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## COOPERATIVES, GOOD COMPANIES “BY DEFINITION” ?

By  
Enzo PEZZINI  
Italian Confederation of Co-operative – Confcooperative  
Brussels Office  
Square Ambiorix 32, bte35  
B – 1060 Brussels (Belgium)  
Tel : +32 2 235 28 60 - Fax: +32 2 235 28 69  
e-mail: enzo.pezzini@confcooperative.coop

### 1 - INTRODUCTION

The co-operative experience has endeavoured throughout its history to directly link principles to practice.

In contrast to the relative novelty of the trend to Corporate Social Responsibility, as well as its timid attempts to establish rules and principles, co-operatives have been committed to social responsibility since their inception in the 19<sup>th</sup> century.

The European Commission, in its communication “Corporate social responsibility: a business contribution to sustainable development” of 2 July 2002, recognises that “co-operatives, mutuals and associations as membership-led organisation have a long tradition in combining economic viability with social responsibility. They ensure this through stakeholder dialogue and participative management and thus can provide an important reference to other organisations”.<sup>1</sup>

In this paper, I will briefly describe the founding principles that derive from the establishment of the Rochdale Equitable Pioneers Society in England in 1844. The statutes of the Rochdale society, which established the guiding principle of co-operation, have stood the test of time.

In the second chapter I will present the impressive series of official documents and pronouncements of international organisations. It is quite amazing to see in a few years such a flood of statements in favour of the co-operative experience. It is also intriguing that it is during the same period that the interest in and the debate on CSR reached its maximum level, especially with the initiatives at European level promoted by the European Commission.

Christian solidarity and Catholic social thought are indubitably one of the historical roots of co-operativism, together with utopian socialism and liberalism. In the third chapter I illustrate the

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<sup>1</sup> European Commission, *Communication from the Commission concerning Corporate Social Responsibility: A business contribution to Sustainable Development*, COM(2002) 347 final, 2.7.2002

special sympathy the Church has always had for the co-operative movement, mentioning the documents of the Magisterium and analysing how some of the key concept of CSR and of co-operative tradition, such as subsidiarity and participation, are connected with social doctrine.

With some concrete examples, I try in the fourth chapter to demonstrate that there is not only a growing alignment of the theme of corporate social responsibility with the principles and values of co-operatives, but also that the novelties in co-operative legislation are tending toward an increasing reaffirmation of the diversity of co-operative enterprise. This is the case with the new reform of co-operative law in Italy that drew attention to the “mutualistic” function of co-operatives.

This is also the case with the recent development of new co-operative models, and the consequent national legislations in several countries, mainly pursuing collective goals, carried on beyond the “traditional boundaries” of the co-operative membership toward an evolution involving multiple sets of stakeholders.

The corporate governance of co-operatives is also unique, demanding and delicate, and the image of the Italian co-operative movement has recently been deeply affected by an affair involving a big insurance company belonging to co-operatives; I briefly illustrate the Unipol case.

Some concluding remarks and a description of the challenges that I think the co-operative movement has to face in the near future close the paper (which is still in its provisional version, especially as regards the footnotes and references).

## 2 - THE PRINCIPLES OF CO-OPERATIVES

The founding principles of co-operatives come from the establishment of the Rochdale Equitable Pioneers Society in England in 1844.

According to a strict historical analysis, it is certainly possible to find other earlier examples of the creation of co-operatives,<sup>2</sup> but the history of the Rochdale Equitable Pioneers Society is so well documented in the book *Self Help by People* by George Jacob Holyoake<sup>3</sup> that it has taken on a symbolic value for the entire co-operative world.

The book, first published in 1857, describes the inception and the early years of the co-operative.

“The weavers in Rochdale were tired of paying high prices for poor quality food at shops that were run by factory owners. Inspired by the co-operative teachings of Robert Owen, they decided to pool their money to start a store.

All of the people interested in becoming members and co-owners of the store contributed a small amount of money to a common fund. When the fund was big enough, the Rochdale Pioneers (as they came to be called) were able to rent a building, buy supplies, and open up shop in Toad Lane on December 21, 1844.

The shop sold candles, tea, fuel, and basic foodstuffs. The co-op kept track of each member's purchases, and distributed the profits in proportion to how much each member bought.

The first consumer co-op was so successful that the members were soon able to rent the upper stories of the building. The extra space was used for a library and educational lectures.”<sup>4</sup>

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<sup>2</sup> In 1842 in Lyon and even before that in Slovakia

<sup>3</sup> Holyoake G.J. (1995 reprinting) *La storia dei probi pionieri di Rochdale*, Direzione Generale della Cooperazione presso il Ministero del Lavoro e della Previdenza Sociale, edizioni La Rivista della Cooperazione, Roma

<sup>4</sup> British Columbia Co-operative Association (no date) *Cultivating Co-ops: An overview of co-operatives and their role* available from :

[http://www.bcca.coop/pdfs/cultivating\\_coops.pdf#search=%22cultivating%20co-ops%3A%20an%20overview%22](http://www.bcca.coop/pdfs/cultivating_coops.pdf#search=%22cultivating%20co-ops%3A%20an%20overview%22)

The most important accomplishment of the Rochdale experience is the statutes of the cooperative. The statutes of the Rochdale society, which established the guiding principles of co-operation, have stood the test of time and are still the basis of the co-operative experience worldwide.

The distinguishing features of these principles are:

- Profits are returned to members in proportion to the volume of transactions that each member carries out with the co-operative;
- Capital is remunerated only in the form of limited interest;
- The principle of one member, one vote, is employed in the decision making structure;
- The co-operative is managed independently;
- Membership and resignation are voluntary.

Since its creation in 1895, the International Cooperative Alliance (ICA),<sup>5</sup> which is an independent, non-governmental organisation, which unites and represents co-operatives worldwide, has been the final authority for defining co-operatives and for elaborating the principles upon which co-operatives should be based.

The ICA has reviewed the Co-operative Principles three times: in 1937, 1966 and 1995. These reviews facilitated the modernisation of the idea of Co-operation, maintained its relevance and provided modern criteria to determine whether an organisation could be designated a co-operative.

The current Statement on the Co-operative Identity was adopted, after a lengthy process of consultation involving thousands of co-operators around the world, at the 1995 Congress and General Assembly of the International Co-operative Alliance, held in Manchester to celebrate the Alliance's centenary.

The statement of co-operative identity was the reaction to some major contemporary trends:

- The disintegration of the centrally planned economies of Central and Eastern Europe

The history of co-operatives in the former communist countries is an example of how totalitarian governments took over what used to be an autonomous social movement.

