can contribute to explaining to what extent such participation can be transformed into agency expansion and changes of her/his well-being. Here, considering the double nature of co-operative advantage, it is important to analyse which factors can improve or undermine the achievement of income-related and participation-related gains. They are as follows (Vicari and De Muro, 2012; Vicari, 2014):

Personal conversion factors (such as health and education) can impede or facilitate individual participation in the social and economic life of a community, including their co-operative participation. For instance, case studies show that more-educated women are more likely to participate in co-operatives (Woldu Assefa and Fanaye, 2012). Moreover, educational skills of members can have a considerable impact on co-operative performance and on its capacity to meet other members’ needs and aspirations (Münkner, 2012).

Environmental conversion factors can influence co-operative activity,

³ Since 1992, the UN Secretary-General has published biennial reports on the role of co-operatives in economic and social development. Reports since 2005 are available online.



especially in isolated rural contexts, because of infrastructural deficiency and harshness of climate (Birchall, 2004).

Social conversion factors can affect the institutional context where co-operatives are established and therefore their ability to be inclusive and equitable organizations. They include, for instance, social norms such as egalitarian customs or gender relations, which can influence the attitude of members and their willingness to cooperate and actively participate (Alkire and Deneulin, 2002). They also include the legislative and policy environment, for example, whether and how the state respects the autonomy of co-operatives and puts in place the appropriate actions to support them (Münkner, 2012; Bernardi and Miani, 2014). The role of the state is also important in fostering public policies that regulate common resources (such as natural resources) and provide services, such as education and health, which develop the capability of members to participate. The institutional context also includes the network within which co-operatives act, including relations with other co-operative organizations and non-governmental organizations (NGOs) as well as inclusion in domestic and international value-chains. Networking contributes to strengthening both entrepreneurial viability and developing collective agency (Stewart, 2005; Herbel *et al.*, 2012) by avoiding the isolation that may undermine the sustainability of local development-processes.

To conclude, to examine how conversion factors work in different contexts can be useful in providing insight for policies, showing the enabling environment needed for co-operatives to be effective institutions for human development. Here, the role of policy makers is crucial since they can contribute to removing the obstacles that prevent citizens from establishing, participating in, and managing sustainable autonomous co-operative enterprises.

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I: INTERNATIONAL CO-OPERATIVE LAW

Gemma Fajardo-García

Co-operative Law, understood as a set of rules that regulate the formation and functioning of co-operatives, has a long tradition in European countries. For example, the *Industrial and Provident Act* in the United Kingdom was passed in 1852 and the Prussian Co-operatives Act (the Schulze-Delitzsch Law) in 1867.

At present, co-operatives exist in all European Union countries. According to Co-operatives Europe data there are 160,000 co-operative societies in existence, with 123 million members.

The European Union (EU) was born with the aim of creating a common market governed by certain principles, such as freedom of establishment. This principle implies, amongst other things, the freedom to form and manage companies in any part of the EU under the same conditions that the legislation of the country of establishment applies to its own nationals, according to Art. 49 of the Treaty on the Functioning of the European Union (TFEU). The Treaty uses the term 'companies' in a broad sense and specifically includes co-operatives (Art. 54 TFEU).

However, it is not the aim of the EU to create a common law to replace that of the Member States nor, therefore, to create a European law of companies or co-operatives. Nonetheless, European institutions have been given the power to issue the necessary regulations (Directives) to remove restrictions on the freedom of establishment and make the safeguards required by Member States of companies for the protection of the interests of members and others equivalent throughout the Union (Art. 50 TFEU).

This is how the process of harmonization or approximation of European company legislations began. In time, this process has proved unsatisfactory due to its slowness and to the high margin of discretion the Directives allow the states in adapting their laws. For this reason, from the *Memorandum* of 1966 onwards the EU strategy regarding companies moved towards creating a model of entity governed by a European statute, common to all the states and outside the national systems of law. The result of this new orientation was Regulation 2157/2001 on the Statute for a European Company (SE), supplemented by Directive 2001/86/EC on the involvement of employees.

European co-operative law has followed a similar process. Initially a harmonization approach was intended, as with the law for public limited



companies, but due to the failure of this procedure the intent was abandoned, and it was decided to create a European co-operative. Hence in 2003 the Statute for a European Co-operative Society (SCE) (Regulation 1435/2003) was approved, supplemented by Directive 2003/72/EC on the involvement of employees, but harmonization of European co-operative legislation was never carried out, not even for its most important distinctive elements, unlike the case of public limited companies, which have been harmonized through a number of Directives.

Therefore, the Statute for a European Co-operative Society (SCE) was not born with the aim of harmonizing co-operative legislations, as confirmed by the sentence of the Court of Justice of the European Union of 2 May 2006, but with the aim of providing co-operatives with a specific legislative instrument that allows them to undertake cross-border co-operation and integration operations.

The SCE's main objective is to satisfy its members' needs and develop their economic and social activities through: a) concluding agreements with them for the supply of goods or services or the execution of work of the kind that the SCE carries out or commissions; b) promoting their participation in economic activities, in the same manner, in one or more SCEs or national co-operatives. The SCE can carry out its activities directly or through a subsidiary (Art. 1.3).

The SCE can be formed by a merger between co-operatives from different states; by conversion of a co-operative with an establishment or subsidiary in another state; or as an *ex novo* creation by natural or legal persons from at least two Member states (Art. 2.1).

The Statute for a SCE and the Statute for an SE have not been able to create a complete 'European' framework for these companies and frequently refer to the national law of the state in which their registered office is situated. In the case of co-operatives, that legislation has not been previously harmonized.

On 23 February 2012 the European Commission presented a report about the application of the SCE Regulation. This report reveals that despite the fact that European co-operatives can now engage in cross-border mergers, move their registered address to another state or form cross-border co-operatives, the Statute has had relatively little success. This is mainly because of the way the co-operatives themselves function, conducting their activities in local environments with the direct participation of their members.

On the other hand, the Statute for an SCE has been very important in making it possible to justify that the particular tax treatment of some



co-operatives in EU countries is compatible with the characteristics of these organizations, as reflected in the Statute for an SCE, and therefore this particular treatment does not violate the European rules on state aid (ECJ sentence of 8 September 2011).

In any case, one of the tasks that is still pending is to harmonize the European co-operative laws, as the European Parliament recalled in its Resolution of 2 July 2013 on the contribution of co-operatives to overcoming the crisis (Section 15). The fact is that the differences between the different legal systems are considerable, both in form and in content. Some states do not have a specific regulation for co-operatives (Ireland, Denmark), whereas others have a number of laws, whether by region (Spain) or by type of co-operative (France, Portugal). In some states co-operatives are associations, in some they are partnerships or corporations, and in others they are in a category of their own. The concept of co-operative also varies: in some states it has a primarily economic function (to further the economic interests of its members), whereas in others it has a more social function (to satisfy the needs of its members and of the community).

In its Communication of 23 February 2004 on the promotion of co-operative societies in Europe, the Commission expressed its intention not to carry out the harmonization of the European co-operative legislation directly, but to support the harmonization proposals that the co-operative sector presented to it. Since November 2011, the Study Group on European Co-operative Law (SGECOL), composed of independent legal experts, has been working on drawing up some general principles of what European co-operative law should be, based on the experience of the different European co-operative legislations.

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K: KEYWORDS

Fabrizio Martello, Rowan Tomlinson

Why 'Keywords'

What does the word 'co-operative' mean and to what uses – political, social, conceptual – has it, and its family of associated words, been put across its history? The central focus of this book is to consider the character and scope of the co-operative movement today, and to point to its future potential, as well as to future lines of enquiry in research into co-operatives. By contrast, the aim of this 'K' chapter is less horizontal than vertical, apparently more discrete and particular and yet in some ways more ambitious: to excavate the etymology of a term which has become part of the furniture of modern parlance, with the hope that the resulting defamiliarization of an apparently everyday word will invite those who work in and on the world of co-operatives to reflect more explicitly henceforth on the values embodied by the term both today and in its past.

In this sense, the chapter is inspired by the seminal work to which this collection's title makes reference: *Keywords: A Vocabulary of Culture and Society*, written by the Cambridge professor of English literature and drama, Raymond Williams (1921-1990), which was first published in 1976, had a second, enlarged edition in 1983, and has been reprinted numerous times, becoming a mainstay of methodological reading lists in disciplines across the social sciences, humanities, and the arts. The work consists of an alphabetized set of terms – what Williams describes as either 'binding words in certain activities and their interpretations' or 'binding words in certain forms of thought' – that notably cross disciplines and carry varied valences and resonances: Art; Bourgeois; Consumer; Culture; Democracy; Dialectic; Elite; Equality; Formalist; Generation; History; Ideology; Jargon; Literature; Media; Modern; Nationalist; Originality; Positivist; Progressive; Radical; Reform; Science; Society; Taste; Theory; Utilitarian; Violence; Work. Each term comes complete with cross-references and suggested 'clusters' of terms with which it is in productive, or conflicted, dialogue. Each entry offers a short essay that explores the etymology of the term but also, and crucially, analyses its uses – both in public life and in the domain of scholarship – and what Williams describes as 'the issues and problems that were there inside the vocabulary' (p. 15). It has no ambition to be a dictionary or a glossary of any one subject,



Williams explains in his introduction, nor else to complement any such existing dictionaries. It constitutes, rather, 'a record of an inquiry into a vocabulary; a shared body of words and meanings in our most general discussions, in English, of the practices and institutions which we group as culture and society' (p. 15). *Keywords* is a hybrid work, which wilfully resists disciplinary allegiances, combining cultural history with historical semantics. If its attention to detail speaks of the specialist labours of the philologist and literary critic, its aim, Williams tells us, was to provide a useful guide to questions that were live in the public arena, not cloistered in the Ivory Tower, issues that affected a broader population, to bring specialist knowledge into 'general availability' (p. 17). Its intention, in presenting 'the present as history', was not just to record – complex as that recording might be – but to effect change. Williams's work provoked critique, perhaps most famously from the intellectual historian Quentin Skinner, who witheringly accused him of offering 'portentous arm-waving' in place of rigorous methodology¹. Yet its suggestive approach remains influential today, whether in providing a direct model for revised versions of the work itself, which replace obsolete terms and introduce others which have gained a hold since the 1970s, or in supplying the basis of a methodology – 'the cultural lexicon' – that has most recently been revised and embraced by literary and intellectual historians working in fields very different from those in which Williams began².

The editors of this collection took inspiration from the spirit rather than the letter of Williams's seminal study. If they have borrowed 'Keywords' for their title, here the keywords of the alphabetized chapters constitute concepts and phenomena that have suggestive links to the central keyword 'Co-operative'; we might view them as sub-keywords, keys to unlocking our understanding – and the broader potential in society – of the concept and phenomenon of the co-operative. In the preface to his second edition Williams emphasized the open-ended nature of his project, explaining that revisions to the new edition should not detract from his strong sense 'of the work as unnecessarily unfinished and incomplete' (27). Like Williams, the editors here don't seek to exhaust the alphabet; and they openly admit that their selection of words is arbitrary, yet, as the editors of the *New Keywords* rightly note, 'To call a selection arbitrary does not mean that it is unmotivated'. Indeed, in the digital age, the arbitrariness is even more of an invitation to expansion, contestation, and

¹ Skinner (1979), p. 205.

² See, respectively, *New Keywords: Revised Vocabulary of Culture and Society* (2005) and Scholar (2013).



discussion than it was for Williams. The motivation of the twenty-three chapters that bring co-operatives into contact with issues such as China, New Media, Rural Development, Well-Being, University Textbooks, Productivity, United Nations is, true to Williams's intent, to invite a broader public – practitioners and consumers, as well as researchers – to reflect on the scope and significance of the co-operative sector in its varied forms and practices. Too often, especially in the worlds of business and politics, where talk can be cheap and jargon prolific, language is used uncritically, terms deployed with little heed to the complexities, disputes, and richness of their history. The term 'co-operative' is particularly prone to being appropriated to political and ethical ends. This chapter outlines the history of this keyword and helps its modern-day users to grasp the intricacies of its past. It offers a brief outlook of the history of the word from its origins to the beginning of the 19th century, when Robert Owen chose it to characterize his social-reform projects, effecting a robust, and enduring, semantic transformation. The other chapters of this book will be based on the modern notion of the word, as it emerged and has become familiar over the last two centuries.

The origins of the term 'co-operative'

The term 'co-operate' comes from the Latin word *cooperari*, a combination of the prefix *co-* (from *cum*), 'with, together', and the verb *operari*, 'to work'. This compound and its derivatives, including the noun/adjective *cooperator* were introduced into the Latin language by the Christians and, more specifically, originally responded to the need to convey, in the context of the process of translation of the New Testament from Greek, the meaning of the verb *synergéō* (a compound of *syn-*, 'with', and *ergéō*, 'to work, to act') and the noun/adjective *synergós*, at least in some occurrences of these terms in the various New Testament writings.

Although it is technically a neologism with respect to classical Latin, the verb *cooperari* (and the group of words that derives from it) does not convey a specifically Christian concept³ but captures a general idea, that of sharing an activity (not surprisingly, in the translations of New Testament books, there is a tendency to consider the terms *cooperarius* and *cooperator* as synonyms of *adiutor*, 'helper': indeed, they are both used to render the

³ Mohrmann (1961), pp. 58-59. The scholar classifies the terms *cooperari*, *cooperatio*, *cooperator* among the 'christianismes indirects ou médiats', p. 59.



Greek *synergós*)⁴.

In the version of the New Testament written between the 4th and 5th centuries and then officially adopted by the Church, the *Vulgate*, there are only seven passages containing these terms. However, some of them (for example, the Epistle of Paul to the Romans, 8:28; the Epistle of James, 2:22) are of great theological importance (the concept of co-operation was rapidly linked to the specific terminology used to formulate the doctrine of Divine Grace, which in certain contexts takes on the attribute of 'co-operating'). The phrase *Domino cooperante* ('the Lord working with them'), which is found at the end of Mark (16:20), and destined to become a recurring formula in Christian rhetoric, is also worthy of note. Consequently, the group of words was widely diffused in Latin linguistic use in Western Europe, at least in theological and literary contexts, from Late Antiquity and throughout the Middle Ages, and was then transferred to modern languages.

If we limit our analysis to Italian, French and English, dictionaries⁵ show that the first occurrences of the terms in the respective languages are found in theological texts, which expressed in the national languages concepts originally formulated in Latin. Gradually, however, the terms can also be found in different contexts, including scientific (medical)⁶, legal and socio-political ones. Its use outside the religious context can likely be put down to the fact that, as mentioned above, the meaning of *cooperari* and related words is not intrinsically theological. This allows them to be used in a neutral sense in other contexts to express the general idea of sharing work or activities to achieve a common purpose. From a sociolinguistic point of view, the spread of the terms would appear to have been limited to a medium and high language register. In this regard it is noteworthy that, from the 16th century onwards, in the Protestant field the translators of the New Testament into the national languages generally avoided the solution based on the compound *cooperari*, adopted by

⁴ See *Thesaurus linguae Latinae*, vol. IV (1906-1909), entry words *cooperārius*, *cooperāria*, *cooperatio*, *cooperātivus*, *cooperātor*, *cooperātrix*, *cooperator*, coll. 891-892, 894.

⁵ See, for Italian, the *Dizionario degli Accademici della Crusca*, vol. III (1878); for French, Littré, t. I^{er} (1873), p. 799, and the *Trésor de la langue française*, t. VI^e (1978), pp. 140-142; for English, the *Oxford English Dictionary*.

⁶ For instance, in French the adjective *coopératif* appears in a treatise on surgery written in 1550: 'Hypocrates fait mention de cause concause, adiutrice & co-operative, lesquelles coïncidentement concurrent avec les causes extérieures, internes, & conioinctes. (...) Cause adiutrice ou co-operative, est laquelle sans aide d'une autre ne pourroit faire maladie', Fierabras (1550), t. III, p. 253 (where we find the *adiutrice/co-operative* synonymy, typical of the original Latin word).



the first Latin translators for the Greek *synergéō*. This may be because of concerns over comprehension by the readership for which the translations were intended, who for the most part did not know Latin. This fact can also be seen, for English and French at least, as a sign of the process under which the lexical family moved away from its theological meaning.

From the 17th century onwards, numerous examples taken from English literature and technical writing are recorded in the *Oxford English Dictionary*. These occurrences show how the term ‘co-operate’ and its derivatives were used in a socio-political context and that they had also taken on a specific socio-political meaning. The following extract, from the 1689 translation of the treatise *De Jure Regni apud Scotos*, written by George Buchanan and originally published in Latin in 1579, is telling:

Original text by Buchanan
(ed. Edimburgi 1579, p. 11):

[...] iuxta Ciceronis sententiam nihil quidem quod in terris fiat principi illi Deo, qui hunc mundum regit acceptius puto, quam caetus hominum iure sociatos, quae *civitates* appellantur. Harum civitatum partes similiter inter se iunctas esse volunt, atque cuncta corporis nostri membra inter se cohaerent, *mutuisque constare officijs*, & *in commune elaborare*, pericula communiter propellere, utilitates prospicere, eisque communicandis omnium inter se benevolentiam devincire.

Translation by Philalethes [pseudonym]
(ed. London 1689, p. 8):

[...] with Cicero, I think there is nothing done on Earth more acceptable to the great God, who rules the World, than the associations of men legally united, which are called *Civil Incorporations*, whose several parts must be as compactly joined together, as the several Members of our Body, and every one must have their proper function, *to the end there may be a mutual Cooperating for the good of the whole*, and a mutual propelling of injuries, and a foreseeing of advantages, and these to be Communicated for engaging the benevolence of all amongst themselves.

To express in English the concept of mutual collaboration among members of civil society, likened to an organic structure, the translator moves away from the Latin text and introduces words (*Civil incorporations*; *mutual Cooperating*) which he feels fit the context.

Another example of the same kind can be found the following century in a passage from the Letters from a Citizen of the world by Oliver Goldsmith, written in 1762. When considering the disadvantages of the rational nature of the English people, Goldsmith says through the imaginary author of the letters: ‘it is extremely difficult to induce a number of free beings to co-operate for their mutual benefit’ (ed. London 1794, vol. II, pp. 186-187).

In the first half of the 19th century, Robert Owen assigned a new technical as well as economical and social meaning to the concept of co-operation



(Holyoake 1908, pp. 32-42). Within Owen's writings, the term 'co-operation' is given autonomous significance for the first time when it is linked to a specific model of social and work organization in a letter sent to London newspapers on 9 August 1817. Here Owen outlines 'some of the peculiar advantages to be derived from the Arrangement of the Unemployed Working Classes into «Agricultural and Manufacturing Villages of Unity and Mutual Co-operation,» limited to a Population of from 500 to 1,500 Persons'⁷. The letter is part of a set of writings concerning the proposal presented in the same year to the Committee of the Association for the Relief of the Manufacturing and Labouring Poor, which strove to give dignity to the nations' poor by placing them in communities organized according to specific parameters which promoted collective work programmes. The definition for the model that Owen proposed broadened terminologically in the publications which followed that same year, yet retained the term 'co-operation' introduced in the letter mentioned above.

The term was officially adopted by Owen's followers ('the co-operative movement was the creation of the Owenites, not of Owen', Garnett 1972, pg. 41) and characterised the names of the initiatives they undertook in the next few years with the aim of diffusing and applying the Owenite principles: in January 1821, the Co-operative and Economical Society was established in London with the ultimate aim of founding 'a Village of Unity and Mutual Co-operation, combining Agriculture, Manufactures, and Trade, upon the Plan projected by Mr Owen of New Lanark'⁸ and began to publish the periodical *The Economist* (with the eloquent subtitle: *A Periodical Paper, Explanatory of the New System of Society Projected by Robert Owen Esq.; and of a Plan of Association for Improving the Condition of the Working Classes, During Their Continuance at Their Present Employment*). This contributed to the

⁷ See Owen (1858), pp. 83-92. It should be noted that specific words belonging to the same lexical family are obviously also present in Owen's writings prior to this date, though they have not yet assumed the technical meaning just mentioned. The context in which they are used is the same as in the examples quoted for the 16th and 17th centuries, confirming that those words belonged to the vocabulary used to describe social relations and the organization of work. An interesting example in this sense can be found in *A New View of Society*, written in 1813. Here Owen, talking about his work as a businessman at New Lanark, states: 'from the commencement of my management I viewed the population, with the mechanism and every other part of my establishment, as a system composed of many parts, and which it was my duty and interest so to combine, as that every hand, as well as every spring, lever, and wheel, should effectually co-operate to produce the greatest pecuniary gain to the proprietors' (ed. London 1817, pp. 71-72).