The statistics of co-operative development in the former communist countries were impressive, but were achieved through the sacrifice of any real autonomy.

After the collapse of the communist regimes in the 1990s, the word “co-operatives” was tainted by its past associations, and many co-operatives were privatised and their assets given away.

Then with the help of international organisations like ICA and ILO, new co-operative laws were passed and co-operatives were “co-operativised”, and given back to their members and reconstituted as genuine member-owned businesses.

In most Central and Eastern European countries the co-operative sector is now growing, both in size and in confidence.

- The ambiguous role of co-operatives in many Southern countries

In many nations in the Southern hemisphere, co-operative development was also an essential ingredient in the nationalist populist discourse of the 1960s and 1970s.

The intention to use co-operatives to reduce poverty tended to distort their character and members saw co-operatives as quasi-governmental agencies that provided useful services but which did not belong to them.

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<sup>5</sup> See more at: [www.ica.coop](http://www.ica.coop)

These co-operatives were propped up by government patronage and in the period of structural adjustments that followed the end of the Cold War, many of them collapsed.

- The overpowering dominance of market ideologies and classical liberal thought

The growth of co-operatives in the developed world into large, powerful business with a large market share has resulted in some hidden costs.

Consumer co-operatives in particular have occasionally lost touch with their members because of their large size, and there was a growing uncertainty about what co-operatives stood for and whom they belonged to, leading to a loss of their sense of purpose as membership-based organisations.

The above reasons indicated an urgent need to clarify what we mean by co-operatives.

However, in those areas where co-operatives have experienced a loss of meaning, they have recently begun to recover and to reassert their distinctive identity, to reassert the co-operative “difference” and to see advantages in being ethical, membership-based businesses.

It is for these reasons that there arose, by the 1990s, an urgent need to clarify what we meant by a cooperative.

The Statement on the Co-operative Identity<sup>6</sup> is an effort to understand the state and needs of the co-operative movement at the end of the twentieth century. It is composed of a definition, emphasising that co-operatives are independent of government and are not owned by anyone other than the members:

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

and by a set of values that form the basis and essence of the co-operative movement:

“Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others”.

These values are not unique to co-operatives, but should also be expressed in practice. The basic values are not just rhetorical but are an essential philosophical underpinning of the seven principles that serve as the guidelines by which co-operatives put their values into practice.

The seven principles are:<sup>7</sup>

- Voluntary and Open Membership
- Democratic Member Control
- Member Economic Participation
- Autonomy and Independence
- Education, Training and Information
- Co-operation among Co-operatives
- Concern for the Community

The principles are a more concrete interpretation of the co-operative values. They are consequently elastic, and applicable with different degrees of detail to different kinds of co-operatives in different kinds of situations. “Even if not all the principles are applied, the co-operative building is likely to

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<sup>6</sup> See more at: [www.ica.coop](http://www.ica.coop)

<sup>7</sup> For a full and detailed illustration of the process and a background paper see:

MacPherson I. (1995) *Co-operative Principles for the 21<sup>st</sup> Century*, ICA Studies and Reports, Geneva

remain standing. However, the more co-operative principles applied, the stronger the building will be”.<sup>8</sup>

Ian MacPherson, professor at the British Columbia Institute for Co-operative Studies in Canada, who chaired the process of the numerous drafts of the Identity Statement in an effort to understand the state and needs of the co-operative movement at the end of the twentieth century, before the Manchester approval, recently stated:

“There is no final version of the co-operative principles, no permanent definition of the “co-operative identity”. Rather there are only continuous quests to understand the ultimate reasons for co-operative action, the nature of co-operative thought, and the contours of co-operative philosophy”.<sup>9</sup>

This means that the values and principles are not “set in stone”; we can expect to review them again and keep the co-operative way of doing business relevant to changing conditions.

### 3 – THE PRONOUNCEMENTS OF INTERNATIONAL ORGANISATIONS

In addition to the ICA updating of the co-operative values and principles in 1995, the last few years have been punctuated by the publication of several very important statements by international organisations.

#### 3.1 - Co-operatives in social development (UN, 2001)

On 19<sup>th</sup> December 2001 the General Assembly of the United Nations approved Resolution no. 56/114 *Co-operatives in Social Development*.<sup>10</sup> it is the most global and general position of the United Nations on the theme of co-operatives. The Resolution takes into account the Report of the General Secretary no. 2001/68 of 14 May 2001,<sup>11</sup> with the same title, required by Resolution no. 54/123 of 17 December 1999 and the result of a broad consultation with Member States, which proposes guidelines aimed at creating a supportive environment for the development of co-operatives.

The document affirms that the General Assembly recognises “... that co-operatives, in their various forms, promote the fullest possible participation in the economic and social development of people, including women, youth, older persons and people with disabilities, and that they are becoming a major factor of economic and social development”.

Governments have recognised the value of co-operatives as associations and enterprises through which citizens can effectively improve their lives, contributing, at the same time, to the political, economic, social and cultural development of their community and nation. And it continues: “the Governments recognise that the co-operative movement is highly democratic, locally autonomous but internationally integrated” and represents “a form of organisation of associations and enterprises whereby the citizens themselves rely on self-help and their own responsibility to meet goals that include not only economic but social and environmental objectives such as overcoming poverty, securing productive employment and encouraging social integration”.

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<sup>8</sup> Vanhove M. (2003) *Working on the future together – The power of co-operative*, Cera Foundation, Leuven

<sup>9</sup> MacPherson I. (2005) *Foreword to Background Paper*, Review of International Co-operation, General Assembly Edition, volume 98, no. 2/2005

<sup>10</sup> United Nations (2001b) The text of the resolution is at:

<<http://daccessdds.un.org/doc/UNDOC/GEN/N01/481/26/PDF/N0148126.pdf?OpenElement>>.

<sup>11</sup> United Nations (2001a) Report of the Secretary-General on Co-operatives in Social Development, A/56/73-E/2001/68, annex

The Resolution encourages governments to take appropriate measures to create a supportive and enabling environment for the development of co-operatives.

The Resolution also makes a specific request that governments and co-operative movements develop and strengthen programmes for the education of members, elected leaders and professional co-operative managers.

### 3.2 - Co-operative added value (European Commission, 2002)

At the European Co-operative Convention on 13 February 2002, the President of the European Commission Romano Prodi gave a speech, certainly not out of simply courtesy, entitled *Co-operative added value*.<sup>12</sup> Mr Prodi's speech contains several meaningful passages, which constitute the strongest statement in favour of co-operatives ever made by the highest official of the European Commission.

In his speech, Mr Prodi affirmed that "co-operative enterprises have a very important role to play in helping Europe to achieve its economic, social and political aims" and claimed that co-operatives are the proof that the spirit of solidarity and the entrepreneurial outlook need not necessarily be mutually exclusive concepts, but that the two may combine to produce a virtuous circle.

Mention is also made of three added values of co-operatives that Mr Prodi views as being absolutely in tune with major objectives of the European Commission. The first of these is regional and local development due to the fact that co-operatives are rooted firmly in local communities and "because that feeling of solidarity spreads beyond the confines of co-operatives themselves". The second is the challenge of corporate social responsibility; the Commission's Green Paper on CSR<sup>13</sup> recognises that "co-operatives structurally integrate other stakeholders.

"An enterprise that is free from the primary need to provide a return to investors is also free to take a long-term view of the interests of its stakeholders, be they customers, employees or the wider community."

The third and final challenge referred to by Mr Prodi was that of governance: particularly in light of the general decline of participation at all levels in Europe. Mr Prodi stated that "co-operatives are schools of democratic participation and active citizenship" offering individuals the possibility to take their destiny in their hands, and that in demonstrating that there is more than one way of doing things, they represent an antidote to the narrow economically-led model of development.

### 3.3 - The promotion of co-operatives (ILO, 2002)

While Co-operatives are directly or indirectly referred to in various International Labour Organisation (ILO)<sup>14</sup> Conventions and Recommendations, they are given pride of place in Recommendation No. 193 *The promotion of co-operatives*<sup>15</sup> adopted at the 90<sup>th</sup> session of the

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<sup>12</sup> The speech (speech/02/66) can be found at:

<http://europa.eu.int/rapid/pressReleasesAction.do?reference=SPEECH/02/66&format=HTML&aged=1&language=IT&guiLanguage=en>

<sup>13</sup> European Commission, *Communication from the Commission concerning Corporate Social Responsibility: A business contribution to Sustainable Development*, COM(2002) 347 final, 2.7.2002. See more about European Commission policies and projects at: [http://ec.europa.eu/employment\\_social/soc-dial/csr/index.htm](http://ec.europa.eu/employment_social/soc-dial/csr/index.htm)

<sup>14</sup> The International Labour Organisation is a specialised agency of the United Nations, established in 1919 to promote social justice and internationally recognised human and labour rights. Within the UN system, the ILO has a unique tripartite structure with workers and employers participating as equal partners with governments in the work of its governing organs. See: [www.ilo.org](http://www.ilo.org)

<sup>15</sup> <http://www.ilo.org/ilolex/english/recdisp1.htm>

International Labour Conference in June 2002. There are several important features in Recommendation No. 193:

- *The recognition of the importance of co-operatives to economic and social development*

Co-operatives are specifically seen as significant tools for the creation of decent jobs and for the mobilisation of resources for the generation of income. With regard to economic and social development, co-operatives promote the “fullest participation of all people” (Preamble) and facilitate a more equitable distribution of the benefits of globalisation. They also contribute to sustainable human development and have an important role to play in combating social exclusion. In addition, the text states that “the promotion of co-operatives ... should be considered as one of the pillars of national and international economic and social development” (paragraph 7(1)).

- *The reaffirmation of the distinctive identity of the co-operative, based on values and principles*

The definition of the co-operative that appears in the Statement of Co-operative Identity adopted by the General Assembly of the International Co-operative Alliance in 1995 is incorporated in the text of the Recommendation, ensuring that there is only one, universally accepted definition of co-operatives. In other terms the norms and the principles that the co-operative movement has autonomously given itself have in turn become official norms at international level.

- *Equal treatment for co-operatives*

The document stresses that while it is important for co-operatives to function as independent and autonomous enterprises in a competitive market situation, they should also be supported if they bring about specific social and public policy outcomes. In addition, it is considered important to stress the need to avoid discrimination against co-operatives because of their special character. It is with this end, that the text states “Co-operatives should be treated in accordance with national law and practice and on terms no less favourable than those accorded to other forms of enterprise and social organisation” (paragraph 7(2)).

The recommendation places great emphasis on the important role played by governments, as the establishment of an appropriate policy framework is central to the growth of the co-operative sector. An active role in co-operative promotion is envisaged for employers’, workers’ and co-operative organisations, both individually and collectively.

### 3.4 - The European Co-operative Society (European Union, 2003)

The Council of the Ministers of the European Union adopted the statute of the European Co-operative Society (SCE) on 22<sup>nd</sup> July 2003.<sup>16</sup> This statute provides co-operatives with adequate legal instruments to facilitate their cross-border and transnational activities.

SCE gives all co-operatives established in any Member State the possibility to work throughout all the 25 countries of the European Union, a possibility that was previously hampered by legal and administrative difficulties.

The text of the Regulation repeats the reasons behind the establishment of the SCE, with the second recital stating:

“The completion of the internal market and the improvement it brings about in the economic and social situation throughout the Community mean not only that barriers to trade should be removed, but also that the structures of production should be adapted to the Community

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<sup>16</sup> Official Journal of the European Union L207 of 18 August 2003, Council Regulation (EC) No. 1435/2003 of 22 July 2003 on the Statute of a European Co-operative Society

dimension. For that purpose it is essential that companies of all types the business of which is not limited to satisfying purely local needs should be able to plan and carry out the reorganisation of their business on a Community scale”.

In addition, the sixth recital states that:

“The Community, anxious to ensure equal terms of competition and to contribute to its economic development, should provide co-operatives, which are a form of organisation generally recognised in all Member States, with adequate legal instruments capable of facilitating the development of their cross-border activities...”

Other recitals recall the basic principle and peculiarities of co-operatives: “...groups of persons or legal entities with particular operating principles that are different from those of other economic agents. These include the principle of democratic structure and control...” “These particular principles include notably the principle of the primacy of the individual which is reflected in the specific rules on membership, ...where the “one man, one vote” rule is laid down”.

The SCE is the first recognition in European company law of the association of individuals; all previous cases mention only legal entities.

It can be concluded that there is recognition at European level of the freedom of enterprises,<sup>17</sup> of the plurality of entrepreneurial initiatives, under forms that can be different from capital-based companies.