⁸ *Constitution of the Economical Society. Instituted January 23, 1821*, in *The Economist*, n. 39, October 20, 1821, p. 205.



debate on the concept of co-operation, supporting detachment from that of communism⁹, and promoting its practical application. *The Economist* ceased publication in 1822. In the next few years, additional co-operative societies were founded and several periodicals were established whose titles bore one of the terms belonging to the lexical family.

The Owenite meaning of the term ‘co-operation’ was introduced into the French language in 1828, when Joseph Rey disseminated the ideas of the English philanthropist¹⁰.

As far as Italian is concerned, although the labour movement developed in Italy from the 1850s¹¹, it seems that the noun *cooperazione* and the adjective *cooperativo* did not appear as part of official titles for organizations before the following decade (in 1864 the Società cooperativa degli operai di Como was established; in 1867 the Associazione industriale italiana began publishing a newsletter entitled *Cooperazione e industria*). The 1878 third volume of the fifth edition of the *Vocabolario degli Accademici della Crusca* – the dictionary that sets the standard for the Italian language – makes no reference to any social and politico-economic meaning for the group of words related to ‘co-operation’ and continues to record the theological meaning as the only technical one. Recent dictionaries indicate that the adjective *cooperativo* has been in use in Italian since 1859, the noun *cooperativa* since 1890¹².

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⁹ ‘The object sought to be obtained is not *equality* in rank or possession, – is not *community of goods*, – but full, complete, unrestrained CO-OPERATION, on the part of ALL the Members, for EVERY purpose of social life, whether as regards the means of subsistence, or of promoting the intellectual and moral improvement and happiness of the WHOLE BODY’, *The Economist*, n. 29, August 11, 1821, p. 43.

¹⁰ Ray (1828).

¹¹ Briganti (1976).

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L: LABOUR AND PARTICIPATION

Tiziano Treu

Since its origins, work co-operation has represented a type of work relationship that is different from the employer/employee relationship associated with a market economy. The difference in the work co-operation relationship is due to the fact that the work of the employee members is structurally embedded into an enterprise, that of the co-operative, which is different from a capitalist one.

The intertwining of the work relationship with the operating of the enterprise and with the power of its members to democratically take major business decisions is an essential characteristic of the co-operative formula. This can already be seen in the first experiences in the 19th century, set up by small groups, mostly workers or craftsmen who worked on a small scale, often to overcome economic and social difficulties. With time, the formula has evolved on an economic, organizational and institutional level. A production and social model has been set up which has spread beyond its original areas and marginal sectors and is capable of competing in modern domestic and global markets. The economic and organizational characteristics that have contributed to this development and to the good performance of the co-operative system, also in employment, are outlined in other parts of this book. Here I will examine the main aspects of how the employee member relationship is regulated and the forms of employee member participation in co-operative enterprises.

The rules of work co-operation respond to widely recognized principles drafted over a period of time by the co-operative movement in various countries and at international level. The 2005 International Co-operative Alliance Statement is particularly important. Similar principles have been imposed by the ILO with recommendation no. 193 (2002) and are partly covered by the European Directive on the European Co-operative Society (2003/72/EC) and regulation 1435/2003 (see chapter U).

These rules are transposed in different ways at national level, sometimes with specific laws, as in Italy and Spain, and, in any case, with references to the regulations of the co-operatives themselves as recognition by the legislator of their regulatory autonomy. The main aim of such regulation is to establish a balance between legal positions, rights and obligations of this relationship. On one side the members make their work available to the co-operative. On the other side the employers as owners of the collective



property of the enterprise have the power to jointly decide how it should be managed.

This balance is not always easy and has given rise to controversy because there is a need for the workers to rectify situations which are normally contrasting in a capitalist enterprise; on the one hand, joining a company as an employee who is subject to directive and disciplinary powers and, on the other, the right to make corporate decisions and the right to a share of profits.

This dual nature of relationships affects the content of both. It modifies the nature of the capitalist enterprise with the introduction of elements of participatory democracy by the workers as well as a form of shared ownership; changes the relationship of the employee member, which is different both from that of a conventional employee who is normally not involved in enterprise management and work organization and from that of a self-employed worker who individually manages his own company.

In traditional companies, forms of worker involvement of varying degrees of intensity have also been introduced, mainly under the pressure of the trade-union movement including, rights to information and consultation on major company decisions and the right to be a part of company institutional bodies. These forms of involvement are governed both by national regulations and European standards (Directives 2009/38 on the EWCs, 2001/86 and Reg. 2157 on the European Co-operative Society). However, these rights imply forms of employee participation which do not involve corporate governance. Even in Germanic-type co-management, they are minority rights compared with the powers of the company owners/shareholders, which are decisive; in co-operatives, the owners democratically exert the main powers of governance of the joint undertaking by electing administrative bodies according to the 'one member one vote' principle.

The balance between the positions of member and employee has been modified over the years. In a traditional set-up, the position of member was considered more important than that of employee to the point that work was considered a fulfilment of the membership contract. This set-up has gradually been modified as co-operatives have expanded and because of the need to guarantee that employee members are treated and protected in the same way as normal employees. A guarantee in this sense is now acknowledged by the international principles and by the rules mentioned above which recommend compliance with the main conventions of the ILO on labour in relations with employee members. Moreover, these sources recommend that the best personnel-management practices are applied to employee members.



The need to apply regulations that are valid for conventional forms of employment based on an employer/employee relationship is outlined in various national legislations: in Italy the main law is Act no. 142 of 30 April 2001, which contains a general regulatory framework; the co-operatives are governed by Act no. 381 of 1991; in Spain, Act no. 4 of 24 March 1997 on the *sociedades laborales* is particularly relevant.

The coexistence of two relations regarding employee members, and to a certain extent, the dependence of the work relationship on the associative one, have meant that several modifications have had to be made to the rules and practices that apply to standard employment in a traditional company.

Pay tends to be aligned, also as a result of competition, to that applied in the sector and markets in which the co-operative operates. Indeed, co-operative associations regularly draw up collective agreements with trade-union organisations representing all employees. However, employee members may be affected by the economic conditions of the joint undertaking and be asked to accept reductions in pay if there is a financial crisis. On the other hand, normal contractual payment may be increased as the result of a budget surplus refund approved by the general assembly.

The Italian Act no. 142 lays down precise rules on both fronts. The co-operatives must pay their members a general wage that is in proportion to the quantity and quality of the work and, in any case, not lower than the minimum levels established by the national collective employment contracts for similar types of work. The meaning of the Act, which has long been controversial, has been conventionally defined (as well as with the Ministerial Circular 10/2004) as including all fixed wage elements including additional monthly payments, increases and other legal remuneration (working hours, holidays, severance pay (TFR)); but margins of flexibility are recognized for variable elements of pay regulated by collective contracts (e.g., overtime pay). Social security contributions for employee members were gradually aligned, in 2010, with those of normal employees. The same Act no. 142 establishes that the refunds approved by the assembly must be limited to 30% of the salary and any pay increases agreed upon in a collective agreement.

Another aspect of the law on employee members concerns the termination of the work relationship. Act no. 142 states that the work relationship ends with resignation or with exclusion of the member (Art. 5.2). This rule, which indicates that the work relationship depends on the associative one, derogates from employment law on dismissals. However, derogation is compensated for by a rule which states that exclusion of members must be approved by the directors or, if requested, by the assembly. The member is therefore safeguarded by the fact that the reasons for his/her



exclusion are assessed by social bodies who express the common will and not unilaterally by the employer, as is the case when ordinary employees are dismissed.

The unique position of members is acknowledged by Italian legislation in aspects as well. As far as court decisions are concerned, disputes concerning 'exchanges between members' are attributed to an ordinary court and not a labour court (Article 5 b paragraph 2). The prevailing interpretation of this act, which is not without ambiguities, tends to assign issues concerned with the rights and obligations of work to the labour court, whereas issues regarding the social rights and obligations of the worker are assigned to the ordinary court.

A controversial issue involves the exercise of trade-union rights and freedoms of members. According to Act 142, amended by Act no. 30/2003, these rights can be exercised only according to agreements between national co-operative associations and trade unions which are comparatively more representative. This condition is justified by the need to reconcile the antagonist nature of trade-union relations with the associative nature of member relationships which involve members in company management, both on a pro rata basis, and with the limits derived from a managerial approach to running the enterprise, especially in large co-operatives. Contractual regulation of this issue has been difficult or only partial. Due to their constitutional origin, the courts tend to recognize trade-union rights for employee members even if collective agreements have not been made. Indeed, the exercising of these rights is widely acknowledged, especially in large co-operatives. What is more, the major co-operative confederations, AGCI, Confcooperative and Legacoop, have agreed with the major trade union confederations of workers to transpose the statute of the European co-operative society. This demonstrates the willingness of the co-operative world to adopt trade-union relations which not only respect the rights of employee members but also have a specific participatory content. The involvement of employee members is an essential part of the co-operative movement, but can take on various forms. Employee members, in addition to participating in company meetings and electing administrative bodies, can also benefit from various participatory forms provided for employees in many countries and mentioned in European regulations, especially those on the European co-operative society, as well as those on collective bargaining (information, consultation, organic participation). These collective bargaining rights for members in their capacity as employees are applied in the largest co-operatives, as a result of agreements with the trade unions, often in wider terms than



those specified in the general legislation.

The presence of trade-union organisations is widespread in co-operatives and trade-union membership is often higher than the sector average. Relations between the company trade-union representatives elected by all the employees and the employee member representatives in the company's governing bodies is a delicate issue. The potentially critical nature of these relations, as outlined in the international documents of the Italian Co-operative Alliance, reflects the dual nature of the employee members' position and can only be overcome by making a clear distinction between the functions of the two forms of representation. In some countries, this distinction has led to a dual channel of representation, one with strictly trade-union functions and the other with participatory functions.

The co-operative associations regularly sign collective agreements with the most representative trade unions. The co-operative organizations have agreed with the main trade-union confederations general rules on work and industrial relations. Those are adaptations to the co-operative sector of framework agreements signed in recent years (from 1993 to 2014) between the confederations themselves and the employers' associations for traditional workers. These agreements have at times been strained, especially with the CGIL (the largest Italian trade union). Recently, there has been a gradual rapprochement between the three main co-operative associations, which has led to the formation of a single co-operative union, the Italian Co-operative Alliance (see chapter A).

The economic content of collective bargaining is generally aligned with that of comparable private companies, often with improvements being negotiated with the companies by the individual co-operatives. These include, for example, level of jobs classification which are often higher than in private companies, improved management of apprenticeships and part-time employment and more attention paid to job stability. The participatory nature of labour relations can also be seen in the dissemination of bilateral practices, with the establishment of joint funds and bodies for vocational training and, more recently, support for the retraining and relocation of workers who benefit from social 'safety net' systems.

A commitment which the co-operative movement shares with the trade unions involves opposition to the phenomenon of contractual dumping effected by fake co-operatives which are widespread in the cleaning and social co-operation sectors. For this purpose, an agreement has been reached with the government which has undertaken to consolidate and extend its inspections to the entire sector, including enterprises which are not associated with the co-operative unions.



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M: MUTUALS AND LOCAL UTILITIES

Salvatore Monni, Giulia Novelli, Laura Pera

Exactly who are the right players in mutuals and local utilities is an old, open debate (Birchall, 2011; Montemartini, 1902; Ostrom, 1990; Spiezia Monea, 2004; Tretola, 2004; Borzaga and Tortia, 2005; Spann, 1977; Fici, 2010; Managiameli, 2010; Atkinson and Halvorsen, 1986). Co-operatives are on the edge of the theoretical debate (Hansamm, 2005; European Commission, 2003; Ruiz-Mier Van Ginneken, 2006), but despite this, public and private ways/organizations/enterprises are still indicated in the literature and in daily practice as the only solution and no other players are part of this game. Co-operative firms, for instance, are not considered. But what exactly are mutuals?

Mutuals are part of a class of organisations (also including co-operatives, credit unions, friendly societies and other economic associations) that have one common feature: they are membership-based. While public agencies exist to serve the public in general (or some part of the public that citizens in general wish to serve), and private, investor-owned businesses exist to increase the profits of their investors, mutuals exist for the benefit of their members. Benefit implies ownership and ultimate control, which is why mutuals do not have outside shareholders; they put people before capital, and so usually work on the principle of one-person-one-vote. In this, they can be called 'people-centred' organisations. (Birchall, 2011: 147).

Over the last thirty years, the process of privatization of services of general economic interest has been put in place in order to transform the role of the state, and the contraction of public resources available has resulted and continues to result in a process of profound change in this area (Mele, 2003; Bonelli, 2008; Arcangeli, 1995). It is clear that there is a disengagement from the direct provision of services caused by the crisis in public finance, inefficiency of bureaucracy and public demand for more advanced and efficient services (Work Foundation, 2004). The treaties of the European Union¹, for instance, highlight the importance of respect for the mission of public services and the principle of free competition, considering gradual liberalization and, at the same time, the recognition of certain guarantees.

¹ Protocol of Lisbon on services of general interest.



The transition from a model of monopolistic management to a liberal model in which private companies and profit and non-profit organizations have free access to the market underlines an issue concerning the best type of ownership to choose (Arcangeli, 1995; Fici, 2010, Berry D.M., 1994). However, beside the public and private companies, there is a third player: the co-operative, which is discussed in the theoretical literature but is present in the market too, and the numbers show it.

Economics textbooks do not present this solution (see chapter *T: Textbooks*, in this publication) but co-operatives could be a more innovative answer than the traditional choice between public and private, one able to combine economic and social effectiveness. The theoretical debate regarding mutuals and local utilities has been raging for a long time. Some scholars, such as Montemartini (1902), have made a distinction between the Private and the 'Political Firm' (*Impresa politica* in Italian), and according to Montemartini's theory, political-firm policy is more effective than private-firm policy. The latter is by nature oriented to profit while, on the other hand, the 'political firm' has the efficient provision of public goods as its objective. Others scholars, including Robert Spann (1977), on the other hand, argue that private firms typically produce similar goods and services at a much lower cost than their public counterparts.

In 1990 the Nobel Prize winner Elinor Ostrom (Ostrom, 1990) suggested that under certain circumstances communities are able to govern public-utility services. Her research demonstrated that human communities have created a number of informal institutional bodies for regulating access to common resources that succeed in creating a stable balance between use and resource renewal.

The values of co-operation can be useful and effective tools in the participation of users in the choices of investment and development for which the costs and benefits, in the case of local public services, spread across the entire citizenry (Mori, Spinicci, Pellizzari, 2014; ECD, 1998).

The co-operative business model is present in numerous sectors of the economy, including public utility co-operatives in telecommunication, water, and electricity (ICA, 2011). The role of co-operatives in local public services has been analysed by numerous scholars (Bernardi, 2009; Hansmann, 2005; Ruiz-Mier and Van Ginneken, 2006), who have outlined the conditions of existence. Analysis by Hansmann (2005) underlines how a co-operative can reduce the transaction costs associated with the production of a service by aligning the interests of the enterprise with users' interests. He also highlights how the conditions of homogeneity of preferences and the long-term perspective for investing in a particular community can lay the



groundwork for direct management by the users of the service.

In the European Union, the Green Paper on Services of General Interest (European Commission, 2003) indicated that the winning formula of user co-operative entrepreneurship is close to the supply and demand that facilitates the appreciation and the satisfaction of service users. Ruiz-Mier and Van Ginneken (2006) propose consumer co-operative as an alternative institutional model to the management and ownership of public utilities. Many scholars (Borzaga and Tortia, 2005; Mill, 1848; Mori, 2008; Berry, 1994) who have dealt with co-operative firms have focused their attention on the significant positive impact that the co-operative itself produces. Besides the supply of services or goods, besides the business in itself, co-operative firms, the real ones, support communities with contributions other than the mere economic ones (Bernardi, 2007). These are positive externalities and result from the democratic principle that inspires governance and from the goals and shared values of the members and proximity to the local communities (Smith, 2001).

Energy is one of the most important public utilities and the energy sector is at the centre of many theoretical contributions, let alone of a fierce competition between state and private giants. The debate on the role of co-operatives in public utilities and the energy sector is very timely. The first series of hydroelectric co-operatives were created in the early 20th century in Northern Italy and Austria with the aim of supplying services which neither the public nor the private sector could provide (Bernardi, 2009). The supply of electricity to small villages in the Alps at the beginning of the century was a market failure but it was actually not that difficult for small communities to set up a small hydropower plant owned and run by its members. They survived in very good health and there are 34 of them today in Italy (Di Gaspare *et al.*, 2006). Originally, technology and market failure made collective ownership the only feasible alternative. Today, it is clearly possible to buy electricity from private or public suppliers, nevertheless, those co-operatives still exist. This suggests that social and idealistic reasons are today stronger than economic reasons as a motivating factor for joining an electric co-operative.

Over the last few years, successful projects in the renewable energy sector have been typically managed by co-operatives because these projects are based on the positive involvement of the community (Subbarao and Lloyd, 2011). The spillover of mutual ownership is not only of an economic nature. Ownership and participation in the management of local services is an opportunity to foster social ties and build lost community relations.

An interesting case is that of 'Community Energy'. It is a British community-based initiative for energy production from renewables. It is an important experience in the electric sector because it focuses on electric



energy that can be run by or for local people and is still able to provide them with direct beneficial outcomes (Walker and Simcock, 2012)². More recently co-operatives have been created to promote the use of renewable energy, most notably in Canada, the US, the UK, Denmark and Germany. In order to promote the adoption of renewable energy, the co-operatives have to seek to influence the behaviour of their members so that they switch from the use of traditional fossil energy to renewable energy (Viardot, 2013).

Co-operatives are committed to creating projects for energy production from renewables (Jacobs, 2010). In December 2013, the European federation of groups and co-operatives of citizens for renewable energy (Renewable Energy Source COOPerative, RESCOOP)³ was established under Belgian national law with a European scope. This legal act is a key issue in further developing the activities of the European federation and constitutes a base for building a strong European renewable energy co-operative alliance.

Co-operatives Europe, representative body of European co-operative enterprises, underlines how all co-operatives, combining economic and social purposes, are linked by the definition of the concept of services of general interest (Co-operatives Europe, 2008). This connection is clear because there are several co-operatives that provide, directly or otherwise, different public services and are important actors in this sector (Co-operative Europe, 2008). The co-operative business model is present in public utilities and especially in the energy sector as shown by its presence in Europe and the U.S.A.

Table 1 – Energy Co-operatives

COUNTRY	U.K.	GERMANY	ITALY	U.S.A
Number of Co-operatives	15 (large co-ops)	776	77	900
Number of Users	300.000	–	300.000	42 million in 47 States
Number of Members	30.000	200.000	40.000	–
Turnover	–	1.200.000	–	–
Energy from renewable sources	–	–	–	11% of energy produced

Source: Our Data Processing – UK Co-operatives UK; Germany DGRV Die Genossenschaften, is both the apex and auditing association of the German co-operative organization; Italy Confcooperative Federconsumo; U.S.A. NRECA (National Rural Electric Co-operative Association). 2013 figures

² There are about 500 Community Energy in the U.K. (Walker and Simcock, 2012).

³ <www.rescoop.eu> [accessed on 25 Mar. 2016].