### 3.5 - The promotion of co-operative societies in Europe (European Commission, 2004)

On the 23<sup>rd</sup> February 2004, the European Commission adopted a Communication on the promotion of co-operative societies addressed to the European Council, the European Parliament, the European Economic and Social Committee and the Committee of Regions.<sup>18</sup>

The Communication reflects the outcome of an extensive consultation process, which began in 2002 with a working document, “Co-operative Enterprise Europe”,<sup>19</sup> that enabled the Commission to collect opinions and suggestions from European and national co-operative organisations.

The Communication tries to concentrate on three main issues raised in the responses and establishes what Member States and co-operatives themselves can do to exploit the business potential of co-operatives'. The Communication enumerates twelve concrete actions to be undertaken by the Commission in order to attain the objectives.

The main issues of the Communication are the promotion of the greater use of co-operatives across Europe by improving the visibility, characteristics and understanding of the sector, the further improvement of co-operative legislation in Europe and the maintenance and improvement of co-operatives' place and contribution to community objectives.

The European Commission stated that:

“Co-operatives have a strong tradition dating back to the industrial revolution; however, they should not be seen as a relic of the 19<sup>th</sup> century. Today the Commission recognises that the rich variety of enterprise forms in the EU is an important element for the EU economy.

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<sup>17</sup> see also article in the proposal for a Treaty for the New Constitution for Europe

<sup>18</sup> Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of Regions on the promotion of co-operative societies in Europe [COM(2004)18] 23.2.2004. The document can be found at:

[http://ec.europa.eu/enterprise/entrepreneurship/coop/social-cmaf\\_agenda/doc/coop-communication-en.pdf](http://ec.europa.eu/enterprise/entrepreneurship/coop/social-cmaf_agenda/doc/coop-communication-en.pdf)

<sup>19</sup>The consultation document can be found at:

<http://ec.europa.eu/enterprise/entrepreneurship/coop/consultation/index.htm>



They are modern and dynamic enterprises with high potential. ... The Commission will therefore support the effective promotion and development of co-operative enterprises in the European Union and candidate countries.”<sup>20</sup>

This impressive series of pronouncements in favour of co-operatives from international organisations clearly illustrates that “A balanced society necessitates the existence of strong public and private sectors as well as a strong co-operative, mutual and other social and non-governmental sector” ...<sup>21</sup>

#### 4 - THE HISTORICAL ROOTS OF CO-OPERATIVES AND CATHOLIC SOCIAL THOUGHT

Although collectively owned enterprises have existed since the early middle ages (we can indeed also look at the history of monasteries from an economic point of view and at the Mediaeval guilds) the contemporary co-operative movement is deeply rooted in the concepts of social philosophy that appeared in the 19th century.

These concepts referred basically to the ideas of socialism, liberalism and Christian solidarity.

The first French “utopian socialists” – Claude Henri de Saint Simon and Charles Fourier – criticised their contemporary capitalist system and propagated the idea of a total reorganisation of the state system and the establishment of new social structures as well as new labour relationships. The “new society” was to be based upon voluntary productive associations referred to by Fourier as “phalansters”.

In Britain, William King and Robert Owen, inspired by these ideas, believed that the main aim of all social actions was to create a “new man”, a total reconstruction of social and economic conditions and that such a reconstruction could be obtained through the co-operation by all individuals in all fields of economic life.

The followers of utopian socialist concepts believed that the supreme aim of all social actions, including co-operatives’ and trade unions’ activities, should be the transformation of the whole society, which meant responding to the interests and needs not of individuals but of social groups and classes in a collective way.

They did not neglect the economic role of co-operatives in assisting the poorest groups of society in achieving well-being, but emphasised their educational role in preparing the future proletarian revolution.

Charles Gide’s ideas, which were also born from early socialist concepts, proposed the evolutionary transformation of local communities, states and finally the whole world into a huge “co-operative republic”, rather of social revolution. This could be achieved through self-help and the self-organisation of society, by various forms of co-operatives, social associations etc., which, on a voluntary basis, would fulfil all functions previously fulfilled by state organs. We refer to this vision as “pan-co-operativism”.

The other ideological sources of co-operativism – liberalism and Christian solidarity – had no such ambition to totally reconstruct existing society; rather, they aimed to adjust and improve its structures.

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<sup>20</sup> European Commission, Communication “on the promotion of cooperative society in Europe” COM(2004)18 page 17

<sup>21</sup> ILO, Recommendation 193, Paragraph 6 <http://www.ilo.org/ilolex/english/recdisp1.htm>

According to the concepts of liberalism, the supreme good of humanity is the full autonomy of all individuals and their right to fulfil their personal interest. Naturally, developing sustainable economic co-operation among individuals will be more profitable for them than the creation of conflicts. It is only for this strictly pragmatic reason (and not for any other moral reasons as in the case of other social philosophies) that it is justified to found institutions that minimise conflicts and promote co-operation.

One of the founding fathers of the co-operative movement – Herman Schulze-Delitzsch – adhered to such concepts. The first co-operative banks (and later, other kinds of co-operatives) that he founded in Germany focused on assisting not the poorest social groups, but those who already had something: small and medium scale producers, artisans, and moderately wealthy farmers. According to liberal concepts, it is in assisting the “productive middle class” and the development of private enterprise, that one contributes to job creation, to the general well-being and to the improvement of conditions for the lower classes.

The third source – Christian solidarity – shares some features with the doctrines presented above, even if the conceptual background has a much longer history. Several major Christian thinkers, such as Saint John Chrysostom, Saint Ambrose, Saint Augustine, Saint Thomas Aquinas, through their teachings gave rise to a series of principles which referred to the dignity of the human being, the common good, the role of the so-called intermediate bodies, the principle of subsidiarity and the communitarian life – principles which have provided a foundation for the construction of the concepts of co-operativism.

Ever since the appearance of the founding document of Catholic social doctrine, the Encyclical *Rerum Novarum* (1891) by Pope Leon XIII, there is evidence of continuity in the defence of the inalienable dignity of workers, connected with the importance of the right to property, the principle of co-operation among the social classes, the obligations of workers and employers and the right to form associations.

The orientation of ideas expressed in the encyclical strengthened the commitment to vitalise Christian social life, which was seen in the birth and consolidation of numerous initiatives with a high civic profile: groups and centres for social studies, unions, co-operatives, rural banks, etc.

Since *Rerum Novarum*, the Church has consistently mentioned co-operative enterprises in all subsequent social documents.

In the Encyclical *Quadragesimo Anno* (1931) Pope Pius XII suggested the creation of workers’ associations;

In his radio message of September 1944, Pius XII also proposed the creation of co-operative unions for small and medium enterprises in the sectors of agriculture, arts, retail and industry;

In the Encyclical *Mater et Magistra* (1961) of John XXIII there is a specific chapter on “artisans and co-operative enterprises”;

Also the Vatican II Council, in the “*Gaudium et Spes*” constitution (71) dealing with the subject of the economic reforms, calls for an effective co-operative organisation;

We also can find specific references to co-operatives in the Encyclical *Laborem Exercens* (1981)

“In the light of the above, the many proposals put forward by experts in Catholic social teaching and by the highest Magisterium of the Church take on special significance:

*proposals for joint ownership of the means of production, the inclusion of workers in management structures, profit-sharing, so-called shareholding by labour, etc. ...*”

I have recently discovered that my Latin America counterparts in the co-operative movement have added a new Encyclical to the long teaching of John Paul II by referring to the speech that John Paul II gave in Faenza, in the region of Emilia Romagna, in May 1986 during a meeting with local co-operators, as the “Co-operative Encyclical”. This speech is indeed full of praise for the co-operative experience.

In the “Compendium of the social doctrine of the Church” of 2004 prepared by the Pontifical Council for Justice and Peace, there is a chapter entitled “Business and its goals” (339) which reminds us that business plays a role in the community and of the importance of real co-operation of partners in labour.

339. All those involved in a business venture must be mindful that the community in which they work represents a good for everyone and not a structure that merely permits the satisfaction of someone’s personal interest.

This awareness alone makes it possible to build an economy that is truly at the service of mankind and to create programmes of real co-operation among the different partners in labour. A very important and significant example in this regard is found in the activity of so-called co-operative enterprises.

It is possible to summarise the long series of statements by the Church in support of the co-operative experience in the words of John Paul II in Faenza in 1986:

“We can say that the novelty of the co-operative experience lies in its effort to combine the individual and communitarian dimensions. In this sense it is a concrete expression of the complementarities that the social doctrine of the Church has always tried to promote between the person and society; it is the synthesis between the advocacy of the individual rights and the promotion of the common good.”<sup>22</sup>

As I have tried to illustrate, the Church has always looked with sympathy at the development of the co-operative movement. If we compare what characterises the co-operative enterprise with the principles of Catholic social thought we find that:

The co-operative enterprise exemplifies the duality of the demands of the person as individual and the demands of the community, between reciprocity and civic engagement, or, in more modern terms, between mutual and public benefit.

The co-operative enterprise conjugates two fundamental principles of social doctrine, principles which bring to mind different economic visions, but which deserve to always be developed in an integrated and complementary fashion.

The principle of subsidiarity, according to which “all societies of a superior order must adopt an attitude of help (“subsidium”) – therefore of support, promotion, development – with respect to lower-order societies” (Compendium 186) and that of solidarity that characterises the nature and existence of the co-operative enterprise.

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<sup>22</sup> My translation from Italian

The co-operative enterprise is then, the reflection of another principle of social teaching that is closely connected with that of the subsidiarity – namely, the principle of participation, a principle that underpins the co-operative structure. One major feature of co-operative organisations is the inextricable link between the realisation of objectives and the active participation of members. The co-operative enterprise widens the possibility to practice the right to economic initiative underlined from social doctrine, a right that is an expression of the liberty of the people in the economic field and a guarantee of greater economic democracy. In effect, "experience shows us that the denial of this right, or its limitation in the name of an alleged "equality" of everyone in society, diminishes, or in practice absolutely destroys the spirit of initiative, that is to say creates the subjectivity of the citizen." (*Sollicitudo rei socialis*, no. 15)

In conclusion, the co-operative enterprise can give concreteness to what John Paul II considered was essential to always keep in mind in the field of work: the “personalist argument”. The worker, in this perspective, must always have a sense of working “for himself”.

"... it must be emphasised, in general terms, that the person who works desires not only due remuneration for his work; he also wishes that, within the production process, provision be made for him to be able to know that in his work, even on something that is owned in common, he is working "for himself." (*Laborem Exercens*, no. 15)

In addition to historical pronouncements, there are also some elements of reflection. A first aspect to consider is that, according to Catholic social thought, social and economic justice are not elements that we can add at the final stages of economic production. They cannot simply be separated from the entire process.

Social doctrine considers that solidarity and justice are essential components of the entire economic cycle; with production and consumption, saving and finance, investment and delivery. It is only in this way that we are able to assert that the commitment to solidarity and justice must be respected by all the actors in the economic cycle and not only as a moralistic act that is added at the end “a posteriori” (ex post) after the completion of the economic cycle.

It is often said that it is necessary to produce wealth before distributing it. While this may be true, this sentence means that the ethical moment of solidarity is only present at the point of distribution and not throughout production. This is a mistake of perspective and is most certainly not in line with Catholic social doctrine. There is certainly a social dimension in distribution, but also in production, and it is especially important to consider above all, “WHAT” is produced and “HOW” it is produced.<sup>23</sup>

On this point John XXIII is clear and unequivocal, stating “Justice is to be observed not only in the distribution of wealth, but also in regard to the conditions in which men are engaged in producing this wealth. Every man has, of his very nature, a need to express himself in his work and thereby to perfect his own being”. (*Mater et Magistra*, 82)

Co-operatives demonstrate this point: they use an organisational approach, which, if properly used, promotes solidarity in production methods based on participation and sharing of values and ends. The aim of a co-operative is to produce goods and deliver services, and to satisfy the legitimate needs of the members. But there is a more important aim, and it is not only instrumental: it is to produce co-operation, relations, participation and consequently to promote interpersonal connections.

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<sup>23</sup> Crepaldi G.. (2006), *L'impresa cooperativa e la dottrina sociale della Chiesa*, Speech at 4th Assembly of Federsolidarietà – Confcooperative, Rome 18 January 2006

In other words, while co-operatives may attach importance to what they produce, it is the way in which this end product is obtained that is arguably more important.

And it is in this way, in the words of John Paul II, that there is an overlap between the needs of the individual and the needs of the community. The co-operative is founded on this aspect: to satisfy the needs of the individual through the social and participative dimensions of co-operatives.

The historical involvement of the Catholic Church in the promotion of co-operatives is not only evidenced by statements and official pronouncements. It is intertwined with the history of Christians – both laity and priests – who are motivated by their faith and by the problems of social justice, of the needs of their fellow people. This not only happened in the period of “*res novae*”, but continues to be seen today.

The co-operative enterprise remains the privileged model used by many ecclesiastical initiatives to promote human dignity and autonomy and the empowerment of disadvantaged populations throughout the World.