In the U.S.A. co-operatives have helped to increase the electrification process in rural areas where profit companies do not gain economic advantage from operating; in these areas, the request for electric energy was lower but at the same time more diversified than in urban areas (Cooper, 2008). In rural areas, electric services were inadequate during the early years of the 20th century (Lowery, 2010). In 1933 the Tennessee Valley Authority (TVA), which represents the first federal operation in the rural electrification sector, was created. Citizens and farmers began to organize and create the first co-operatives in order to build electric dams (Lowery, 2010). Today over 900 mainly rural energy co-operatives own 40% of the national power lines and provide light and power to 42 million people in 47 states, and 11% of the power supplied is from renewable energy sources. Most of these energy co-operatives are members of Touchstone Energy, a co-operative federation founded in 1998 (Co-operatives UK, 2011). The importance of these numbers explains the reason for the foundation of NRECA, the National Rural Electric Co-operative Association. NRECA is a national service organization dedicated to representing the national interests of co-operative electric utilities and the consumers they serve. Founded in 1942, NRECA was organized specifically to overcome World War II shortages of electric construction materials, obtain insurance coverage for newly constructed rural electric co-operatives, and mitigate wholesale power problems⁴.

In Europe, co-operatives have appeared more recently and have different features; energy co-operatives are for the most part involved in producing electricity from renewable sources. German energy co-operatives experienced a recent boom (Klemish Maron, 2010). Between 2008 and 2012, the number of officially registered co-operatives in this field increased from fewer than 100 to more than 750 companies (Muller and Holstenkamp, 2013). These are engaged in producing electricity from renewable sources, typically using solar PV or biomass. They are embedded in a particular community with a small membership (usually fewer than 100) and, based on the German feed-in tariff, make most of their revenue from selling electricity. Some co-operatives also run heat grids or are engaged in trade with electricity from renewable resources.

In Britain the last annual reports published by Co-operatives UK⁵ show that there is a strong and increasing awareness of environmental issues and people in the community are coming together to create projects that produce renewable energy. According to Co-operatives UK data,

⁴ Data from NRECA.

⁵ Co-operatives U.K., 'Cooperative Review', the document published annually on the co-operative sector in the United Kingdom.

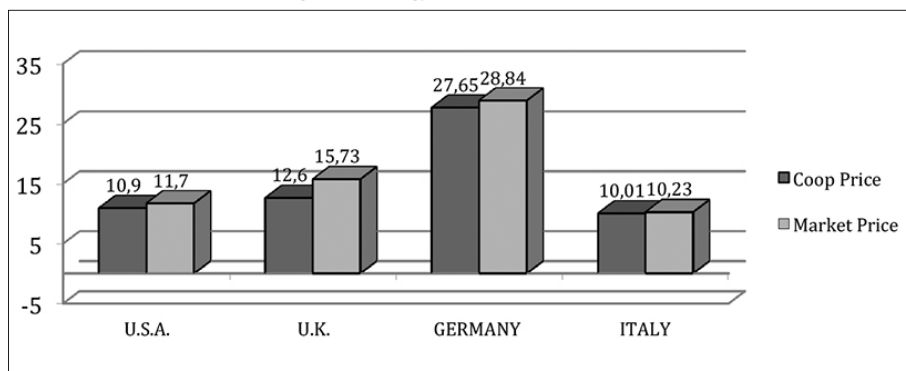


there are 15 co-operatives that supply electricity and gas and ten of these belong to Energy4all.

In Italy there is already a strong presence of the co-operative movement in the electricity sector and we should expect a growing phenomenon in the future. Along with traditional and historical electric co-operatives, a number of very small co-operative producers in the field of photovoltaic and similar technologies are springing up (Spinicci, 2011). Data reported by the Italian Authority for Electricity and Gas⁶ in 2013, have identified 77 co-operatives in the energy sector, producing 400 million KWh, with 40,000 members. In Italy these co-operatives are principally limited to a specific geographical area, Alto Adige, where the most important case is the Co-operatives Raiffeisen Federation of South Tyrol with 60 energy co-operatives⁷. This is a kind of community business where service is one of the most important components but it is not the only one, and production for the market and creation of value for the community are also very important elements (Di Gaspare *et al.*, 2006).

These data confirm the presence of co-operatives on the market, but, are they also economically efficient? Unfortunately we do not have data on this and so we have analysed some cases in various countries. In all of these, the co-operative energy price is lower than the market price. This confirms that co-operatives could be an efficient alternative and a competitive actor.

Fig. 1 – Energy Price, 2013 (Euro Cents)



Source: Our Data Processing – U.S.A source EIA (Energy Information Administration), England source Co-operative Energy and Gov.UK, Germany source Greenpeace Energy and Federal Association of Energy and Water Industries), Italy Raiffeisen Verband Federation and AEEG

⁶ Consultation document for the formation of measures following the AEEG ARG/Elt 143/09 resolution.

⁷ Raiffeisen Verband Federation website.



It is increasingly difficult for local authorities or states to set up public utilities in both Western nations and developing countries. This could be an additional reason for co-operatives to take initiatives at least at local level in providing services to communities. There may be an economic reason for supporting these programmes, but, above all, there could also be a social reason for doing so.

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N: NEW MEDIA

Mattia Miani

The relationship between co-operatives and new media may be explored in many ways: one is by examining the development of technologies, their role and their governance within enterprises (by perhaps highlighting differences with other enterprise systems); another is by examining the role of new media in the dynamics of internal and external communication (there are many research questions to be asked: how is co-operative identity communicated online? Is new media also an instrument of electronic democracy or just a series of e-brochures?).

Here, I have decided to explore another path. Rather than attempting to answer similar questions of a systemic nature, I would like to recount two stories (one almost unheard of, a second one that certainly not everyone is aware of) which demonstrate the complexity of the relationship between new media and co-operatives, beginning with the specific nature of the latter.

First of all, a note on terminology: new media generally refers to digital communication and information technologies (Bettetini and Colombo, 1998). The Internet is obviously a good example, but other technologies such as digital TV or the mobile web can also be included.

The first story regards The Well, one of the oldest online communities in the history of the Internet, and at the centre of Howard Rheingold's famous book, *The Virtual Community* (Rheingold, 2000).

'The Well' (an acronym for The Whole Earth 'Lectronic Link) was founded in San Francisco in 1985 by Stewart Brand, a key figure in the counterculture of the 1960s, when the Internet was very different from the one we know today: there were no graphic browsers and no World Wide Web, the most popular part of the Internet today, and connecting to the Internet via mobile phone was not even a figment of our imagination. However, electronic mail existed and so did BBS systems, a sort of on-line bulletin board, rigorously text-based, which allowed the asynchronous exchange of messages. The Well, with its links with the counterculture of the 1960s/1970s, quickly went on to create a closely knit online community of a few hundred people willing to discuss a wide variety of themes. In 1994, when the community had extended to a few thousand users, something happened that took many of its members by surprise: its founder sold the community to a Silicon Valley businessman, Bruce Katz, who had



great plans for The Well and also owned 50% of shares: he wanted to create a community that could consist of hundreds of thousands of users as a base for big commercial operations. The net-economy boom was about to start and at the time users were the most precious asset for boosting company valuations. There was nothing wrong with Katz's plans, but this situation did not please many of The Well's most loyal users, who feared that their community would lose its original identity.

To resolve this situation and create a new community in which a limited number of people could carry out high-quality conversations without running the risk of being 'sold', Rheingold and a group of other users came up with the idea of establishing a co-operative-based virtual community. This new community, which was launched in 1995, was called The River.

Rheingold, in an article written in October 1995, explained how this came about: 'we argued for weeks, then raised thirty thousand dollars from three hundred people in six days, incorporated as a California co-operative corporation, bought a computer, found a place to put it, connected it to the Internet, installed computer conferencing software, and started having conversations' (Rheingold, 1995). Up to a few years ago, on the home page of The River (<www.river.org>, now offline), you could read the co-operative's mission: 'the River is an open, self-governing, uncensored, economically sustainable, computer conferencing system.' The experiment lasted a few years and then disappeared. Competition from the web and emerging social media was too strong.

The Well is certainly not the first Internet community to be sold. Recently, Craigslist was sold to the online auction giant, eBay, MySpace to Fox and Flickr to Yahoo! (already an expert in these integrations having bought out Geocities and eGroups in the past). It should be noted, at least in the American system, that participants in these online communities have little control over their personal data and can really be 'sold'. In 2001, for example, the famous politics portal, Voter.com, once it closed, put its list of members and their party affiliation up for sale (Pressman, 2001).

I would like to make one more point about The Well. Its trials and tribulations did not end with it being sold to a private investor. The community was resold for 5 million dollars in 1999 to Salon Media Group, the editor of an online magazine of the same name (<www.salon.com>, [accessed on 25 Mar. 2016]). At the time, it had 6000 users. Under the aegis of Salon Media, the subscribing members of the community continued to decrease and the company was forced to look for a buyer. Unfortunately, at this point of its history, The Well did not appeal to



anyone. In the end, it was saved from oblivion by another user buy-out, if that is what we can call it. In September 2012, Salon sold The Well to a new company specially created for the purpose, The Well Group Inc. (The Well, 2012). The new company was set up by a group of eleven investors who were all original members of the community. The sale price was 400,000 dollars, a bargain considering its past glory. Here, the epilogue was very different from that of The River. As a joint-stock company, the users have no say in matters even if they pay an annual subscription to the community which is still operational at the address <www.well.com> (accessed on 16 May 2016). The paradox is that with the same amount it could easily be self-managed.

What is the moral of this first story? The co-operative form, at least in theory, can meet the needs of users to create and manage spaces for interaction which are free of commercial influences in a sustainable way.

The second story concerns the .coop domain. In 2000, ICANN, the American corporation responsible for the allocation of IP addresses (domain names) decided to add new top-level names to the classic ones, .com, .net., .org, .edu, and the various top-level domains for countries (for example, .it). At the time, this was seen as a revolutionary development and during this period, new domains were created such as .biz and .info, .museum, etc.

The National Co-operative Business Association (NCBA) made the most of the opportunity and presented a proposal to add the domain name .coop. Its proposal was successful and in 2002, the new top-level domain name was created for registering co-operative enterprises and their affiliates worldwide. The initiative was an interesting attempt to demonstrate co-operative identity online using an Internet address. What happened? Like many of the domains created in 2002, diffusion of the .coop domain is still rather limited. If we look at the statistics available on the website <www.directory.coop> (data as of November 2014), we can see that most registrations are made by Americans, with a total of 2319. Another 890 registrations come from the United Kingdom, 488 from France, 311 from Spain and 297 from Italy. Outside Europe, the country with the most registrations is Japan with 163 domain names. In all, <www.directory.coop> lists just under 6000 domains. This is a very small number if we consider that the domain .biz which was created at the same time as .coop and is not hugely widespread has over 2 million registrations (Zooknic, 2008). The .coop figures are even lower if we consider that many companies register to protect themselves from attempts to appropriate their brand, and in this case there is no active website linked to the registered domain, which is dormant.



Although these figures should not be used to judge the success or otherwise of an initiative which is in any case a niche one, they appear to show that co-operative enterprises are not very interested in explicitly demonstrating their own identity online. Other reasons for the limited diffusion of the domain, especially outside the USA, can be found in the limited availability of sites for registration, costs which are higher than those of traditional domains, and the limited knowledge of them by professional web operators. Whatever the reason, it is interesting to see that the co-operative movement has achieved a significant victory by creating a top-level domain name, but has then left it largely dormant.

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O: OCCUPY WALL STREET

Andrea Bernardi

Introduction

The 2008 financial crisis triggered economic recession and an ideological crisis of western capitalism. After the outbreak of the crisis a series of protest movements and organisations came to be collectively called Occupy Movements, with the eponymous Occupy Wall Street symbolising the most inspiring form. The key inspiring events are commonly said to have been the establishment of Democracy Village in 2010 outside the British Parliament in London, the protests in Spain that started in May 2011, the earlier events of the so-called Arab Spring, and the Occupy Dataran movement in Kuala Lumpur of July 2011.

The apex of the crisis was reached in 2012, which was also the United Nations international year of co-operatives. From the establishment of the first modern co-operative in Rochdale, the international co-operative movement has prided itself on its seven core inspiring principles. The inspiring principles are 'Voluntary and Open Membership', 'Democratic Member Control', 'Member Economic Participation', 'Autonomy and Independence', 'Education, Training, and Information', 'Co-operation among Co-operatives', and 'Concern for the Community.' We argue that these principles should make co-operatives a natural choice of ally for members of the protest movements as they have main points of approach in common.

The worldwide protest movement has been ineffective in delivering impact on policies and in providing a feasible alternative. The co-operative movement and the protest movements have several points in common, and, despite their lack of dialogue, it is argued that credit unions, workers' and consumers' co-operatives, are a feasible model for sustainability, fairness, and growth. The Occupy Wall Street movements should pragmatically support the co-operative model of ownership, rather than focusing their efforts on naive methods and radical proposals.

The 2008 Financial Crisis

The crisis started in the United States of America, the symbolic centre of world capitalism. A few causes are commonly recognized as the triggers



to the 2007-2008 US financial crisis, whose consequences have been spreading around the globe ever since. The roots of the crisis (Crotty, 2009) were subprime lending, the existence of excessively easy credit conditions and the consequent housing bubble, predatory practices of negligent lending and the after-effects of fraudulent underwriting. Additional causes (Goodchild, 2012) are financial deregulation (as occurred under both Democrat and Republican administrations), the negative effects of over-leveraging (which started as early as in the mid-90s), and the over-complex financial-management regulatory system. The American debate reached not only the media but also resulted in a series of high-profile judiciary and parliamentary inquiries. Great expectations were placed on these events, but, despite the initial clamour, disappointment followed when it came to policies, legislation and court sentences. In Europe the targets of resentment shifted early on to criticism of government austerity policies, singling out distinct European and international institutions such as the IMF, ECB, and the European Commission, as the responsible culprits.

The Occupy Wall Street Movements and antecedents

The origins of the protest have been historically traced (Castells, 2012). The last decade of the 20th century and the first decade of the 21st century were characterized by periodical protests organized at the G8, later G20, meetings. In a similar vein, the World Economic Forum meetings in Davos, an informal gathering of world financial and political leaders, found itself to be a favourite target for protests against globalization and neoliberal policies. Criticisms have also increasingly appeared in print. The beginning of the new century has seen a proliferation of publications about non-proprietary standards, anti-globalization, about the ethical dilemmas of consumerism, social conflict, and sustainability. Examples of these sorts of publications are numerous, but include *Empire* by Toni Negri and Michael Hardt (2000), *No Logo* by Naomi Klein (2001), and *Petit Traité de la Décroissance Sereine* by Serge Latouche (2007). Several national variants belonging to the same root exist.

Sweden and Germany can be regarded as pioneers of the direct political involvement and action of the protest movements. The first Pirate party was the Swedish *Piratpartiet*, founded in 2006. Other parties were subsequently formed in Austria, Denmark, Finland, Germany, Ireland, the Netherlands, Poland, and Spain. In some countries their electoral success was tangible for a while.



Spain was disturbed in May 2011 by a protest movement that is still alive and active. This was the Indignant Movement, alternatively known as Take the Square. The street protests, which occurred during 2011 against the political class, paradoxically helped the conservative party to win the 2011 general election. All the blame for unemployment, state debt, the real-estate bubble, was fully piled at the feet of the socialist government of José Luis Rodríguez Zapatero, who had been in power since 2008.

USA was also the scene of similar discontents. In September 2011 the first Occupy protest that gained national and international media attention was Occupy Wall Street, in New York. Suggestively, gatherings, talks and camping took place in Zuccotti Park, in the heart of New York's financial district (Chomsky, 2012). Showing the power of such movements, in less than a month related gatherings were organized in dozens of other American cities (including even the occupation of the Wisconsin State Capitol building), as well as in about 80 other countries around the world (Gamson and Sifry, 2012).

An inspiring event occurring on American soil was 'Bank Transfer Day'. This was a consumer-activism initiative that called for 'a voluntary switch from commercial banks to not-for-profit credit unions'. In the spirit of the times, everything started on Facebook as an event planned for the November 5th 2011. In a few days, the event was joined virtually by tens of thousands of people and was replicated in other places and times in North America. The basic idea behind this collective action was to complain about the fees and service quality of the Bank of America, suggesting that those members of the public in agreement with the protestors should collectively swap their bank accounts to a co-operative bank, or a credit union as it is defined in USA and Canada. The participants of Occupy Wall Street supported the event, although it did not satisfy every one of their members, as a few radicals complained that co-operative banks should still ultimately be considered a bank, one of the foremost villains of the Occupy Movement.

Italy has not seen massive street protests such as those that occurred in Spain or Greece. Even the peaceful gatherings that have occurred can be seen to have been very limited if compared to their counterparts in France or USA. It seems that the anger of citizens and their participation has been diverted to a political movement, the *Movimento Cinque Stelle* which in 2013 gained third place in the general elections and in 2016 is considered to be the second largest party by intentions of vote.

China has been only softly awakened by minor events that followed the inspirational Arab Spring, in what has been described as the failed Jasmine



Chinese revolution, started in February 2011. Nevertheless, the Special Administrative Region of Hong Kong hosted a very interesting protest, the Occupy Central. The protest took place in a square, Central, in front of the headquarters of the international bank HSBC, near the Hong Kong Stock Exchange. Protesters added to the traditional global economic issues an additional local topic: the request for a reform blueprint towards universal suffrage in Hong Kong. The protest camp stayed in place between 15th October 2011 and 11th September 2012 and was removed after court rules and police intervention. The movement is still active as intellectuals and activists worked on the political manifesto of the so-called Occupy Central 2014 'to press the government for a democratic reform blueprint to achieve universal suffrage.' This led to the hugely participated Umbrella-Movement protests of winter 2014.

The Co-operative Firm

The co-operative firm is a very old institution. Co-operatives are representative of an alternative-ownership model and should be seen as successfully operating in market economies and contributing to the plurality of the market actors, despite the fact that they are fundamentally non-capitalist in orientation (Hansmann, 1996). A true co-operative is owned by either its workers or consumers or users and this intrinsically makes them more socially responsible and participatory than their capitalist counterparts. Apart from the system of ownership rights, the diversity of co-operative firms can be mapped in a different way in each sector (Bernardi, 2007) and the advantages of co-operatives have been empirically observed by a number of scholars. The workers' co-operatives have been argued, for example, to represent in both theory and practice an alternative to traditional capital-labour conflict (Jossa, 2005; Bernardi *et al.*, 2011). Being owned by the consumers or the user they represent a more transparent and fair business model. In the event of market failure they have been shown to be more efficient (Olsen, 2002; Jussila *et al.*, 2008) and resilient under difficulties (Zanotti, 2013). Furthermore, co-operative enterprises represent worldwide-distributed alternatives to the investor-owned limited company model (Spear, 2000; Chaves and Monzòn, 2007). They respond to the expectations of consumers or workers better than firms driven only by the need to remunerate the investment of their owners (Jussila *et al.*, 2008). It is also possible to argue that co-operatives offer better health and safety conditions to workers. Research by Guiol



and Muñoz, (2007) has demonstrated the existence of a strong relationship between safety, well-being, and workers' participation (see chapter S in this book). Co-operatives are rooted in their local communities and therefore often represent a respected and powerful institution at local level. It is much more likely that a firm owned by the community (for instance an electric co-operative owned by the whole village) will produce positive externalities (such as social capital and investments in corporate social responsibility) rather than negative ones such as pollution.

In the 19th and 20th centuries the mission of establishing a co-operative was primarily to provide a job or a shop or a service, whereas today the rationale has been subtly refocused to provide good jobs, socially and environmentally responsible products and alternative services which the State or the Market were commonly perceived as having failed to provide. The co-operative sector has not been immune from the current financial crisis. Nevertheless, it is still possible to argue that the co-operative sector has shown itself to be remarkably resilient during times of crisis (Birchall and Ketilson, 2009).