The list would be very long, as some of the most successful stories of the co-operative movement worldwide come from Christian roots.

#### 5- CORPORATE SOCIAL RESPONSIBILITY AND CO-OPERATIVE IDENTITY OR “THERE IS NOTHING NEW UNDER THE SUN” (ECCLESIASTES 1, 9).

There is a growing alignment of the theme of corporate social responsibility and the values and principles of co-operation. Due to their specific nature, co-operatives and their business models are inherently socially responsible. CSR is naturally embedded in the co-operative identity.

Co-operatives are different in three key ways: they have a different purpose, a different control structure and a different approach to the allocation of profit. The corporate governance of co-operatives is also unique, demanding and delicate.

Co-operatives are a specific genus in the market economy and are not always understood.

Three cases will be illustrated :

- The recent Italian reform of company law, with specific reference to co-operatives, can be seen as a positive example.

The reform recognised the unique diversity, based on the nature of co-operative enterprises vis-à-vis other kinds of enterprises, and also drew attention to the ‘mutualistic’ function of co-operatives.

- The attempt by UNIPOL, an insurance company belonging to the consumer co-operatives, which failed in its bid to take over one of the main national banks, BNL, can be seen as a negative example. This affair revealed enormous misconduct by the management, which was no longer in the control of the membership. It is a very long and complicated episode that throws a dark shadow on the whole Italian co-operative movement, particularly in light of its exploitation by politicians during the recent elections.
- The evolution of co-operative form toward multi-stakeholder structures as example of “concern for the community” taken into account.

## 5.1 - The example of the recent reforms of the co-operative law in Italy<sup>24</sup>

In recent years the Italian co-operative movement has experienced a period of unprecedented activity, with one of the main results of this activity being the profound modification of the legislative environment of Italian co-operatives.

These measures have provoked a change that is so wide-ranging and so deep, that it is no exaggeration to speak of a "revolution" in Italy's co-operative law.

Some fundamental legislative changes have been brought about:

5.1.1 - The new discipline of "associated work",<sup>25</sup> also called "worker-ownership", which is typical of workers' co-operatives, namely co-operatives where the members are the staff of the enterprise, i.e. worker-members. These enterprises are characterised by a distinctive type of labour relations, which are different from those experienced by conventional employees or by self-employed people.

The new regulations aimed to bring some order to a confused situation, with contradictory norms and frequent litigation. In the past, it was not uncommon that the worker-member was considered to be a "conventional worker", especially when there was a contribution to pay, but was not accorded the same status when it came to eligibility for benefits.

The law and the modifications that followed have served to clarify the associative link between the worker-member and the co-operative and the subsequent contract of employment.

In other words the contract of employment is an expression of the associative link.

The contract of employment is an instrument of the associative relation that is predominant.

5.1.2 - The reform of the co-operative audit<sup>26</sup> allows it to regain its original purpose of stimulating the improvement of management and the democracy of the enterprise.

It confirms and reinforces the principle of the autonomy of the co-operative movement, which is deeply-rooted in Italian tradition, as well that of many other European countries. It confirms, in other words, the law's confidence in the capacity of the co-operative movement to ensure the preservation of its identity.

The objective of the co-operative audit is a legal provision requiring that all registered co-operative societies be audited annually. This audit, however differs significantly from the traditional accountancy audit, in that it aims to:

- Provide the organs of the co-operatives with suggestions and advice to improve management and internal democracy, in order to promote the real involvement of the members in the life of the enterprise.
- Verify, potentially by examination of the accountant and managers, the mutualistic nature of the co-operative, the effective involvement of the members in its social life and mutual exchange, and its accompanying eligibility for fiscal incentives.
- Ascertain the existence of an internal regulation of the worker-members and the conformity of the contracts of employment.

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<sup>24</sup> Pezzini E. (2003) *La réforme du droit coopératif en Italie* in RECMA – Revue International de l'Economie Sociale n°290, Paris

<sup>25</sup> Law 142/2001 and its modifications (art. 9 Law 14/02/2003 no. 30).

<sup>26</sup> Legislative Decree 2/08/02 no. 220

- Verify the capital assets, by acquiring all available elements: balance sheets, proceedings of the board of directors, reports of the auditors.

For most Italian co-operatives, a co-operative audit is obligatory every two years. For social co-operatives, housing co-operatives and larger co-operatives in general, it must be carried out annually.

5.1.3 - The reform of company law<sup>27</sup> is a modernisation of the part of the civil code that concerns enterprises. It refers to a rewrite of book V of the civil code. The part relevant to co-operatives being title VI, articles 2511 to 2548.

For co-operatives several innovations have been introduced, the most remarkable being that which defines "predominant mutuality" and the precise criteria needed to retain state fiscal approval.

The new company law creates a distinction between those co-operatives with "predominant mutuality", which remain eligible for fiscal incentives foreseen by the special laws, and those co-operatives without "predominant mutuality" that won't benefit from the same advantages.

Article 2512 of the civil code stipulates that "co-operative societies with predominant mutuality, because of the type of mutual exchange among members, are those that:

- a) Carry out their activity mainly in favour of the members, the consumers or the users of goods or services;
- b) Use mainly, in the exercise of their activity, the work of the members;
- c) Use mainly, in the exercise of their activity, goods or services provided by the members."

Article 2513 of the civil code gives precise criteria for the measurement of "predominant mutuality":

"The directors must, in the note to the balance sheet, document the condition of predominance while establishing that the following parameters are true:

- a) The revenues resulting from sales of goods and the benefits from services to the members must be greater than 50% of the total of the products of the sales and benefits.
- b) The cost of the remuneration for the work of the members must be greater than 50% of the total of the cost of the remuneration for work.
- c) The price paid for the services or goods provided by the members must be greater than 50% of the total of the cost of the services, of the cost of the goods or raw materials bought or brought."

The interesting aspect to underline is the reaffirmation of the original and essential diversity of the co-operative enterprise, and the stopping of the creeping process of forced assimilation of the co-operative to the traditional capitalist company. These attempts at assimilation have been made in a more or less overt manner for a number of years.

Indeed, co-operative members who have chosen to associate themselves and to create a company, do so for reasons, which are very different from the rationale of the capitalistic company – to maximise value and capital.

The members of a workers' co-operative are generally more interested in the remuneration they receive for their work than in the capital. The members of an agricultural co-operative are more interested in the payment they receive for their products than in the capital.

Different goals lead to different forms of organisation and management.

It is for this reason that the reform of company law in Italy can be described as a decisive act: it could have led to the further assimilation and trivialisation of co-operatives – or to the reaffirmation of their identity and their mission.

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<sup>27</sup> Legislative Decree 17/01/2003 no. 6

Therefore the reform, as well as confirming pre-existing conditions, introduced the new condition, (one that has no effect as regards fiscal incentives) of predominant mutuality.

This is an additional condition that co-operatives are asked to fulfil, and it is also a new coercive element that is added to their regulation. It has however, the merit of confirming the identity and the mutual function of co-operatives, and of reminding them of the consistency and the respect that is due to their identity and their function.

The condition of “predominant mutuality” is not the only reaffirmation of mutuality and the specific relationship among the members as a strong distinctive characteristic of authentic co-operation.

Various other provisions of the new civil code serve to orient the co-operative toward the mutual needs of its members,<sup>28</sup> and one is particularly significant.

For the first time, a general regulation of the dividend that the co-operative society assigns to the members at the end of the financial year, in proportion of their transactions with the co-operative (the mutual exchanges made during the year), find its place in the civil code.

It is the dividend that exemplifies the mutual advantage that the co-operative must pursue.

#### 5.1.4 - The democracy of the co-operative enterprise.

Following this reform, Italian co-operatives are confronted with several choices that derive from the statutory autonomy that co-operatives enjoy.

To increase the statutory self-determination of the co-operative means to increase the level of the democracy of enterprise, with accompanying consequences for the level of the involvement of the members, rights, procedures, mechanisms etc.

The sense of the reform, and not only because numerous decisions are expressly devolved to the assembly, is to make the co-operators more conscious of the goals that they want to pursue through the co-operative, on the needs that they aim to satisfy and on the most effective organisation for the common enterprise.

With these conditions, the reform of co-operative law is a real opportunity to accelerate the development of a stronger sense of co-operative authenticity.

The challenge is to reconcile mutuality and development, authenticity and improved competitiveness, and the role and participation of members is the key issue.

#### 5.2 – The Unipol Case<sup>29</sup>

The failed attempt by Unipol, one of the major insurance company in Italy, quoted on the stock exchange as a Public Listed Company, belonging to the consumer co-operative, to take over one of the main national banks, BNL, can be seen as a negative example. The request by Unipol to the Bank of Italy (the country’s central bank), on 16 May 2005 to increase its shareholding from 5% of BNL to almost 10% came a few weeks after the takeover bid of the Spanish Bank of Bilbao, majority shareholders in BNL. On 24 May, following anomalous trading in the Stock Exchange and legal action by the Bank of Bilbao, the Public Prosecutor’s office of Rome opened an inquiry into the Unipol-BNL affair. The Public Prosecutor’s investigation showed serious misconduct by the management of Unipol. In December both the Governor of the Bank of Italy and the President of Unipol resigned.

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<sup>28</sup> The possibility to operate with non-members must be the subject of a statutory disposition (art. 2521, paragraph 2); the social object must be linked with the qualities and needs of the members (art. 2521, paragraph 3); the statutes must regulate the exercise of the mutual activity with the members (art. 2521, paragraphs 2 and 5); and the principle of equality of treatment of the members must be respected (art. 2516).

<sup>29</sup> The complexity of the Unipol case means that it is deserving of a paper of its own. In this paper, I shall only be giving a brief description of the affair.



Three points of discussion can be drawn from this affair.

a. A managerial crisis

This affair revealed serious misconduct by the management of UNIPOL, which was no longer under the effective control of the members. We must ask ourselves whether an increase in the size of a co-operative leads to problems of governance and control over the activity of the managers. The principle of ownership by the members is a central tenet of the co-operative enterprise and implies in particular, participation in and control over management. The Unipol case indicates that co-operatives, in particular those of significant size, must be expected to significantly improve their systems of corporate governance. Members must be given the means to be actively involved in management decisions, as participation is both a guarantee of the satisfaction of the social needs of the members and a realisation of a core value of the co-operative, which also responds to the requirements of the legal system: combining mutuality with democracy. Even when co-operatives use instrumental legal forms, they must retain control of their governance and their acts and decisions. Their strategies must be the outcome of a broad discussion. In the Unipol case, the question was “were co-operatives governing Unipol, or did organisation’s technocratic structure Unipol have an absolute degree of control?”

b. An ideological crisis

The ideological crisis has two aspects: what is and should be the true purpose of a co-operative, and whether co-operatives fulfil a distinct role or whether they may be assimilated into/combined with different kinds of enterprises. In the Unipol case, a great deal of emphasis has been placed on the advantages of a consumer co-operative movement’s acquisition of a bank. While operations of this nature have been interpreted as viable and even necessary for co-operative enterprises, due to the fact that they must operate in the market like any other form of enterprise, many people have argued that such operations must be strictly linked to the specific activity of the co-operative. A proposal stemming from the Unipol case is that it must stimulate a reflection on the use of the indivisible reserves of the co-operative, since, by means of an ethical code or by law, some limits should be put on their use, strictly for operations related to the co-operative’s specific activity. Another similar point was that the participation or creation of other forms of companies is to be supported and considered appropriate when the aim is to strengthen the cooperative mission and not, on the contrary, when a distance from the mission at the basis of the social scope is created; as for instance in the Unipol case.

c. A political crisis

The Unipol case has prompted political parties to question the autonomy of co-operative forms of enterprise and has been used by some politicians to discredit the co-operative movement.

The case arose from some allegations that a member of the Democratic Left (DS) was involved in the bid. The former premier Berlusconi accused the DS of using political influence to further its business interests. The entire Italian co-operative movement was thus attacked and allegations were used as arguments in the electoral campaign (the scandal of Unipol case being linked to the left-wing parties).

### 5.3 - The evolution of the co-operative form towards multi-stakeholder structures

In recent decades we have witnessed a number of changes concerning co-operative models. The development of new co-operative models is connected above all to their increased engagement in the supply of educational and social services, which are carried out beyond the traditional “boundaries” of the co-operative membership.