Reform or revolution?

As Noam Chomsky has argued, the demands of the protest movements have been either very moderate (so much so that even *Financial Times* columnists have welcomed them) or they have been too vague and implausible (overthrow capitalism, establish direct democracy, etc.) meaning they do not appear seriously to contest the existing capitalist interests and power systems (Chomsky, 2012). As Graeber has argued, the occupy movements have failed to suggest feasible actual alternatives to the model they have been opposing (Graeber, 2013). The emphasis on method (transparency, information, direct democracy) is not enough if it is not supported by a strong policy platform. Even Joseph Stiglitz has publicly argued that the Occupy Movements have failed to deliver because of lack of organization (Haug, 2013) and of a pragmatic approach. Even the few formal political attempts of organisations belonging to the protest movements have been disappointing. The Italian case, *Movimento Cinque Stelle*, has proved unable to work effectively in parliament despite the several seats gained. The German Pirate Party did not reach the minimum threshold in the 2013 federal elections and will not enter parliament. Contemporary history offers cases of successful and unsuccessful anti-corporate protests. How success is affected by the relationship between degree of ideological



radicalism, institutional environment, targets and tactics has been studied (Yaziji and Boh, 2013; Schneiberg, 2013).

Certain conceptual and political weaknesses are fairly common among the Occupy protest movements. For example, the common depiction of the market as a public enemy could be a dangerous over-simplification of a complicated economic situation with few absolute heroes or villains (Roberts, 2012). Similarly, the idea that the State, by definition, would be a better supplier of services than the market, regardless of the sector, the service, and the efficiency could be regarded as excessively reductionist. Another big taboo for the protestors centres on the idea of profit, which is generally characterised by members of these movements as evil, dangerous or wrong. Advocates of co-operatives, though, would argue that profit is actually good, if achieved in a fair and sustainable way. Most co-operatives see profit as a measure of their efficiency and financial sustainability, allowing the organization to keep offering services and goods to their members and providing its workers with employment.

Another example of a recurrent oversight of the Occupy Movement is their anger towards and attacks on banks and financial systems, which are in reality institutions as neutral as the market. Indeed, it seems limiting to reduce banks to public enemies. As explained by advocates of the Bank Transfer Day movement, there are alternatives to the traditional actors of that market. Savers should be aware of the diversity and make informed and wise choices (Michie and Llewellyn, 2010).

Ownership Not Occupation

If the Co-operatives and the Protest Movements work together, there is a great potential for synergy between the two groups. The Occupy movement has the energy, youth and participation to reinforce the Co-operative Movement. The Co-operative sector has the organization and the infrastructure to support the Occupy Movement and it provides a historically tried-and-tested practical alternative to current market fundamentalism. Such a collaboration between the Co-operative and the Occupy movements requires effort and dialogue between the two parties and many observers feel that this is not likely to happen (Shepard, 2012), especially because of the international and informal nature of the latter (de Bakker *et al.* 2013). Nevertheless, several projects at national and local level may be deployed to start such a dialogue. The finance and banking sector could be a very powerful starting point, if only the protest movement would formally consider



co-operative banking (Birchall, 2013) as a model of sustainability, fairness and ethics. The consumer co-operative sector might also be promoted to protest-movement supporters as a model of ownership, responsible consumer behaviour and fairness. Together, both movements could pool their many common concerns and raise a common voice. Where possible co-operative ownership should be supported as a model of transferring utilities, services and public goods infrastructures from the State to the community, rather than to a large capitalist corporation.

Conclusions

The Occupy Movement needs a feasible and pragmatic action proposal to make protests constructive and consequently more effective. Their emphasis to date on methods rather than on solutions has proved to be largely ineffective. Without a feasible and sound proposal, the Occupy movement either will decline (Roberts, 2012) or will end up reinventing itself more radically.

The Co-operative Movement needs to attract a new generation of members with motivations different from those of the previous generations. The old ideological membership (either Socialist or Christian) of fathers and grandfathers is gone forever and a new set of reasons to join needs to be written and promoted, which resonates with the young and the socially aware.

The protest movement needs the pragmatic experience of the co-operative sector. The co-operative movement needs the energy and youth involved in the occupy movements. Citizens and consumers of the North and the South of the world need both a competitive alternative actor for the market and a strong advocate against the excesses of capitalism (Stiglitz, 2009). This can be achieved through ownership, not occupation.

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P: LABOUR PRODUCTIVITY

Pasquale Tridico

To help us make concrete a concept that at first glance appears to be so abstract and distant, let us turn to two dialogues that took place between a traveller and a craftsman just over a century apart. The first, set in Florence, has a pre-industrial context and involves a famous passer-by, a 19th century traveller and Prime Minister of an important European nation, who was visiting the recently created capital of Italy, and a Florentine craftsman with very few tools which would now be defined as archaic. The second dialogue has a present-day context, once again in Florence, and involves a tourist in the city of the Medici and a Florentine craftsman with technologically advanced tools and equipment.

19th century traveller: *'How many shoes, sir, do you make in one day?'*

Florentine craftsman: *'In one day I just about manage to prepare the leather and cut the material for one pair of shoes that I will finish by sunset.'*

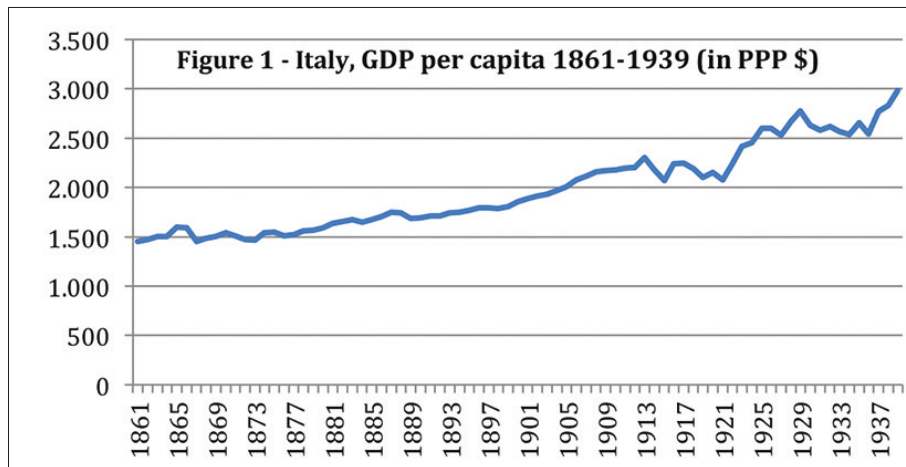
New Millennium tourist: *'How many shoes, sir, do you make in one day?'*

Florentine craftsman: *'In one day's work, if I am fit, motivated and in good spirits, I can make between 8 and 10 pairs of good quality shoes.'*

This dialogue shows that as time has passed and technology has advanced, labour productivity has increased approximately 8-10 times compared with the end of the 19th century. This dialogue also shows that labour productivity is simply the amount of goods produced by a worker in one day or in one working hour. It crucially depends on technological progress and the amount of capital and tools available in a certain period used by the worker. In 1800, the lack of capital and advanced tools and low level of technological progress kept productivity levels very low consequently, levels of income were also low. Today, a significant advance in technological progress, which increased considerably especially in the period immediately after the Second World War, results in much higher labour-productivity, a much higher production-level and, consequently, a much higher level of income. Income time-series, available through Angus Maddison's database, provide us with important information on income levels, for the above dialogues, and consequently clarifies the close links between income level and labour productivity.

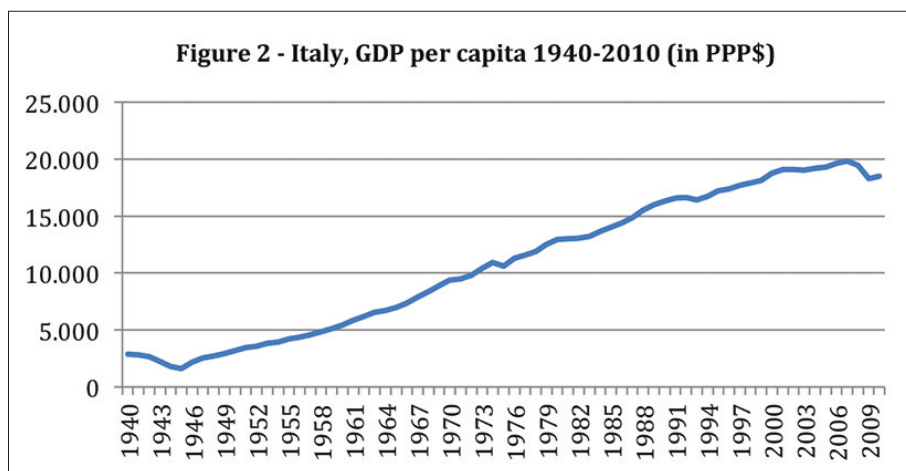


During the 1800s, the income level was fairly constant and stood at around 1500 \$ (in PPP), reaching 1800 \$ towards the end of the century and almost 3000 \$ before the Second World War.



Source: own elaboration, Maddison database

As is widely known, Italian economic development began after the Second World War and reached 20,000 \$ in more recent years (just before the current financial crisis), approximately ten times more than it was in our traveller's time at the end of the 19th century in Florence.

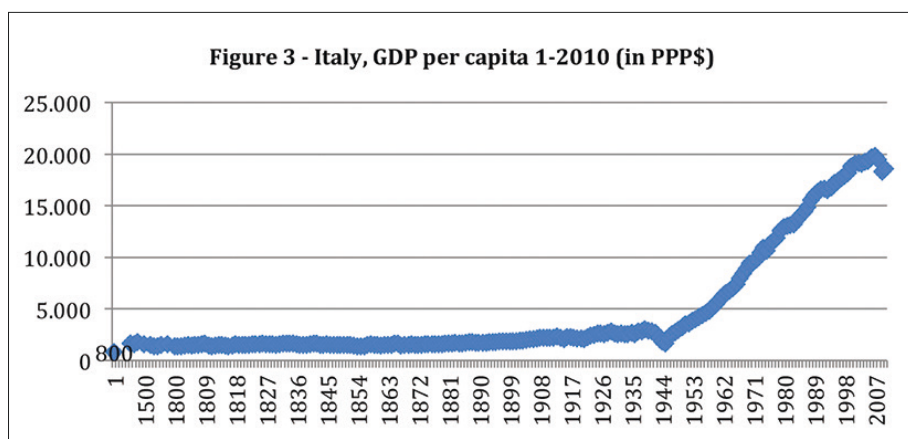


Source: own elaboration, Maddison database



Comparing the income level at the end of the 19th century and present-day Italy, as well as the levels of productivity then and now, is revealing: labour productivity, as well as income levels, have increased approximately 8-10 times in the same period. We have therefore established a stable, crucial correlation between productivity and income: as productivity increases, so does income.

Between the 1400s and up to the end of the 1800s, income fluctuated between 1500\$ and 1800\$. In this same period, labour productivity was stagnant, whereas it grew slightly between the end of the 19th century and the Second World War and steeply increased in the period after the Second World War when Italians' income increased significantly.



Source: own elaboration, Maddison database

If income increases when productivity grows, then the crucial issue to be examined remains labour productivity. What causes its potential increase and what stimulates its growth? We have mentioned technological progress and innovation, and this is definitely the main reason: in a period of great innovation in which new processes and new products are created, new ideas circulate and technological innovation is absorbed, companies introduce new machinery and new tools, and the economy as a whole increases labour productivity and both the production level and the income level. The period after the Second World War was definitely the best period and also the most important in terms of innovation and technological progress: the greatest innovations of all time occurred in this period and encouraged growth in labour productivity through unprecedented industrial development. The period between the Industrial Revolution (which, as we all know,



began in England at the end of the 18th century), and for the First World War provides the necessary conditions for a subsequent wave of modern development and the great innovations of the 1900s. During this period, modern societies witnessed big transformations and went from being industry-based economies to service-based ones. The biggest contribution to the transformation was a massive increase in labour productivity, stimulated by significant technological innovation and the many inventions in this period.

Before the Industrial Revolution in England and earlier still, in the Middle Ages, there was very little technological innovation and it was limited to agriculture and construction. Income was generated and, at best, offered the population a means of existence. This state of affairs prompted Malthus (1766-1834) and other economists and demographers who lived before the great technological advances of the 19th century to make apocalyptic predictions based on population growth that would have led to the cultivation of increasingly less fertile land and a decrease in food production. This would have resulted in a halt in economic development since the population would tend to increase at a geometric rate, i.e. faster than food production, which increases arithmetically. Malthus was wrong because he had not predicted the great development, initially technical and then economic, which encouraged labour productivity and began from the 19th century onwards in the agrofood industry, in industry in a narrow sense and in the economy as a whole. If we consider the 50 most important inventions of all time, according to a group of scientists interviewed by the *Atlantic*, from the invention of the wheel onwards, 20 occurred during the 19th century (with 15 in the second half), another 20 in the 20th century and only 10 prior to the year 1800. This explains the stagnation of labour productivity and income before 1800 shown in Fig. 3.

To a lesser extent, something else contributes to productivity growth. In the example of the dialogue, the Florentine craftsman answered the modern tourist saying that he also needed to be fit, motivated and in good spirits to produce between 8 and 10 pairs of good quality shoes and, obviously, needed his machinery and tools. Other factors are at play in productivity, beyond the economic: first of all, health but also motivation and good spirits, factors that are mostly psychological and social, but also institutional, and can have different origins, exogenous (social, political and psychological) and endogenous (the economic demand which increases the craftsman's motivation, i.e. his pay or wages if he is a worker). In addition to this, the dialogue implicitly shows that there is a need for the craftsman's expertise, his skills and his knowledge which is something quite different from technological innovation and innovation, and regards his training, cultural knowledge, experience and manual skills



which all have an important effect on his productivity. These are factors that are endogenous to the production process itself since they can be continuously increased through learning by doing and continuous training. Once again, the acquisition of these skills and the necessary cultural and educational knowledge crucially depends on economic and institutional incentives, the rules according to which individuals acquire knowledge, the school and education system and its level of accessibility.

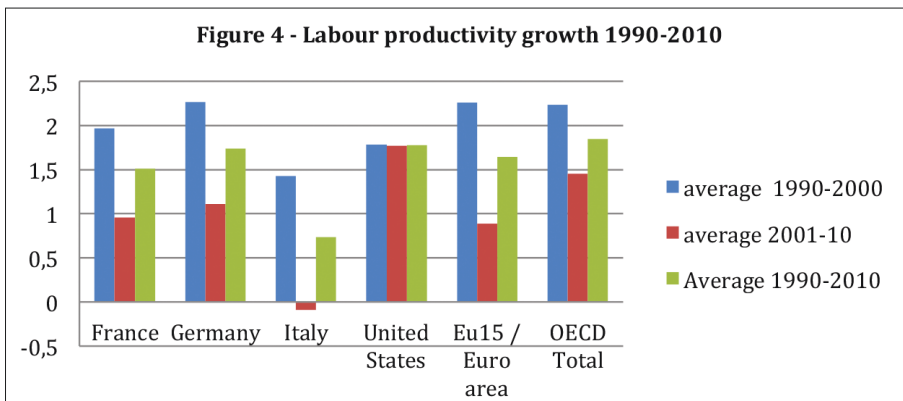
An important contribution regarding the influence of factors that are not strictly economic on increases in labour productivity comes from the New Keynesian Economics (NKE) literature in the 1970s and 1980s through a series of labour market models known as efficiency wages. The aim of the NKE is to show that through wages that are higher than equilibrium wages (if equilibrium wages actually exist) a worker's productivity increases. Contrary to the claims of the traditional neoclassical school, according to whom workers' wages are in equilibrium when they are paid according to marginal labour productivity, the NKE accepts the existence of positions of underemployment, created by the rational behaviour of individual employers who prefer to pay a worker more to encourage him to work harder and therefore achieve higher overall productivity which compensates in the long term, through better performance, for the higher labour costs incurred as a result of higher wages.

The efficiency wage model demonstrates that it is not in a company's interest to reduce the real wage in order to reduce unemployment because workers' productivity, seen in terms of effort or efficiency, depends on the real wage (McDonald, Solow, 1981). A firm should therefore fix a wage level that maximizes the effort made by workers or, symmetrically, minimises the wage cost per efficiency unit. This is based on a simple but realistic assumption: worker effort increases in line with an increase in the real wage and personal satisfaction (Solow, 1979).

Along the same lines, Salop (1979) states that rotation costs prevent worker turnover in the firm and decrease productivity. In order to avoid recruitment and training costs, employers avoid continually hiring workers and even prefer to pay a higher wage to encourage workers to continue to work for them. In this way, the productivity and efficiency of an individual worker increases and, at the same time, an employer minimises rotation costs for new workers. Continuous experience in the same company, learning by doing, a relationship based on trust and continuous training are all factors that are not strictly economic which increase worker effort and therefore productivity. In this context, the continual increases in labour flexibility which have been promoted over the last two decades

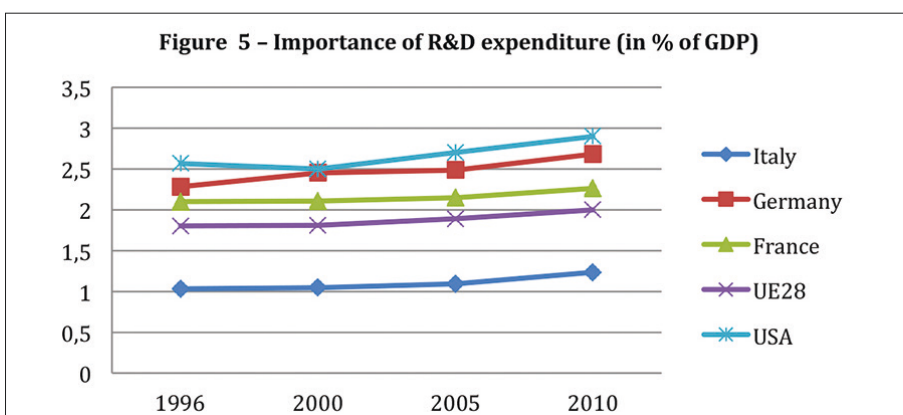


by some European governments, and especially Italy, do not seem to be heading in the right direction when it comes to increasing productivity. Indeed, the situation in Italy regarding labour productivity over the last two decades is extremely negative as can be seen in Fig. 4 below.



Source: own elaboration based on OECD data

At the same time, low investment in our country in Research and Development (R&D) has widened the gap in productivity with Italy's main partners. Clearly, a combination of these two factors (lack of investment in R&D and labour flexibility with wage compression) comes at the expense of increases in productivity, which are stifled by a lack of expansion of aggregate demand (due to a decline in consumption), an increase in the cost of labour per unit of output, and a lack of investment, especially in technologically advanced sectors.



Source: OECD (2012) and Eurostat (2012)

This result is also supported theoretically if we assume that productivity depends on a combination of the Smith effect (increased demand, with reorganization and division of labour) and the Ricardo effect (investments that replace labour with capital-specific technological change). Through this approach, we can see a negative correlation between productivity and labour flexibility as shown by other contributions (Kleinknecht *et al.*, 2013; Tridico, 2013; Tridico, 2015; Antonioli and Pini, 2013). The following equation, formulated by Sylos Labini (1993; 1999), presents the determinants of labour productivity according to this approach:

$$\Delta\pi = a + b\Delta Y + c(CLUP - P) + d(W - P_{MA}) + e\Delta I$$

The change in labour productivity ($\Delta\pi$) depends positively on the change in product (ΔY), the change in investments (ΔI) and the differences of the variables in brackets where P is the price index, P_{MA} the prices of machines and ULC the labour cost per unit of output, i.e. the ratio between the change in wages and the rate of productivity growth. If the ULC grows faster than the consumer price index, companies with a lower profit margin will be forced to save on labour and make capital intensive investments or reorganize the workforce within the company. If wages increase more than the prices of machinery, firms will prefer to increase their technological investments and save on labour because this is cheaper than employing new, more expensive workers, and productivity will therefore increase. Consequently, this will lead to higher employment. This also implies that if wages do not increase in line with the price of machinery, investments will not be adequately stimulated, businessmen will focus on seeking advantageous positions, and the competition will rely primarily on wage moderation, with a negative impact on productivity. The important role played, in this approach, by an increase in wages and a fair distribution of income in order to increase productivity is interesting to observe.

In Italy, characterised by stagnant productivity over the last two decades up until 2007-08, i.e. prior to the financial crisis, there was nonetheless an increase in employment in the tertiary sector which was fragmented and disorganized, unmotivated and with low pay. This led to stagnation of the Italian economy.

If L (employment) increases and the GDP does not increase, stagnation of the GDP can obviously be attributed to poor productivity π .

$GDP = Y = LI$ (L =employment and Π =average productivity) in changes: $\Delta y = \Delta l + \Delta \pi$.

This would appear to be exactly what has happened in Italy recently:



low wages and labour flexibility, often accompanied by insecurity, few incentives and bonuses for employees, have led to reduced commitment and therefore reduced efficiency of workers in the workplace. A reduction in real wages, and therefore a minimisation of costs, rational behaviour by individual employers, has not led to an increase in system productivity or an increase in production; on the contrary, it has led to an increase in profits which have not been transformed into new investments, has strengthened the dominant position of some companies, and has worsened income distribution. The economic system has not had positive effects, productivity is stagnant, and the competitiveness of the Italian system as a whole has worsened as shown by the undisputed Unit Labour Cost (ULC).

Table 1 – An international comparison of unit labour cost and productivity

(annual average growth rate, total economy)		
Countries	ULC*	Productivity**
	2000-2010	2000-2010
Germany	0.2	1.5
France	1.8	1.0
Italy	3.2	0.0
Spain	2.9	0.4
UK	2.9	1.4
USA	1.7	2.2
* Cost of labour per employee in relation to productivity.		
** Value added per employee.		

Source: my own elaboration based on Eurostat data

In this context, the Italian co-operative sector, unlike the overall figures for Italy, records double positive figures: alongside the positive figures for employment, the co-operative sector has also recorded positive development in productivity, unlike the economic system as a whole. If we consider a book by Bernardi, Treu, Tridico written in 2011, we can see that the productivity performance of co-operative enterprises during the crisis was better. This can be attributed, above all, to the specific characteristics of co-operative enterprises, which focus on non-economic factors such as trust, participation, motivation, belonging and so on far more than other companies. All this comes at a time when the Italian economy



is not performing well, the economic system has a number of failings, the country is far from being competitive and efficient, investments in R&D are low and lower than the EU average, labour productivity is not growing and the GDP as a result is stagnant.

In these circumstances, we can see, as the authors of the work mentioned above did, that productivity is higher among companies and workers where there are more motivational factors and non-economic incentives, as in the co-operative sector. Since the level of investment in the co-operative sector has remained in line with the figure for the overall economic system, the increases in efficiency achieved in this area seem to be due to better organization of work, monetary incentives, and motivational and institutional factors guaranteed by the specific legal form of co-operatives and their specific social structure. Co-operatives not only hand out wages but activate a positive circuit driven by a number of incentives including participation, responsibility, social objectives, solidarity and trust. This can be the basis of virtuous behaviour.

This would seem to show that enterprises and workers behave differently, something which can be explained by referring to institutional and motivational aspects which may well be overlooked in reductionist theoretical models.

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Q: CO-OPERATIVE QUALITY

Vincenzo Mannino

Why are co-operatives so often depicted as irresponsible businesses? What does it mean to be a good, true, co-operative, and how can we support high quality, responsible, co-operatives?

As far as companies are concerned, the issue of quality is usually based on the quality of the goods and services produced, which is obviously a determining factor for competitiveness. Subsequent development by adopting a Total Quality Management approach points to the importance of focusing on company quality in all structures and processes and not only specific areas or stages of production. An extensive literature and widespread training have helped to improve companies' knowledge of these issues. However, the brief reflections I will make here do not concern quality in this sense, but focus on the quality of co-operative firms and the quality of the co-operative sector as a whole.

When a negative event occurs in a co-operative, due to mistakes made by its executives, a shadow is drawn on the co-operative sector in general as if everything has gone wrong, just because of a mistake that one of its many members has made. In other contexts, the 'demutualisation' of important co-operatives, through choice or following a crisis, is a traumatic event for the co-operative movement, not only at national level.

The situation is not the same for other types of enterprise. If there is an incident at a joint-stock company or a traditional investor-owned company, nobody questions the entire genus. Clearly when mistakes become very frequent or patently obvious, the debate is re-opened on the need for prevention, by means of correcting or strengthening governance or regulating corporate offences in another way. One black sheep does not make a black flock. Even problems with transformation from one legal form to another should be seen as simple corporate decisions and not as the abandonment of a specific mission (almost a sign of betrayal or failure).

The different attitude shown towards co-operatives raises some questions. It can be attributed, in some cases very clearly, to the attitude of those who craftily take advantage of the situation. However, in many cases, we are dealing with a sincere desire for co-operatives to correspond to their stated intentions and values, specific aims, and special way of operating. We have to ask if such a desire has foundation. The quality (as well as consistency and authenticity) of co-operatives is judged to the



point that frequent references to spurious, instrumental and false co-operatives are made in the media and politics.

I will not go into the historiographical issues of the origins of modern co-operative societies; whether Rochdale was home to the Big Bang of the co-operative movement which led to an expansion which continues to this day, or if and which forerunners anticipated the successful story of the pioneers of Rochdale by laying its foundations. The co-operative of the honest pioneers of Rochdale, which was established 170 years ago, remains true to its legacy of rules and principles which are updated from time to time but remain essentially the same.

The co-operative of the 'honest pioneers' is however that founder member since it is considered to be at the origins of the basic or founding principles of co-operatives. The foundation of this co-operative was a stage dominated by self-regulation by the founder members of an enterprise: the union of members of a co-operative is initially (and then throughout its development) a community of legislators. It involves sharing values and objectives rather than a specific ability (technical skill) to devise rules whose aim is to get it to operate effectively. This is relevant to what we have to say here because it links the idea of the co-operative to a high level of conscience and shared rules. The idea of having a sole director, as in the current Italian set-up, contrasts with this idea of a co-operative.

Moreover, the seven principles of Rochdale contain rules for the management of a co-operative enterprise which reflect its mutual aims (the practice of refunding any surplus, or limited interest on capital) and are still used today. They also contain rules that are the basis of democratic governance.

It should be stressed that some aspects which are either implicit in the principles or explicit in others (voluntary membership, political and religious neutrality) make the Seven Principles of Rochdale not only a document that outlines company policies or guidelines for directors but a true code of ethics ahead of its time. At the same time, we can see that the seven principles constitute, on a general level and for some specific aspects, a precocious statement of social responsibility for co-operatives.

These elements cannot be attributed to an immature, romantic stage in the development of co-operatives. The current version of the co-operative principles, i.e. the Statement on Co-operative Identity (approved by the Congress of the International Co-operative Alliance (ICA), in Manchester in 1995) outlines, develops, and consolidates both the elements regarding ethics and those regarding social responsibility. The discussion which is currently under way at the Alliance to update some of the principles does not modify



the system (principles 3, 5 and 7 on the economic participation of members, education, and training and concern for the community respectively).

As far as the ethical elements are concerned, let's consider one of the two statements that precedes the breakdown of the seven principles on values ('Co-operatives are based on the values of self-help, democracy, equality, equity and solidarity. Co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others'). With regard to the aspects of social responsibility, the seventh principle springs to mind ('Concern for community. Co-operatives work for the sustainable development of their communities through policies approved by their members').

The elements regarding ethics and social responsibility are not therefore elements which have been gradually acquired over a period of time, whereas both company codes of ethics and CSR belong to more recent decades. As far as co-operatives are concerned, these attributes go back a long way and should be considered a part of the co-operatives' genetic makeup.

Co-operatives present themselves in such a way that we are justified in expecting from them extra quality which is very different from the quality or qualities on which the reputation of other enterprises is based on. Co-operative quality cannot disregard the credibility that derives from compliance with these identifying (and programmatic) principles. This, I should add, is regardless of what has been outlined in positive law (the 'social function' of the co-operatives is discussed in article 45 of the Italian Constitution). The true co-operative, the real co-operative, the good co-operative, is not only one that respects the letter of the law but is one that adopts the spirit of its fundamental principles or, more precisely, adopts the values and motivations that have shaped those principles.

If, on the other hand, we look at co-operative legislation, we can see that the quality of a co-operative can be assessed, documented, and 'measured' by considering its co-operation and mutuality (i.e. to what extent the co-operative operates effectively with its members). This includes the participation of members in the life and management of the enterprise and the desire to overcome the egoism of individual firms seen in terms of integration between co-operatives, the production of positive externalities for the community, and a contribution to promoting what co-operatives have to offer.

In the first half of the last decade, Italian corporate law identified virtuous co-operatives according to the level of mutuality. In the drafting of European Commission services and in sentences of the European Union Court of Justice, considerable importance is given to internal mutuality. The EU Commission's work documents have defined a pure model of



a co-operative as being a co-operative based on total mutuality. Equal importance is given to the participation of members in company life, although in this case the identification of indicators is less clear (participation in meetings and economic participation through subscribed capital are clear indicators, but quality elements prevail in active participation).

The Confcooperative Observatory shows that the co-operatives with the highest level of mutuality and participation are also the ones with the best economic performance. In this respect, we can conclude that the quality of a co-operative society is also reflected in the quality of the joint efforts which that co-operative undertakes. The co-operative works better if it is managed with respect for its characteristics and if its specific potential is exploited.

The same focus on internal mutuality cannot be found in documents of international co-operative movement, where the accent is on democratic governance, the effectiveness of the co-operative as an agent of development, and its characteristics as an enterprise geared towards sustainability.

I will conclude but not complete this series of reflections by indicating a number of issues that deserve to be examined in more detail. A first question concerns which other cultural and value conditions are required so that a high, consistent level of ideal motivations persists in the history of co-operatives and co-operative movements. In some countries with a significant number of co-operatives this has been guaranteed by the fact that they are rooted in the cultures of each country (something that is much more fundamentally important than other related phenomena).

A second question concerns how this quality can be sustained over a period of time, with which public policies and, above all, with which strategies and activities by the co-operative movement organisations (identity training, business training, etc.), other than by maintaining the principle of self-regulation and making full use of the representative bodies and associations also as custodians and suppliers of identity and authenticity.

Another issue concerns how the co-operative movement can be protected from the threat of someone who adopts the legal form of the co-operative without sharing its aims and values and moves in that grey area in which appearances seem to be kept up (it could be argued that the letter of the law is complied with), but where the substance is missing (the spirit of the law is violated).

Finally, we need to ask with what policy can high quality co-operation can be sustained? Today, a European co-operative policy is needed rather than a national one (see letter I).



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R: RESILIENCE

Alexander Borda-Rodriguez, Sara Vicari

Introduction

It is argued that cooperative enterprises displayed a degree of resilience during the most recent economic crises. There are many examples where cooperatives from different sectors have proven to be more resilient than conventional companies. Anchored in local communities and guided by their core values and principles, cooperatives have continued to provide livelihoods for communities around the world (Roelants, 2013).

Despite challenges and limitations, co-operatives around the world are gradually growing in number and serving individuals and communities in need of basic services (Francesconi and Ruben, 2008; Francesconi and Wouterse, 2011). Some co-operatives perform better than others and those that do could provide key insights for co-operative resilience. They can also shed light on what might be needed to develop a resilient organizational structure.

It must be noted that the co-operative literature has largely focused on co-operatives in developed countries. In this discussion of resilience, we draw on a systematic review of literature on both developed and developing countries (Borda-Rodriguez and Vicari, 2013). The factors found to be conducive to co-operative resilience were the basis of subsequent research carried out in Malawi.

Meaning of resilience

At a general level, resilience is the capacity to absorb stresses and shocks and maintain core functions. More specifically it is the ability of actors and organisations to cope with shocks and crises and adapt to new circumstances (Innes and Booher, 2010: 205) while simultaneously taking advantage of opportunities that emerge from shocks and crises (Mamouni Limnios and Mazzarol, 2011; McManus, 2008; Seville, 2009; Seville *et al.*, 2006). Resilience is largely rooted in adaptive capacity, which is the organisation's ability to learn and respond to shocks and crises.



A framework for resilience

Co-operatives in developing countries are generally more exposed to economic, political, and environmental crises than their counterparts in the developed world (Birchall, 2004). They also face a number of challenges including access to financial capital, national and international commodity markets, and training and capacity building. In these circumstances co-operatives require a resilient organizational structure in order to cope with such challenges while continuing to deliver key services to their members.

Five overlapping and interconnected factors or dimensions have been identified as the most conducive to co-operative resilience: membership rooted in co-operative values, networks, collective skills, innovation, and government support. These factors or dimensions may be present in different degrees and they do not exclude other aspects which might enhance resilience in particular circumstances. However, together they are seen to enhance co-operatives' adaptive capacities.

Membership

Trained membership inspired by co-operative values is crucial for co-operative resilience because a co-operative organizational structure depends on members' sense of identity, commitment, and cohesion (Birchall, 2011; Mazzarol *et al.*, 2011; Munkner, 2012). In turn, members' loyalty and commitment depend on co-operatives' ability to meet members' needs and demands; for instance, satisfied members tend to be loyal and committed to their respective co-operatives (Birchall, 2012; Munkner, 2012). Trust and reciprocity between members are also conducive to loyalty. Trust is particularly needed when co-operatives experience financial instability (i.e. insufficient market demand, low prices). Trust also reinforces norms of generalised reciprocity, which is important in monitoring and sanctioning members who do not participate or do not willingly contribute to the development of the co-operative (Pelling and High, 2005).

Collective skills

Collective skills are the abilities and capacities developed by members who learn from each other through participation in the activities of the co-operative and from external actors (Bussemeyer and Trampusch, 2012).



Lack of skills and education has been identified as undermining co-operative performance (Bernard *et al.*, 2008; Francesconi and Heerink, 2010). Social learning and collective skills are seen as necessary for co-operative resilience because they provide members with a common background with respect to processes and activities within the co-operative. This common background can be the ability to use tools or the capacity to perform a production process. When members share a background, information and knowledge can be effectively communicated and translated into action which in turn contributes to the development of a resilient structure. Reflection and questioning is critical for an effective learning process as it enables co-operative members to improve their actions by envisaging innovative ways to address and deal with challenges and limitations (Busemeyer and Trampusch, 2012). In some instances in low income countries such collective skills can be facilitated by development-aid agencies and international organisations that provide capacity building services, as well as by co-operative Unions and Apex organisations.

Networks

The ability to establish networks both among co-operatives themselves and with external actors is a crucial factor for co-operatives' success (Gouet and Van Paassen, 2012; Hartley, 2012; Menzani and Zamagni, 2010). Here, the proactive agency of co-operative leaders is important as they are the agents who can facilitate access to resources and knowledge (Munkner, 2012; Simmons and Birchall, 2008).

Support of external agents (such as NGOs, private extension firms, etc.) also provides vital support. As Berdegue and Sacristan (2001: vii) argue, external agents 'provide road maps for collective action, access to information, expertise and financial resources'. In the same way, Munkner (2012: 54) stresses the importance of 'knowledge sharing' among local co-operators and external actors in order to spread new knowledge and enable members 'to have a better understanding of the causes and effects of change, of the ways and means to cope with changes, of better use of available resources and how to mobilise additional resources'. Co-operative networks can help to minimise risks and improve co-operatives' marketing and bargaining power, their capacity to offer services to their members, as well as to more effectively lobby with governments (Simmons and Birchall, 2008; Gouet and Van Paassen, 2012).



Innovation

Resilient co-operatives are innovative enterprises, able to improve their technological and economic performance. They are equally able to develop social innovations which are based on new combinations or new configurations of social practices that aim to better satisfy and meet the needs and problems co-operative members (Howaldt *et al.*, 2010). In a nutshell, co-operative innovation relies on the organisations' ability to develop adaptive capacities. Innovation in the co-operative context also involves a continual matching process between technological and organizational practices of the innovator, and is generally driven by market forces (Garcia and Calantone, 2002), institutional incentives (Pavitt, 2003), scientific knowledge, and technological opportunities (Nathan, 1982). However, it must be noted that co-operative innovation is different from innovation in a private enterprise in so far as the former form of innovation is rooted and embedded in co-operative values and principles whereas the latter is not.

Innovation can be developed as a result of participation in value chains and access to credit (i.e. loans) and competitive commodity prices in the market (Elliot, 2008; Haggblade, Reardon and Hyman, 2007). Co-operatives that participate in value chains are able to generate profit and upgrade different parts of their production process and marketing (Kaplinsky and Morris, 2001, 2008). By actively participating in value chains, co-operatives have the opportunity to interact with experienced and successful actors in national and international markets. However, the extent to which co-operatives benefit also depends on the role they play within a value chain. Innovation therefore requires the interaction of a number of actors (i.e. government, private companies, and development agents). Many co-operatives and co-operative unions in countries such as Uganda, Kenya, Ghana, and South Africa have operated in similar terms by improving product standards and inserting themselves into supply chains that have enhanced their levels of profitability as well as promoting further product innovation (*ibid.*).

Role of the government

Co-operatives require adequate government support in order to flourish. Government support can assume the form of small grants, enabling policy frameworks, and policy regulation. It is broadly acknowledged (Birchall, 2003, 2004; FAO, 1996) that governments in developing



countries have struggled to empower co-operative members and support co-operative enterprises. The current literature highlights the need for governments to provide and foster an 'enabling environment' and comply with ILO recommendation 193 that provides a policy and organizational framework for co-operatives. According to Munkner (2012: 44), some of the factors that can trigger an enabling environment include: an economic, political and legal system that recognizes co-operatives as autonomous private member-owned forms of business; a co-operative development policy, drawn up in the spirit of internationally identified guidelines (ILO, 2002; UN, 2001); an infrastructure environment which facilitates co-operative activities (i.e. communications, transport and logistics, and information and extension services).

A general application of resilience

These five dimensions are interdependent in so far as they build upon each other. For example, from research in Uganda and Malawi (see Borda-Rodriguez and Vicari 2013, 2014) we found that co-operative resilience in both countries does not only mean the development of capacities to cope with risks and shocks, but also to use crises as opportunities to enact innovation. On the one hand, the Ugandan co-operative movement has learnt from its past mistakes and failures and developed an innovative co-operative movement rooted in the five dimensions discussed above. On the other hand, the Malawian co-operative movement was also able to develop a resilient structure on the basis of the five dimensions discussed above. In particular, the Malawian co-operative unions have embraced a reflective attitude towards their own performance and limitations. This process is a fundamental factor as it enables co-operatives to identify key weaknesses and develop strategies and social and technological forms of innovation to deal with them. Reflective behaviour is a fundamental block of resilience and yet it is not sufficient. It needs to be complemented by factors that are conducive to resilience and some have been discussed here.

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S: SAFETY AND WELL-BEING

Jorge Muñoz

The issue of well-being at work has undergone considerable change in recent years, gaining prominence most notably in the political arena. This is because well-being at work plays an important role in defining working conditions. Measuring well-being, on the other hand, is not easy. Most European and national (in this case, French) studies do not approach the topic of well-being at work head on. For the most part, studies on working conditions try to define 'risks' that might damage the health of employees in the workplace. Few studies show an interest in the question of well-being (happiness), with the exception in France of the work *Travailler pour être heureux. Le bonheur et le travail en France* (Baudelot et Gollac, 2003). Early approaches in sociology seek to identify those elements that can easily be objectified in order to measure well-being, which is to say, the social and economic conditions required to achieve this sense of well-being.

Another series of works place the emphasis on quite how relative well-being is and, using a constructivist approach, locate it in a precise social context. This essay will show that one way of analysing health at work is to take as a gauge employee participation. This question leads us back directly to the issue of organizational structures at work and to the level of control that employees may hold both over how a business is managed and over its strategic orientation. Firstly, we will see how sociologists of work view the question of participation in a classic business setting, before introducing the question of how much organizational structures vary and how in some organisations participation has a more political character and consequently has positive effects on health. This is not to say, though, that such participation doesn't raise certain questions and paradoxes when it comes to investment and social recognition.

Participation: an unrealistic question in organisations?

For some sociologists of work the issue of the participation of employees is a distorted question that is out of place (Burawoy, 1979; Borzeix et Linhart, 1988). It's true that sociological analyses of work during the 1940s repeatedly showed that for work to be effective employees need to have a level of engagement that goes beyond that required by the job



contract. In other words, there is a discrepancy between work as formally defined and the work actually effected by employees in the course of their daily activities. Employees build their knowledge bases and the different ways in which they respond to the vagaries of work activities through 'the appropriation of work' (Bernoux, 1979). This appropriation puts the realisation of work first while allowing the organization to exist. It contributes to the construction of professional identities at work and to the engagement of individuals. This participation is, though, for the most part little recognized; it is, rather, 'informal'. And yet, businesses in the 1980s and 1990s, in France in particular, tried to recognize this participation by means of a number of policies: for example, quality circles, semi-autonomous groups, management through objectives. Paradoxically, in taking these steps, instead of recognising this knowledge, these professional practices, the policies have produced the opposite effect, which is to say the destruction or the control of these practices, due to the fact that they were founded on fictitious work groups. In reality, according to Borzeix and Linhart what is at stake is the actual control of the organization of work. Furthermore, the capitalist organization of work has a force written into its technical structure that leads to competition between employees and thus encourages 'productive consent' (Burawoy, 1979).

However, if such an analysis draws attention to the limits of management that shows little sensitivity to the real dimensions of work, it leaves aside the different forms of organization of work while privileging the Taylorian archetype.

Forms of organization of work as a factor in well-being

Recent work on a European level by Lorenz and Valeyre (2005 and 2009) leads us to think that the impact varies according to the type of organisation. This idea had already been explored by Tom Dwyer who looked at the production of accidents at work and showed the important impact of forms of power or else of reward systems in the regulation of social relations (Dwyer, 1991). By making use of European enquiries into working conditions, Lorenz and Valeyre show not only the diversity of forms of organization of work in Europe (simple, Taylorian, slimmed-down – lean production and *apprenant*) but also the effects on employee health. For the authors, it is clear that the '*apprenant*' organization is best equipped to emphasize human capital, autonomy, co-operation, and collective decision-making. To be able to work in these circumstances allows



the authors to state the most favourable working conditions according to the model found in Karsek and Theorell (1990).

In other words, greater participation, recognition, and autonomy in these organisations not only sets up positive conditions for greater well-being at work but also better physical conditions, all other things being equal. More recently, Francis Green and Tarek Mostafa (2012) came to the same conclusions on quality of life at work, namely that this is more apparent in Nordic countries, where organisations of the ‘*apprenant* type’ are more common. This example is helpful in understanding the importance of well-being at work on a number of fronts. Firstly, businesses cannot be analysed outside their socio-economic setting. Nordic countries have their own histories, social inequalities are present but to a lesser extent than in other European countries, and the importance of social dialogue is also written in to social relations. Secondly, the participation of employees is seen as more important, particularly in the strategic planning and internal politics of businesses. This isn’t a case of formal and consultative participation. On the contrary, participation observed in these contexts is conceived in distinction from production. In this respect, the example of co-operatives provides an interesting test case for this series of works on well-being.

Participation as an element of political control?

If participation in the capitalist and state model seems hard to conceive, there are variants, such as the forms of organization observed in Nordic countries. This encourages us to turn our attention to certain older forms of organization that align themselves with models other than the state or capitalist one (Laville, 2005). Forms of co-operative, mutualist, or associative organization openly and historically defend another form of relationship with work. Among the criteria (or values) defended is the ‘democratic’ participation of members. In this perspective, what effects can these forms have on well-being at work?

Research shows that the greater the political participation of members in an organisation, the greater the well-being. However, this raises a certain number of questions and paradoxes. It’s true that co-operative organisations report a lower and less regular number of accidents at work than classic organisations (Guiol and Munoz, 2007). Co-operative organisations appear to protect workers’ health better to the extent that the members have greater ‘control’ over the work processes. That translates,



moreover, into a more positive social recognition than in other organisations. Working conditions also seem to be more protective in mutualist and co-operative organisations, according to the French national research institute on social economy (2014).

Globally, the members of the ESS (*economie sociale et solidaire*) structures are more satisfied with their conditions of quality of life at work despite earnings on average lower than the classic sector (Insee and Anact). However, this satisfaction varies according to whether workers are in a mutual, co-operative, or association. Thus according to the 2014 Atlas of the ESS, members of mutuals are the least satisfied at work, while co-operatives appear to have the most content workers. The size and the sector also play a role here. Structures with fewer than twenty members have the most satisfied employees, underlining the importance of workers knowing one another, but also possible effects of the life cycle of co-operatives (Meister, 1972) and the risk of organizational isomorphism (DiMaggio and Powell, 1983). Finally, in the case of France, if the ESS imposes a new framework, which has effects on well-being at work, its associative character means it must confront a twofold challenge. Associative structures make up 78% of the jobs of the ESS. But the large majority of these jobs are of fixed-term contract and tend to be roles that require few qualifications and which involve a female workforce. This consequently exacerbates problems of job security and working conditions (Dussuet, 2010; Hély, 2009; Inrs, 2014).

Although these structures seem comparatively beneficial for salaried members, they have paradoxical and particular effects. For work requires an engagement that goes beyond simple legal status. Research by sociologists of work over the past 70 years have shown this. The structures of the ESS do not represent an exception to this rule but they add an openly 'political' dimension to the extent that members of an organization have signed up 'freely' to the project. But such membership expects from members not the engagement of an employee but that of a 'co-operator'. As such, members of these structures frequently complain of not having enough time to carry out their work (Guiol and Munoz, 2009). Moreover, the greater social recognition can translate into a 'minimisation of risk'. Finally, the temporal dimension becomes central in an organization where the relationship with work isn't limited to a pre-established duration. Members must not only take care of productivity but also management, strategic choices, investments, and so on. In sum, all of the elements that make up the reality of work.



Conclusion

From this rapid glance at the notion of well-being at work, we might characterize it using a certain number of criteria. The shape of the organization seems to play an important role, above all when it comes to the position of its members. If there can be objective constraints (timetables, work rates, job status), modes of participation will have a strong effect on deleterious outcomes. Forms of participation in the structures of the ESS, however, tell us that the effects are far from homogenous and depend on size, type of job or else categories (workers, employees, or managers). Thus it appears that the major risk for well-being within the structures of the ESS is to enter into a process of limiting isomorphism, which would lead to the total negation of the positive effects of this mode of governance. In this way, well-being at work cannot be limited to an objective measure but must equally take account of subjective elements such as the political and institutional character of a given situation.

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T: TEXTBOOKS

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Co-operatives have been an important part of the economic system for more than 150 years, especially in market-based economies. The study of co-operatives illustrates important issues in economics, and can teach valuable lessons about the viability of organizations that have broader social goals in market economies. Despite this, most post-WWII economics textbooks pay very little attention to co-operatives (Hill, 2000). Interestingly, this has not always been the case: many textbooks of the early 20th century gave considerable coverage to co-operatives and well-informed discussions.

I studied this issue by compiling a sample consisting of all introductory-level economics textbooks used at the University of Helsinki between 1905 and 2005, consisting of 24 textbooks (Kalmi, 2007). The textbooks from the early period (pre-WWII) were mostly from European countries (Finland, Scandinavia, Germany, Austria, France, UK), whereas the post-WWII were mostly from North America or Finland. There were striking differences among the coverage of co-operatives in the books originating from these two periods. The early textbooks typically had an extensive coverage of co-operatives, whereas more recent textbooks either did not discuss co-operatives at all or contained very brief discussions. Moreover, the quality of the discussions was typically much higher in early textbooks.

The two textbooks having the most extensive coverage were by two professors who had extensive first-hand knowledge of co-operatives: Charles Gide (1911) and Johannes Conrad (1910). The approach of these two professors was rather different. Gide believed that economics does not have universal laws. Instead, there were different stages of economic evolution, which called for different types of institutions. Gide perceived co-operatives to be the dominant organizational arrangement of the future. For instance, Gide believed that the wages system had outlived its usefulness and advocated the co-operatives should replace capitalist wage relations between employers and employees.

In contrast, Conrad, while being sympathetic towards co-operatives, perceived a more limited role for them than did Gide. According to Conrad, the role of co-operatives was to correct deficiencies in the existing system by providing work for the unemployed, offering economic and entrepreneurship education, and providing support to small entrepreneurs. Conrad



thought that co-operatives supported the market system also by providing an antidote to revolutionary socialism.

Alfred Marshall (1861-1920) also discussed co-operatives in his *Principles*. He argued that worker co-operatives improved work incentives and required fewer resources devoted to work supervision. He envisaged that in the future there might emerge a new managerial class with more 'social temper' and hoped for a more widespread familiarity with principles of co-operation, through increased general education.

Other topics widely discussed in the early textbooks included the impact of co-operatives in income distribution, the relationship between employees and managers, use of non-member work force, and the relationship between risk and the operation of co-operatives. In this way, the textbooks anticipated many themes that resurfaced in economics literature much later. There were also a significant number of pages devoted to co-operatives in the most common US textbooks of the early 20th century, though somewhat less extensively than in the leading European textbooks.

As noted earlier, the quantity and quality of discussions related to co-operatives declined drastically after the Second World War. Samuelson (1970), arguably the most important 20th century textbook in economics, provides a good illustration of this. Samuelson's book makes no mentions of co-operatives, even failing to list them among various business organizations. Nevertheless, it contains many institutional discussions where co-operatives could potentially have been mentioned. The neglect of co-operatives in Samuelson likely contributed to their omission from many successive (and less important) textbooks, even though it was not the first textbook to give such short shrift to co-operatives.

The interesting question is what contributed to this neglect. I argued in my article that the changing economic importance of co-operatives is unlikely to be an explanation. By most measures, such as membership rates and market shares, the economic importance of co-operatives increased, not declined, during the 20th century. Instead, I propose that the reason is internal to economics. The main plausible candidate appears to be the doctrinal shift from institutional economics to formal neoclassical economics.

Even there the relation is not straightforward. Unlike leading economics journals, economics textbooks up to this day (perhaps especially in the Anglo-Saxon tradition) have contained lengthy institutional discussions. Nor were early textbooks anti-theoretical. However, it can be argued that the formal revolution of economics has focused on the work of markets and governments in the form of economic engineering. Organizations somewhere in between markets and governments, such as co-operatives, have



been neglected. This has been evident in a number of subfields of economics: in development economics, which has focused on investment projects and development aid imposed from outside, instead of locally-tailored solutions; in health economics, studying mostly centralized provision by public agencies; in labour economics, where the focus at one time was on the provision of full employment by demand management. The monetarist revolution since the 1970s and onwards questioned many of these centralized policies, but it certainly did not bring co-operatives back into the limelight.

In the economics of the 1970s and 1980s, co-operatives were discussed in the research agenda on labour-managed firms (Vanek, 1970). Unfortunately, the empirical counterparty of this theory was taken to be self-managed socialism in Yugoslavia, an authoritarian country, where the actual workings of enterprises were far removed from the ideals of co-operation. The theory of labour-managed firms might have had some influence on textbooks, as some of them did discuss Yugoslav self-management, although never referring to the theory of labour-managed firms.

Is there hope for reintroducing co-operatives into economics textbooks? In my opinion, yes. First of all, introductory textbooks have retained the discussions on institutional aspects of economies – if anything, formal representations may have been reduced in the most recent textbooks. There are many cases of localized and decentralized solutions that belong neither to the realm of profit-maximizing companies nor governmental sector, innovations in the health sector and microfinance being two prominent examples. The challenge would be to make textbook authors more aware of these developments. More research on co-operatives, and on how to use co-operatives as examples in teaching economics, would surely be welcome.

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U: UNITED NATIONS AND CO-OPERATIVES

Hagen Henry

Introduction

The title 'United Nations and Co-operatives' covers two vast realities. Describing their connection meaningfully within the limited space available requires delimiting both terms of the title.

By 'co-operatives' we understand here those entities which fall under the internationally recognized definition of co-operatives as enshrined in the 1995 International Co-operative Alliance Statement on the Co-operative Identity (ICA Statement) and in the International Labour Organization Promotion of Co-operatives Recommendation No. 193, 2002, (ILO R.193). It reads: '[...] the term 'co-operative' means 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.'

By 'United Nations' (UN) we understand the United Nations Organization (UNO) itself and the conglomerate of heterogeneous UN agencies (for example the United Nations Research Institute on Social Development, UNRISD), programs (for example the UN Development Program, UNDP), and specialized organizations (for example the United Nations Educational, Scientific and Cultural Organization, UNESCO; the United Nations Industrial Development Organization, UNIDO; the United Nations Food and Agricultural Organization, FAO; and the International Labour Organization, ILO). They compose the so-called United Nations System (UN System). Given the multi-dimensional character of co-operatives and their degree of interpenetration with the economic, social, and societal fabric of most countries, on the one hand, and the variety of powers of the entities of the UN System (general mandate, mandate limited by subject matter and/or sector), on the other hand, co-operatives are being used by many of these entities to execute their programs, either systematically or sporadically. These entities and their actions are too numerous to be dealt with here, even if one were just to sketch them. This overview is therefore limited to those entities which have systematically and over time contributed to developing co-operatives as institutions, namely the UNO itself, especially through its Economic and Social Council (ECOSOC) and its Department of Economic and



Social Affairs (DESA), the FAO and the ILO. This is not to undervalue the contributions other entities have made to the development of co-operatives, in addition to those mentioned above also the so-called Bretton Woods institutions, in particular the World Bank.

FAO, ILO and UNO have been collaborating since 1971 with each other, with the International Co-operative Alliance (ICA) and other non-governmental organizations, currently the World Farmers Organization, through an interagency committee. Since 1989 this committee has been called the Committee for the Advancement and Promotion of Co-operatives (COPAC).

UNO, FAO and Co-operatives

UNO: Through its Resolution 370 the ECOSOC recommended as early as 1951 that governments promote co-operatives in agriculture. But only the 1968 UN General Assembly Resolution 2459 can be seen as the starting point of continued policy work on co-operatives by the UNO. Since then, the Secretary-General of the UNO has reported regularly to the General Assembly on the status of co-operatives, including at the national level, the effects given to resolutions concerning co-operatives, and has suggested further action, if appropriate. These reports are elaborated in close co-operation with all relevant entities of the UN System and with the co-operative movement/s through COPAC.

Shortly after the adoption of the ICA Statement in 1995 the UNO commissioned COPAC with the elaboration of guidelines for governments for the promotion of co-operatives. These guidelines were adopted by the UN General Assembly in 2001 as 'Guidelines aimed at creating a supportive environment for the development of co-operatives'. COPAC also played a decisive role in the preparation of the declaration by the UNO of 2012 as the International Year of Co-operatives (IYC), as well as in coordinating activities throughout the IYC.

The UNO does not have a permanent structure for the promotion of co-operatives. It has, however, been continuously committed through DESA to ensuring that the economic and social role of co-operatives be strengthened and that this role be known. In this latter context the yearly celebration of the International Day of Co-operatives needs mentioning.

FAO: In contrast to the UNO, the FAO has a limited mandate. Since its inception in 1945 it has frequently worked through co-operatives when executing its programs. During the 1950s and 1960s it organized numerous



events (conferences, training sessions etc.) on the development of co-operatives as institutions, either itself or jointly with the ILO and the UNO. The institutional aspect of co-operatives came again to its attention when, in 1979, the World Conference on Agrarian Reform and Rural Development triggered the FAO People's Participation Program.

For many years, the FAO did not have a permanent structure for the promotion of co-operatives in general. But it contributed, albeit with changing emphasis, to developing co-operatives in the sectors for which it has a mandate. During the 2012 UN International Year of Cooperatives (IYC) the FAO reviewed its policy and in 2013 it established its 'Office of Partnerships, Advocacy and Capacity Development'. This Office focuses on cooperatives and producers organizations. Among others, it supports governments to provide an enabling environment for the organizational development of cooperatives.

Based on a general agreement with the ILO, a Memorandum of Understanding between the two organizations ensures effective collaboration.

ILO and Co-operatives

The link between the UN and co-operatives reaches beyond the emergence of the UN System during and after World War II. The reasons relate to the ILO. The ILO is older than the other components of the UN System. It has played an active role in the development of co-operatives almost since the start of its operations in 1920 in Geneva. The *raison d'être* of this involvement can be found in the history of modern co-operatives and of the ILO. The ILO was already interacting during the 1920s with the predecessor of the UNO, the League of Nations, for example through the 1927 International Economic Conference.

According to its Constitution the ILO is the only international organization to have an unlimited mandate to work on, with, and through co-operatives and it has adopted the only governmental international legal instrument on co-operatives, namely ILO R. 193.

Since 1921 the ILO Office has had a Co-operative Branch. Over its almost 100 year history the ILO has worked on a wide gamut of co-operative related issues. As far as the development of the institutional aspects are concerned, one may mention the following: participation in the preparation and revision of co-operative laws in the widest possible sense of the term, in the reform of respective administrative services, in the establishment of higher level co-operative structures (unions and federations), in the



organization of co-operative education and training, and in management capacity building. The Co-operative Branch rightly claims to have invented technical co-operation in the late 1930s.

The work of the Co-operative Branch became part of the core mandate of the ILO, which is labour standard setting, when in 1966 the Conference of the ILO adopted ILO Recommendation No.127 concerning the role of co-operatives in the economic and social development of developing countries. This recommendation addressed the governments of the so-called developing countries, Member states of the ILO. This changed with ILO R.193. This recommendation is of universal applicability; it addresses, severally and jointly, besides the constituents of the ILO, i.e. the governments, the employers and the workers' organizations of all Member states, also the co-operative organizations. The importance of the inclusion of the co-operative organizations is further underlined by the fact that the ILO Conference integrated the ICA Statement into the text of R. 193. This was the first time that a text of an international non-governmental organization became part of a text of an international governmental organization. The subsequent signing in 2003 of a Memorandum of Understanding between the ILO and the ICA as a non-governmental organization constituted a further novelty.

Time will show whether this institutional *rapprochement* will revive attempts of the early 1920s to structurally integrate co-operatives into the ILO and thus upgrade the consultative status that the ICA has had since 1948. The ILO is the only international tripartite organization: employers and workers' organizations have as many seats and votes in all organs of the organization as have the governments of the Member states. However representative each of the constituents is, it may be assumed that the ILO is thus more democratic than other international organizations. The ca. one billion members of co-operatives around the world do not feel represented despite their sharing a common objective with the ILO, which is social justice. The validity of the argument that was used in the 1920s to not attribute co-operatives with the same status as employers' and workers organizations, namely that co-operatives are sufficiently represented by the governments, was and is questionable. However that may be, globalization has changed the notions of labour/work and of enterprise and the weights and roles of the constituents of the ILO. Globalization dissolves the structural congruency between the state and the labour market partners. This might lift one of the covert barriers to the inclusion of co-operatives in this organization.



Conclusion

Interaction between the UN System and co-operatives has a long history; it is multifaceted. Over the past 20 years three international instruments, the above mentioned ICA Statement, the UN Guidelines, and ILO R. 193, have been adopted. Independently of their individual legal value, together they define the powers and tasks of the UN System, of the respective Member states and of other actors in the development of co-operatives. At the international level emphasis has shifted from the adoption of texts to their implementation. The Millennium Development Goals (MDG) signalled this shift; the draft Sustainable Development Goals (SDG) further underlines this shift. Sustainable development is the overarching development goal and paradigm. The Rio + 20 Declaration 'The Future We Want' refers to co-operatives as partners. Given their specific objectives and structure, co-operatives might be an indispensable partner. Integration of co-operatives into the structure, not only of the ILO, but also of other UN entities, might do more to bring about this partnership.

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V: VENTURE CAPITAL FOR CO-OPERATIVES

Giustino Di Cecco

In the varied world of private equity, venture capital is generally considered the financial sector dedicated to the investment of risk capital (but sometimes of debt and/or of 'hybrid' capital) in start-up firms with a potential for growth (Bracchi and Gervasoni, 2006).

Historically, venture capital took flight in the United States in the 1950s with the financing of spin-offs of university research projects, but became internationally associated with high-risk investments in Information Technology-related activities in the area known as 'Silicon Valley' at the end of the last century (Kenney, 2000: 98 ff.).

Although it expanded rapidly in the United States, venture capital has spread very slowly in Europe and achieved minimal results. In 2012, according to data provided by the EVCA (European Private Equity and Venture Capital Association), approximately 500 companies in the venture capital sector financed fewer than 3,000 projects during their start-up phase with an overall investment of € 3.2 billion (equivalent to 0.2 ‰ of the community GDP), which represents only one third of the amount invested in the same year by venture capital companies in the San Francisco area alone.

However, the analysis of this data reveals another trend in European venture capital: nine countries in Northern Europe account for approximately 90% of total investments (60% of which are concentrated in Britain, France, and Germany, totalling almost €2 billion) leaving less than 10% of total venture capital resources to the other national economic systems. In 2012, Italy recorded venture investments amounting to 1.7% of the European total with a total figure of only € 60.5 billion, equal to 0.04 ‰ of the Italian GDP (a fifth of the European average).

It is therefore quite reasonable to say that venture capital (for-profit) in Italy is microscopic and almost non-existent. Even so, the importance of this method of business financing is widely recognized not only by a majority of businesses, but also by the Italian government, which has recently introduced legislation that aims to encourage the creation and financing of innovative start-ups (Law no. 221/2012: Munari, 2014: 116) and has invested (through *Cassa Depositi e Prestiti* SpA) significant public resources in the capitalization of investment funds devoted to this specific form of investment (including € 100 million in 2014 for participation in



venture capital funds: press release of Cassa Depositi e Prestiti SpA no. 29 issued on 28 May 2014).

However, this lack of success in Italy cannot be attributed to a lack of firms capable of undertaking venture capital activities. In addition to over 100 private-equity companies that belong to the AIFI (Italian Association of Private Equity and Venture Capital) and just as many angel investors who are part of IBAN (Italian Business Angel Network Association), venture investment could be implemented, at least in theory, by the 90 or so banking institutions (*fondazioni bancarie*) and 500 or so pension funds operating in Italy (without considering the numerous players in the banking and finance industry, over 200 insurance companies and 20 or so pension institutions which could allocate a small amount of their investments to this specific activity). A lack of cultural development in Italian corporate finance therefore seems to be to blame for these disappointing results.

In light of this, the data for the non-profit sector of venture capital in Italy appears to be even more positive than it actually is, as, for twenty years, Italy has been able to count on stable annual funding of over € 30 million and a volume of recurring investments of almost € 400 million, almost seven times the total of for-profit venture capital investments in 2012.

This paradoxical success of mutual venture capital lies in a clever, albeit somewhat fortuitous, idea of Law no. 59 of 31 January 1992. The main idea, which is relatively simple, is based on the need to resolve a problem that arose as an undesired effect of complex legislative stratification. The starting point was the famous ‘mutual requirements’ as outlined in Article 26 of the ‘*Basevi Law*’ (Temporary Head of State Legislative Decree no. 1577/1947).

As is widely known, after repression of co-operative movements during the Fascist period, renewed interest in private, non-speculative mutual enterprises (culminating in the recognition of the social function of co-operation in Article 45 of the 1948 Constitution) led to the immediate reintroduction of an integrative discipline of the Civil Code aimed at allowing the co-operative movement to develop and expand against a backdrop of tax relief and government controls to prevent ‘false co-operation’, i.e. against organizations which, under false premises, pursue goals which are not genuinely mutual but purely lucrative.

More specifically, the 1947 law limited the use of tax benefits to co-operatives that included ‘non-profit’ clauses in their statutes defined by the legislature as prohibiting the distribution of profit (and, therefore, as obliging these positive margins to be allocated to reserves), prohibiting a division of reserves created using retained earnings and obliging co-operatives ‘altruistically’ to transfer these public assets to ‘public utility’ purposes if they dissolved.



Thirty years after the first provision was introduced, co-operative self-financing was strongly consolidated by the equally well-known legal provision (partly still in force) outlined in Article 12 of Law no. 904/1977, which provides tax relief (currently only partial) for earnings retained as indivisible reserves (to be used for altruistic purposes).

Conceived in such a way, the system had the indisputable merit of facilitating the capitalization of companies that were financially weak due to their natural inability to remunerate the invested risk capital; however, it was not without its drawbacks.

One problem arose as a result of a lack of legal provisions regarding the fate of indivisible reserves (created with tax-free profits) if a co-operative was transformed into a profit-making company; after generating discussion and uncertainty for a quarter of a century (Bolaffi, 1948: 444; Ferri, 1951: 57; Ascarelli, 1956: 777; Verrucoli, 1958: 415; Oppo, 1959: 369; Scordino, 1970: 504), this loophole was overcome, first of all, by the introduction of a ban on transformation as outlined in Article 14 of Law no. 127/1971 and, subsequently, by the legal provision which imposed an obligation to transfer indivisible assets at the time of transformation (heterogeneous) as outlined in Articles 2545-decies and 2545-undecies of the Civil Code.

The second, more complex problem lays with the legislature's choice to leave a specific identification of the person to allocate the co-operative's indivisible assets only to when dissolved to the same 'debtor' (i.e. to the co-operative's statute and its liquidator).

Indeed, the absence of a 'rightful claimant' to the assets remaining after paying the company creditors and returning social capital to the co-operative members, tended to stimulate, perhaps inevitably, a widespread practice of endless settlements which were extremely costly and lacked residual resources to be transferred for public use. What's more, those benefiting from the allocation, being chosen by the same person who was responsible for allocating the assets, were hardly motivated to criticize such liquidation methods used to assign the assets free of charge in their favour (Cardarelli, 2009: 269).

It is therefore to eliminate the strong temptation to proceed with 'inefficient' liquidations that Article 11 of Law no. 59/1992 pre-identified *ex lege* the legal entities (future) that would receive the indivisible assets of the liquidated or transformed co-operatives in the so-called 'mutual funds for the promotion and development of co-operation'. The resulting potential conflict between entities with opposing interests (which often led to legal proceedings whose aim was to ascertain the true value of the assets to be



transferred: Court of Cassation, 14 July 1997, no. 6349; Court of Matera, 6 May 2003; Court of Mantova, 17 March 2009) actually had a positive moralizing effect on the previous (not very commendable) practice.

The legislature, at the time, introduced two additional precise and 'revolutionary' legislative requirements: a mandatory annual transfer of 3% of the profits gained by the co-operatives, and the mandatory assignment of resources from these funds for the 'promotion' and the 'financing of new projects and undertakings for the development of co-operation, with a preference for programmes that focused on technological innovation, an increase in employment and the development of Southern Italy' (with the possibility of 'organising professional training courses for the administrative or technical personnel in the co-operative sector, promoting studies and research on economic and social issues of significant interest to the co-operative movement').

On the basis of these legislative provisions, over the next twenty years the co-operative system in Italy implemented, promoted, and developed an advanced co-operative venture capital system with a series of figures that merits attention.

A quick look at the 2013 financial statements published by the mutual funds promoted by the three central co-operatives belonging to the Italian Co-operative Alliance (Legacoop, Confcooperative and AGCI) gives a full picture of the situation. Cumulatively, these entities – despite the clear economic difficulties that hit co-operatives along with other companies – managed to raise annual mutual contributions in 2013 that amounted to over € 35 million and were therefore able to rely on total assets of over € 600 million, of which over € 370 million were used for participation in the capital of the co-operative members, over € 130 million for financing co-operative members, and approximately €100 million for treasury investments (mainly government securities and bank bonds).

Although the overall volume of investments (temporary and recurring) used for both risk capital and loan capital purposes represents over 80% of available assets, it is worth noting (and analysing) the tendency of the three funds to concentrate risk investments in virtually the same way and, as well as the considerable difference in the way that they achieved their objectives.

As far as the concentration of investments is concerned, we can see that while the largest of the three funds (Coopfond SpA) used 85% of their resources allocated to venture capital investment to finance the 50 largest businesses (among the over 250 investees, 20% of its own businesses) by reserving over € 153 million for the five largest businesses (over 60% of the total resources used for this purpose), the second largest



enterprise (Fondo Sviluppo SpA) used over 80% of its total resources allocated to venture capital investment to finance the 10 largest businesses, by reserving over €75 million to the five largest businesses (70% of the total resources used for this purpose). In the same way, the smallest of the three funds (General Fond SpA) used 70% of its total resources allocated to venture capital investment to finance the five largest businesses.

With regard to the way they achieved their company's objectives, it should be noted that whereas Fondo Sviluppo SpA tends to use significant resources in ventures that promote the co-operative system rather than direct investment in co-operative assets (allocating for this purpose, in 2013 alone, over € 15 million, which amounts to two thirds of the total mutual contributions received throughout the year, € 20 million), the other two funds allocated almost all their own resources to financial type investments (so much so that in 2013 Coopfond SpA obtained a total overall yield of roughly € 12.5 million from its own investments, which is almost the same amount received by paying its compulsory annual mutual contributions).

Further, the most recent tendencies in mutual investment include the commendable financing of worker buyouts, i.e. the acquisition of a company by its workers who, by the use of mutual funds, can rely on other financial resources in addition to those legally available due to the right granted to workers (as outlined recently in Article 11 of Decree Law no. 143/2013) to obtain advance payment of the INPS (the Italian Social Security) unemployment benefits in order to finance the rent or sale of a company (by exercising the legal right of co-operatives formed of workers from the same company in financial difficulty to rent or sell as specified in the bankruptcy proceedings introduced by the same law).

There are therefore a number of reasons why the Italian co-operative system can rely on mutual venture capital which, by using only resources self-generated by the co-operatives, can stimulate healthy competition between non-profit organizations to finance worthy ideas and projects and, last but not least, recover and re-launch business ventures, including profitable ones, which are in financial crisis.

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W: WAR, CO-OPERATIVES AND POST-CONFLICT IN COLOMBIA

Germán Ricardo Dulcey Martínez

Introduction

The relationship between war, the aftermath of conflict, and the co-operative sector is not well-known worldwide. This chapter presents the case of Colombia which, we believe, provides lessons for other countries too.

Colombia is living through a crucial moment in its history. This is characterized by a new attempt to reach a peace agreement with the historical guerrillas and to disarm other groups in order to start recovering from the political and social conflict which has burdened the country for more than half a century. In this context, this article aims to elucidate the possibilities that co-operativism offers the country to return to peaceful civil life. Besides analysing some aspects of the internal conflict and how it is expressed in rural areas, this article reflects on the historical conditions of co-operativism in Colombia and its role in society. It also considers the conditions needed so that, once a relatively peaceful scenario is achieved in the country, the social economy and solidarity movement can adjust and gradually adapt strategies and actions.

The internal conflict in Colombia

What is now known as the Colombian internal conflict covers a period that started with the '*Frente Nacional*' in 1958, which was an agreement between the two traditional parties to govern the country alternately in order to overcome the civil war at that time. The opposition movements were excluded from political participation in this pact. That was one of the reasons for the birth of the left-wing Guerrillas, including the '*Fuerzas Armadas Revolucionarias de Colombia – Ejército del Pueblo*' (FARC-EP), '*Ejército de Liberación Nacional*' (ELN) and '*Ejército Popular de Liberación Nacional*' (EPL), influenced by the Cuban and Chinese revolutions. The '*Movimiento 19 de Abril*' (M19) emerged some time later.

In the 1970s and '80s, illegal crops, drug trafficking, and right-wing paramilitary groups emerged. In 1985, during peace talks between the government and guerrillas, the national Courthouse was occupied by the M19



guerrilla group and retaken violently by the military forces. The conflict reached new dimensions, leading to high levels of destruction, which ended in the massacre of more than 3000 members of the '*Unión Patriótica*', the murder of three left-wing and opposition presidential candidates, and the death of thousands of civilians and soldiers through narco-terrorist actions. As a result of an agreement between the Conservative and Liberal parties, and the left-wing Guerrillas *M19* and *EPL* (who had already been given an amnesty and joined the civil society), the constitution of 1991 was issued.

Meanwhile, the fight between guerrillas and drug traffickers reached a peak, directly affecting civilians. This confrontation, with the participation of public forces, was one of the reasons for the massive internal forced migration which to this day has involved 7 million people. Conflict radicalization, a lack of political will to implement democratic reforms, and US interventionism led to the drastic failure of the new peace negotiation in 2002. From this year, the country was governed by president Alvaro Uribe, who maintained a close relationship with the US president George W. Bush. His basic premise was to deny that there was any civil war and his strategy was to fight against terrorism, paying little attention to human rights.

In 2010, Juan Manuel Santos came to the presidency. Committed to achieving peace, he passed a law to compensate the victims and reconstructed relationships with neighbouring countries. Currently, peace negotiations are proceeding amidst all the difficulties of a long conflict and with strong opposition from the '*Centro Democrático*' party, yet with the support of important sectors which will be expected to open new modes of reconciliation and transformation for the country¹.

Co-operativism and association in Colombia

Co-operativism was introduced in Colombia in 1930 in a context of the capitalistic modernization of the country, based on the Western

¹ There are two official documents on the history of this conflict. The first document is the report '*Informe General de Memoria y Conflicto: ¡Basta Ya! Memorias de guerra y dignidad*', requested by the Government of Álvaro Uribe and presented by president Santos in July 2013. This report describes the national tragedy that occurred between 1958 and 2012 and mentions a total of 220.000 victims, among which 80% were civilians. If we add to this number the victims of the '*La Violencia*' period from 1948, the total number of victims of the conflict rises to 500.000. The second document is the report '*Informe de la Comisión Histórica del Conflicto y sus Víctimas: Contribución al entendimiento del conflicto armado en Colombia*', presented during the La Habana peace conference in February 2015 and edited by ten specialists.



model of credit, consumption, and saving-co-operatives. In its first phase, the co-operatives were mainly urban, but later they were also introduced in the agriculture sector as a mechanism used by the big land owners to obtain public resources. For half a century, governments promoted the creation of co-operatives, syndicates, peasant associations, and Community Action Boards, with the purpose of justifying the system, but excluding the marginalized sectors of real representation outside the official parties (García, 1976a).

Meanwhile, in Latin America, there was a clear confrontation between the two main approaches: the first one was an eminently pragmatic view in which co-operativism was limited to being a complementary element of private economy, serving to attenuate the social conflict or as an instrument of modernization of the capitalistic system. The second approach conceived co-operativism as an essential part of a strategy for the economic, political, and social development of backward countries (García, 1976b: 9).

The sociologist Orlando Fals Borda expresses his doubts about the top-down association model in a context of deep disputes associated with the Cold War and extreme land-distribution inequality. In his view, co-operatives served sometimes 'to spread modern technologies, get better social and financial services, as well as to improve rural production and the quality of life. But when they lacked the means needed to exert greater influence on collective action, the co-operatives turned into mechanisms for the adjustment of social orders, which demanded a more radical change (Fals Borda, 1971: 109, quoted in Sánchez, 2015: 82).

On the other hand, it is important to point out that, although the internal conflict faced by Colombia for over half a century is a national issue, it has occurred predominantly in certain regions. Fernán González attempts to explain the historical concentration of violence looking back at the years of the Spanish colonial domination. Since then, in certain regions, participation and internal social cohesion were stronger, contrary to the rural Andean highlands. In the 20th century, this population was to be the social base of more modern forms of social relations, which were reflected in party affiliation, either to the traditional parties or their opponents, such as the socialists and communists, or to the new movements and the guerrillas in the second half of the century (González, 1994).

Recently, there have been valuable contributions to the subject. Juan Fernando Álvarez introduces a territorial perspective to the analysis, pointing out how despite market inefficiencies and the lack of institutional incentives, solidarity organizations have contributed historically to the organization or legalization of production and extraction activities, and have



combined a 'demand for goods and services which boost the local markets, thereby generating a major retention of resources in the territories' (2015b: 299). 'Combined' required a 'with' following it.

On the other hand, César Sánchez (2015) offers a reflection focused on explaining the evolution of economic and political institutions in Colombia during the 20th century, such as the Solidarity Economy, and on elucidating why and how co-operativism has survived and flourished for 80 years in a country facing on-going conflict and radical change. He points out the role therein of three social institutions: land ownership, two traditional political parties, and processes of economic openness.

When analysing the quantitative evolution of co-operativism in Colombia, we can identify two stages: the first between 1930 and 1989, with a more or less regular growth, and the second, from 1989 until the present. In the first one, two phenomena stand out: on the one hand, the fall in the 1950s when the country was struggling during the civil war between the liberal and the conservative parties and, on the other hand, the rapid increase between 1960 and 1965, related to the '*Alianza para el Progreso*' Program implemented by the US in this country. In the second cycle, a first wave takes form which follows the growth and crisis of financial co-operativism, namely, the open co-operatives and the co-operative banks. A second wave shows the expansion and crisis of financial co-operatives, followed by the huge expansion and crisis of work co-operatives specialized in work intermediation ('outsourcing' of workforce to capitalist enterprises). This latest crisis was caused by the controls imposed by the government. It is easy to establish that the instability of the sector in this second stage is related to the model of economic openness, deregulation, and free market which has been imposed for the last 25 years in Colombia.

The relationship between civil war and false co-operatives is amply documented through the experience of the so-called '*cooperativas de vigilancia y seguridad privada*' (CONVIVIR) (Private security and surveillance co-operatives), authorized by a presidential ordinance in 1994. In 1997, the constitutional court applied a correction since these groups were not authorized to exert certain functions and only public forces were allowed to carry arms. In this year the Colombian Co-operatives Confederation also rejected the use of the term co-operative to 'legalize war instruments, such as the wrongly called Security Co-operatives Convivir' (El Tiempo, 1997). In addition, in 2007, the parliamentarian Gustavo Petro argued in his research that the CONVIVIR groups were the origins of paramilitarism in Colombia (*Revista Semana*, 2015).



Solidarity sector and the aftermath of war

In a recent study of the economy, violence, and solidarity organizations, Diana Jeanneth del Pilar Rodríguez (2015) established the relationship between violence and absence of socio-economic development in some regions in Colombia and suggested strategies for solving poverty, environmental damage, and violence in some of these areas.

Organizaciones Solidarias y Desplazados por Expulsión. 2002 -2012

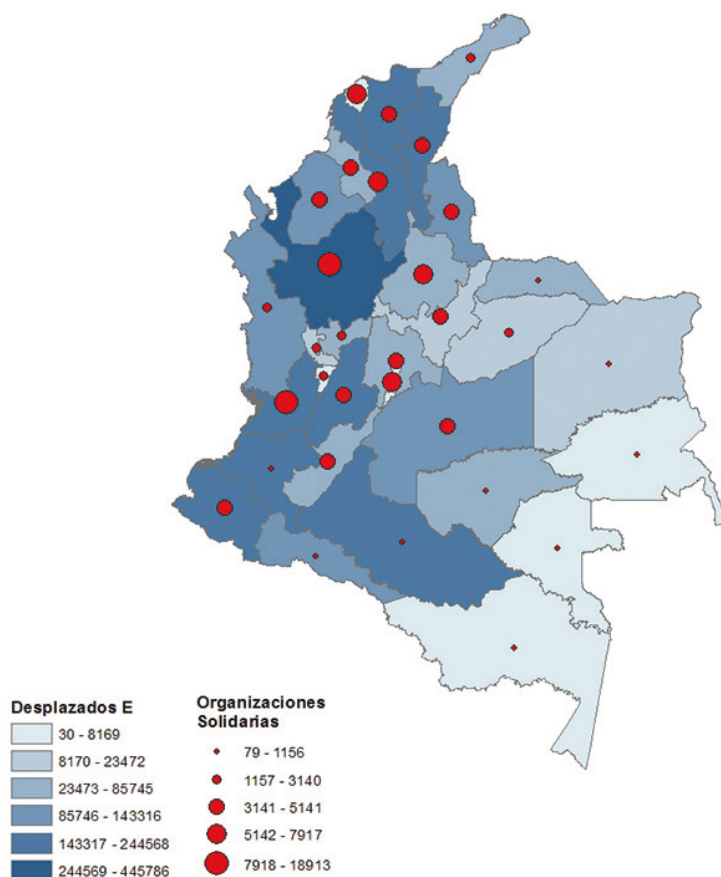


Fig. 1 – forced internal migrants (desplazados) in the areas of conflict and social economy organizations (organizaciones solidarias). Source: Rodríguez, 2015



With regard to the contribution of solidarity organizations to peace, the study (del Pilar Rodríguez, 2015) points out their strong potential since they already have the legal and social structures needed for a peaceful coexistence. However, this study does not observe any positive or negative correlation between association and violence since co-operativism is essentially an urban phenomenon, whereas violence is more common in the countryside.

What is clear is the existence of emblematic cases of co-operative experiences in the zones of greatest conflict. One of them is Coogranada, in south-eastern Antioquia, which was the scene of a terrible massacre in the 1990s and was identified by the directive of the Confederación de Cooperativas de Colombia CONFECOOP (Colombian Co-operatives Confederation) as a successful case in this territory where associativity 'acted as a barrier stopping the conflict from spreading [...]' (Castillo, 2015). Another case is the '*Cooperativa La Granja*' in the region known as '*Magdalena Medio*', which was created in 1974 with the support of the Diocese in a high-conflict zone and was declared a peace area in 1997, an experience which was well documented by Ricardo Dávila (2012). In addition to these experiences, there are other associations of co-operatives in conflict zones, such as the '*Utopía*' project in the Orinoquía region. This is a project of alternative solidarity development which involves young people affected by violence (Álvarez, 2015c). On an institutional level, the relevance of the partnership between the '*Oficina de Restitución de Tierras*' (Land Restitution Office) and the '*Departamento Administrativo Nacional de la Economía Solidaria*' (DANSOCIAL) (National Administrative Department of Solidarity Economy) is worthy of note.

On the other hand, there are organizations such as the '*Confederación Agrosolidaria de Colombia*' which are part of the '*Red Colombia Verde*' and the '*Movimiento Latinoamericano de Agroecología*', present in several regions in the country; and ongoing projects such as the 16 female-coffee-producer associations in Cauca, a region in the southern part of Colombia, an area of armed conflict, which is seeking integration within a solidarity scheme.

It is opportune to recall the reflection of Juan Fernando Álvarez on the potential contribution of the solidarity organizations to peace, according to whom it depends on the social context and the articulation of public and private efforts; therefore, even though solidarity organizations have favorable characteristics for promoting a peaceful coexistence, this 'requires the concatenation of certain conditions, in whose absence it can generate the opposite effect' (2015a: 35). Solidarity organizations are not,



then, the panacea 'for solving all problems in a region in which conflict, violence, and illegality are the cause and effect of an unfavourable historic, economic, social, civic, cultural, and political conditions to meet the ends of general interest'.

Conclusions

The economic, social, and political transformations which may arise after a peace agreement with the guerrillas in Habana, Cuba, will have to focus on rural zones. Its results will depend on the development of a new institutionalism in line with new realities and public policies, one able to represent the demands of the population and promote its active participation. In this context, co-operativism and other associative forms will be able to play a critical role as long as the government grants them proper participatory powers and respects their autonomy, and the sector strengthens itself following the principles and organizational forms that are fundamental to co-operativism.

Given the loss of trust between individuals and between individuals and institutions as a result of the long conflict, the solidarity sector has two main tasks according to the Official Directive: first, the generation of public goods, such as participatory democracy and its implementation within the co-operative government; and second, a contribution to the construction of a social and economic inclusion model. Meanwhile, the solidarity sector claims:

Now the sector makes a request to the government that it should recognize its importance as an entrepreneurial model. The development of a new country in peace requires a solidarity economy and co-operative model, especially on the rural theme, because associative work functions as an engine of development and employment (CONFECOOP-Valle, 2015).

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Z: ZEITGEIST, EDUCATING DIVERSITY

Andrea Bernardi, Salvatore Monni

In order to function correctly, institutions must be products of the spirit of the age (*Zeitgeist*). If they are not, not only will they not help a country to develop, but they will become an obstacle (Monni, 2013). This applies to international institutions such as the United Nations, the International Monetary Fund or the World Bank, it applies to rules (which are also institutions) as in the Bretton Woods system, and it also applies to enterprises and, obviously, co-operative enterprises. Company missions, management, and training must adapt so that they are competitive and work as efficiently as possible in the world in which they operate. In enterprises in general and co-operative enterprises in particular, the training and education of managers and executives who must ensure that the co-operative enterprise keeps up with the plays an extremely important role.

The history of co-operative education

The important role of education was quite clear to the pioneers of the modern co-operative movement who in 1844 in Rochdale, near Manchester, laid out the movement's values. These included the development of co-operative education. The principles were updated and rewritten in 1995, again in Manchester, by the International Co-operative Alliance. In the 1995 revision, the fifth principle reads.

In the one hundred and fifty years of the history of the co-operative movement, this commitment has been honoured in a number of ways (Webster, 2012). The larger co-operatives, including the retail giants, have their own training schools, which also teach co-operative identity and history. The smaller co-operatives organize training courses and often focus on their co-operative nature. There is also the formal education provided by universities. In Italy, thanks to a series of legal requirements, co-operatives allocate some of their profits to supporting co-operative education and enterprise. The main aim of these initiatives is to train managers and executives, although another important aim is to draw attention within the universities to the existence of a form of enterprise that provides an alternative to capitalist and public enterprise.

In other countries such as the United Kingdom, there are currently no



university courses devoted to the co-operative sector even though this was the birthplace of the modern co-operative movement (the fact that it was also home to the industrial revolution, socialism and trade unionism is no coincidence). This can be explained by university system market trends and the crisis of British co-operatives. Generally speaking, it is hard to find three-year or specialised degree courses that are not financially viable. What is more, there are no powerful co-operative associations capable of sustaining them. Finally, the largest British co-operative, the Co-operative Group, has been hard hit by the financial crisis as has the Co-operative Bank which is now controlled by non-co-operative American shareholders.

Not just an identity crisis

If it does not invest in co-operative training and education, does the co-operative sector risk losing touch with its own? The situation in the UK prompts us to reflect on the nature of the co-operative enterprise, its presumed diversity, and the consequent need to provide 'special' training for co-op workers and managers. Is co-operative education important? Are co-operatives different from traditional enterprises? The recent identity crisis experienced by some Italian, Spanish, and British co-operatives (the same thing is also happening to a different extent worldwide) would seem to confirm that co-operative education and everything it entails is important, vital indeed.

Of course, co-operatives are first and foremost enterprises and as such must be on the market. Being on the market means offering goods and services that are capable of creating demand among consumers are interested in because of their quality and price and being paid for, for this reason. Co-operatives must not refuse the logic of market and profit; the market is a neutral institution which is neither good nor bad and profit is necessary if an enterprise is to survive and grow. However, there are many ways of being on the market and here, a good co-operative manager is essential. You can be on the market, for example, by focusing on the social responsibility of an enterprise, and it is in this specific area that co-operatives can stand out and become a model for traditional companies by enriching them with their ideas and values. Expertise but also an awareness of and sensitivity towards certain issues are some of the qualities that a good co-operative manager must possess.



Some misconceptions

Good education and training will also help to dispel some of the myths surrounding co-operatives, caused by dated assumptions which are no longer in line with the market and society.

The first misconception is that, even if it is not a capitalist enterprise, a co-operative does not need revenue and profits to survive and fulfil its economic and social role. For not all co-operatives are non-profit organisations and they too cannot ignore balancing accounts and producing objective profit and reserves.

Another misconception which needs to be clarified is size. Co-operatives do not necessarily have to be small. If co-operatives are enterprises, their size varies according to the area in which they operate, their business success, and national circumstances. In this respect, it is important to bear in mind that on average co-operative enterprises are almost four times larger than non-co-operative enterprises (fifteen employees in co-operatives compared with 3.8 employees on average for companies as a whole). Co-operative enterprises can obviously therefore be large, medium or small in size. There is certainly no truth in the fact that large co-operatives are not real co-operatives. There are large co-operatives which are considered exemplary as far as participation and financial success, international and otherwise, are concerned, just as, unfortunately, there are small co-operatives of debatable mutual and democratic nature. Both large and small co-operatives must invest in activities and tools that contribute to and maximise participation. Training is useful for both participation facilitators and all employee members.

Another myth which needs to be dispelled is that the co-operative sector plays an insignificant economic role. In many European countries, as well as in Asia and America, the co-operative sector is an important part of the economy. In Italy, the sector has over 60,000 companies with approximately 1,200,000 employees. The economic and social importance of the co-operative sector in Italy, especially in some provinces, is even greater than these figures show, making any measures that contribute actively to increasing perception and awareness among citizens and consumers all the more valid. Universities should therefore offer courses on the co-operative sector because it is a huge market to be exploited.

There is also widespread misunderstanding concerning the global role of the co-operative system. Many argue that there is only room for expansion of the co-operative sector in developing countries and in services that cater for the most disadvantaged members of society. Many are unaware



of the fact that the co-operative sector has an important economic role in more advanced countries and in almost all industrial sectors. Co-operative enterprises have demonstrated in Italy and throughout the world that they can operate in all sectors, including the manufacturing industry, building and construction, agriculture, banking and insurance, and the retail industry. They also operate in the electricity production sector (see letter M in this dictionary), higher education, telecommunications, advanced services, and creative industries. The idea that a co-operative must only operate in the sector in which it began is also somewhat dated. While complying with market rules and regulations, why prevent, for example, a food consumer co-operative from operating in the electrical industry, or an electrical co-operative from getting involved in the waste cycle? If pursued, strategic innovation and internationalisation will need to be supported by adequate in-house training or educational programmes within the co-operative associations or universities.

The attitude of those who praise co-operative enterprises and criticise capitalist enterprises regardless of their performance is also far from positive. We are all well aware of exemplary cases of large and small capitalist enterprises and deplorable cases of large and small co-operative enterprises. Co-operative rhetoric does not help the situation. If anything, the co-operative system should enrich the corporate world by promoting forms of worker participation that go beyond the co-operative sector.

Then there is the old story that the co-operative sector distorts market activity by taking advantage of tax incentives. This myth must be debunked since tax incentives are now few and far between and have always been granted to companies that accept restrictions on the distribution of profits and the use of reserves. Unfortunately, the few examples of predatory use of the co-operative form in the field of employment, housing, and social co-operation represent a slur that is perceived as being disproportionately large by those who work outside the sector. For this reason, every teaching or training programme should deal with the problem of fake co-operation and objective business and economic limits in the co-operative sector.

An important aspect that distinguishes co-operative enterprises from traditional ones is governance. In traditional enterprises, decisions are taken by those who own them, whether they are sole proprietors or groups of investors. In co-operative enterprises, on the other hand, decisions are taken according to the 'one head one vote' principle and not the proportion of invested capital. In this respect, co-operative enterprises are truly revolutionary because they conceive a change in paradigm inside the market and not outside the market as is often the case with those who want to criticise the mainstream paradigm.



A wasted opportunity

Some of the naivety mentioned here is probably also responsible for a huge wasted opportunity. The crisis years from 2008 onwards were also years marked by global protests against the excesses of capitalism and the market economy. The year 2012 was the high point of the crisis as well as being the international United Nations year dedicated to co-operatives. Nonetheless, the co-operative revolution which had been in progress since 1844 did not manage to exploit the crisis and influence movements such as 'Occupy Wall Street', for example, which challenged mainstream thought and its values, see chapter O. However, all is not lost.

The new paradigm which will replace the old one will not be an overnight change, but rather a gradual development of new, diverse ideas which will lead to the creation of a new model. Of these ideas, the co-operative is one of the most productive and we are confident that it will play an important role in defining the new model. Co-operative enterprises and associations must no longer be restricted to a passive role which simply deals with the current situation, but must actively contribute to developing the new paradigm as well as trying to attract new energy to the co-operative idea, energy that is hidden perhaps among the many young people who are disappointed by the outcome of the protest movements of recent years.

In this process, an important role must be played by the classroom (in universities or companies) and in the public sphere with support from co-operative associations and the involvement of protest movements and civil society.

Cooperative education for the 21st century *Zeitgeist*

We have argued that two recurrent errors which are opposite in nature are made when discussing co-operative enterprise. These two errors distance co-operatives from the . It is wrong to ignore their specific nature and diversities and it is also wrong to think that they can survive without developing the abilities and structures of traditional enterprises. If this is true, education and training in the co-operative sector must focus on two points, that of diversity and that of market competition with capitalist enterprise.

Although co-operation was established in 1844 with a commitment to 'educate, train and inform', this commitment has not been pursued with the same dedication in all countries in the world and in all co-operatives. This is due to a difficulty in identifying, as time has passed, what makes



co-operative enterprises diverse, as well as a lack of interest and ability. What is more, training has often also been neglected by traditional companies, but as we attempt to show here, co-operative enterprises have a twofold need for training and this lack of investment threatens their future in two ways.

Educating on diversity

The diversity of co-operative enterprise can be identified by considering a specific type of enterprise (consumer, work, credit, etc.) and the target community (large city, rural town, developing countries, etc.). With time, the mission and therefore the challenge of the diversity of co-operatives may change. Whereas in the past, small food co-ops had to guarantee, above all, low prices, today they focus on excellent quality and the sustainability of the supply chain. Whereas in the past, co-operative banks and co-operatives were the only ones that provided services to the working class, today their mission is to be a local bank for small businesses and the third sector. Whereas in the past, electric co-operatives were the only ones to bring power to mountain villages, today their mission is to sell green sustainable energy on the national grid. The exemplary nature of a small work co-operative which, 70 years later, has become a giant in the building industry may remain, but not necessarily in the same form as the original one. That diversity, which in the past was full democracy and the safeguarding of jobs, may today be a higher quality of contracts and safety in the workplace. Examples like these demonstrate that universities or company tutors cannot prepare lessons on diversity which are valid everywhere and always. Creating diversity means having the ability to collectively define its specific nature and taking steps to protect it from threats inside or outside the organisation. As we have discovered over the past few years, internal threats (unscrupulous managers, democracy only at a formal level) are often much worse than external ones.

Tutors must work on the ability of employee members to exercise democracy during meetings. They must therefore provide co-operatives with the tools (technological and otherwise) that are capable of mobilising the participation of members of consumer and user co-operatives. Here too, it is clear that we are dealing with different forms of democracy that develop over time according to the type of co-operative and the size and type of membership (ideological, economic, pragmatic, idealistic). The ability to mobilise thousands of people with the right to one man, one vote and effectively manage large assemblies and meetings is not a traditional



managerial skill but is something that can be taught.

Educating on democracy is not just a political or aesthetic exercise. Stimulating and educating on participation involves encouraging the ability to have control over management, thereby contributing to good corporate strategies and maintaining co-operative diversity which has been collectively identified and updated. People must be physically or indirectly present using the latest technology and must be able to read company documents and interpret corporate strategies in order to exercise democracy and control. Tutors must therefore work on the ability to listen to members and management's ability to communicate and they must contribute to defining tangible and intangible incentives for the informed participation of members. The ability to involve people is something that can be taught just as the ability to listen and collectively develop ideas and actions can also be taught. Even delegating tasks is something that must be taught, organized, and controlled. Any co-operative that ignores democratic processes and does not establish an effective system of governance, with help from external professionals such as university teachers, for example, is bound to lose its diversity.

Obviously, the exercising of democratic rights is not enough to define a co-operative as such or create a successful co-operative. Conversely, the sterile exercising of democratic rights or corporatism disguised as co-operative democracy (see, for example, some co-operative banks) is a threat to both co-operative identity and its ability to compete. Tutors can teach collective decision-making without sacrificing speed and the ability to innovate.

Ethics and corporate social responsibility, on the other hand, cannot be taught. However, tutors who have worked well on participation and the effectiveness of democratic processes will have contributed to the ability of the co-operative to behave more responsibly than traditional enterprises and proudly offer an alternative. The fight against fake co-operatives and the internal and external tools needed to do this can, on the other hand, be taught. The recent campaign against fake co-operatives conducted by the Alliance of Italian Co-operatives (ACI) is an excellent initiative, but each individual training activity should deal with the problem of fake co-operation and the objective business limitations of the co-operative sector, especially in certain Italian regions.

Educating on market competition

However, as we have mentioned, democracy, participation, responsibility, and co-operative identity alone will not keep a co-operative on the



market and, ultimately, effectively serve its own members and customers.

The profits allocated by law to supporting education and co-operative enterprise must also be used to develop traditional skills and expertise which are essential to any type of enterprise that competes on the market, not only co-operatives but also state-controlled companies, to give another important example. What is more, the ability to compete derives to a large extent from the ability to recruit the best talents who are attracted first by opportunities for professional development and then by salary, contract, type of company or industrial sector.

The challenge that faces university Master's degree courses in the economics and management of co-operative enterprises is to offer general professional training (marketing, economics organisation, finance, law) which is solid and enticing enough to attract not only students who are already studying or interested in the co-operative sector. As we have already pointed out, the co-operative system should aim to enrich the traditional corporate world by promoting forms of worker participation regardless of company form. This is a new mission which some co-operative associations are evaluating for the future. For university Master's degree courses in co-operative economics, this is a feasible objective which would substantially extend the market and the impact of its academic curriculum. Basically, co-operative enterprises can teach traditional enterprises something and traditional enterprises also have much to offer to co-operatives. Master's degree courses in co-operative economics should draw inspiration from both models and focus on both markets.

Education, both within companies and universities, must also address the issue of identity and must do this in an original, counterintuitive way. Tutors must work on the need for economic sustainability and the notion of profit rather than the rhetoric of non-profit or the culture of public support. It is important to work on the challenge offered by growth and integration between various co-operative organisations, which should be encouraged rather than feared.

Tutors must also combat the common belief that co-operatives are destined to operate in traditional niche sectors and must provide the tools for developing new company strategies. In advanced countries, there is scope in almost all the non-capital intensive sectors, and education must at the very least encourage discussion on product innovation and entering new sectors.

Internationalisation has also given way to a culture of localism. Some work co-operatives manage factories in China whereas some consumer co-operatives manage purchasing and import groups abroad and others



export and offer services worldwide. However, when compared with the rest of the economy, the co-operative sector is less prone to internationalisation. Education can help to overcome this limit by introducing new skills and expertise as well as a new way of conceiving the mission and horizons of co-operative enterprises.

Good quality co-operative education conceived along these lines can make a real contribution to the creation of a revolutionary co-operative sector and can fuel that change in paradigm which many people have been hoping for in recent years. Indeed, a revolutionary is someone who is the first to see changes in society and markets and the first to seize the opportunities offered by the new by embracing it ahead of the others and helping to give it form and substance.

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Whether you think you know all there is to know or you know next to nothing about the co-operative sector, this book is for you. An A to Z of the co-operative movement, this collection of short essays will introduce you to the diverse, broad, and multifaceted world of co-operatives. Co-operatives have a very long history, yet are still out there competing with their capitalist rivals in almost every market and every industry. They are rooted in revolutionary ideas, yet are more feasible and effective than many attempted revolutions, and they provide work, goods, and services to hundreds of millions of members in virtually every corner of the globe.

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