This trend is also underlined by the European Commission which stated in its consultation document preparatory to the adoption of the Communication on the promotion of co-operatives in Europe, that:

“An interesting recent development is the multi-stakeholder co-operative, which can accommodate wider interests than traditional co-operatives (which are oriented to members’ interests) or capital companies (which are oriented towards investors’ interests). These stakeholders may include employees, consumers, local authorities and local enterprises.”<sup>30</sup>

New types of co-operatives started to emerge from the 1980s onwards to take care of elderly people, children and disadvantaged people, and to provide basic services, such as health care and other social support services.<sup>31</sup>

At the same time, vulnerable groups started to join workers’ co-operatives or community based service co-operatives,<sup>32</sup> and new co-operatives have started to flourish in a number of different sectors (waste management and recycling, environmentally friendly tourism, etc.).<sup>33</sup>

The aforementioned co-operatives, mainly supplying community services that benefit both members and the local community, resulted both from the changing role of the local state as regulator, rather than provider, and the combination of new unsolved social and environmental problems. That these co-operatives have managed to successfully enter into public sector activities is due to their ability to integrate different interests such as the good of their members and the common good with personal and societal gain.<sup>34</sup>

These new co-operative solutions take different denominations, due to different national traditions and legislative evolutions.

5.3.1 - It is fair to say that it is the Italian social co-operatives who are the main innovators in this field. Social co-operation has become a strong, consolidated reality in Italy, comprising some 7,200 businesses with a total of 267,000 members, 31,000 volunteers, and 223,000 associated workers, among which are 24,000 disadvantaged people. Annual sales for these social co-operatives are estimated to be around 5 billion euro annually.

By virtue of Law 381 of 1991 that recognised, after ten years of parliamentary debates, this new form of co-operative enterprise, social co-operatives have to carry out their activities “for the general benefit of the community and for the social integration of citizens”. This is an acknowledgement that social co-operation is an instrument for the pursuit, not of the members’ interest, but of the general interest of the wider community. Consequently, membership may consist of various kinds of stakeholders, including worker members, user members who benefit directly from the services of the co-operative, and voluntary members who work for the co-op in “a personal, spontaneous and free manner without any profitable aim, although the latter may not constitute more than 50% of the total workforce.

The law distinguished between two types of social co-operatives:

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<sup>30</sup> European Commission (2001) Consultation document *Co-operatives in Enterprise Europe*

<sup>31</sup> Galera G., (2004) The evolution of the co-operative form: an international perspective, in Borzaga C., Spear R. (eds) *Trends and Challenges for Co-operatives and Social Enterprises in Developing and Transition Countries*, Edizioni 31, Trento

<sup>32</sup> International Co-operative Alliance (1995), *Co-operatives towards the XXI century*, Geneva

<sup>33</sup> ILO (2001), *The promotion of co-operatives*, Geneva

<sup>34</sup> Lorendhal B. (1997) ‘Community and multi-stakeholder Co-operative/Social economy, toward a Swedish model’, *Annals of Public and Co-operative Economics*, Vol. 68, no. 3 September

- Social co-operatives generally defined as Type A, delivering social, healthcare and educational services. These co-operatives are primarily organised around: home aid, care centres, socio-educational centres, therapeutic communities, education and prevention, and hostels and rest homes for the physically and mentally handicapped, the elderly, minors and drug addicts.
- Social co-operatives generally defined as Type B whose activities further the integration of disadvantaged persons. These co-operatives are primarily organised around: agriculture, maintaining green spaces, cleaning, industrial laundry, information technology, binding and typography, cottage-industry activities and services. The disadvantaged workers in these “professional integration” co-operatives include the physically and mentally handicapped, psychiatric patients, drug addicts, prisoners on probation and disadvantaged adults - who together must represent at least 30% of the workforce. In exchange they do not pay social security contributions.

Social co-operation had developed long before the promulgation of the 1991 law, with the phenomenon seeing the light of day in the late 1970s. In various regions of Italy, co-operatives were viewed as the business form best suited to the initiation of socially-oriented activities that needed to be managed as businesses. It was in this way that the first co-operatives came into being, backed by volunteers, social workers, the families of the handicapped and/or local administrations. All these experiences were based on the organisation of socially-oriented services and the variety of actors involved.<sup>35</sup>

5.3.2 - Another example can be found in Portugal, which in 1996, and with the approval of the new Co-operative Code,<sup>36</sup> introduced the social solidarity co-operative. The statute of this new form of co-operative was defined by the law in 1998,<sup>37</sup> the aims being to give support to vulnerable groups (children, teenagers, disadvantaged persons, old persons), families and socially disadvantaged communities in view of their economic integration, as well as to Portuguese emigrants in difficulty. “The 1998 law differentiates ordinary members – beneficiaries of the services supplied, members of the families benefiting or paid workers – from voluntary members – providers of goods or services which are not remunerated, donors. The latter do not have the right to vote, or to be elected, but may constitute, together with the other co-operative bodies, a consultative committee called the General Council.”<sup>38</sup>

As François Espagne cleverly analysed, Portuguese social solidarity co-operatives are expected to satisfy the social needs of their members, their promotion and integration, but at the same time are expected to carry out activities that benefit the wider community.<sup>39</sup> There are currently sixty social solidarity co-operatives in Portugal.

5.3.3 - The third example of social co-operation is provided by France. On 28<sup>th</sup> June 2001<sup>40</sup>, the French National Assembly adopted the law 624/2001 which, thanks to its article 36, introduced a new co-operative form: the Co-operative Company of Collective Interest (Société Coopérative d’Intérêt Collectif – SCIC).

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<sup>35</sup> Pezzini E. (2001) ‘Le Consortium CGM. Le développement d’une « entreprise réseau »’ in Côté D. (ed.) *Les holdings co-opératifs*, De Boeck Université, Bruxelles

<sup>36</sup> Law 51/96 (7 September 1996)

<sup>37</sup> Decree Law 7/98 (15 January 1998)

<sup>38</sup> Galera G., op. cit.

<sup>39</sup> Espagne F., (1999) ‘Les co-opératives à but social et le multisociétariat’, *Revue Internationale de l’Economie Sociale*, Paris

<sup>40</sup> Law 624/2001 (17 July 2001)

The SCIC is in reality not a completely new legal framework, rather it is an adaptation of the co-operative law of 1947. Consequently, it shares with all other co-operatives the same prerogatives, types of structure, constraints and opportunities.

Alix Margado, one of the driving forces of the whole legislative process, describes the SCIC as “the result of a pragmatic approach. It was indeed those involved in associations and/or in co-operatives who asked the legislator to adapt the texts, and to extend the existing provisions so as to ensure that they were better adapted to their objectives and their work”.<sup>41</sup>

The main characteristics of SCICs are: the opportunity for different types of actors to be associated within the same project: workers, volunteers, users, public bodies, companies, associations, private individuals etc. As regards the ownership structure, more member categories are admitted. The law prescribes the presence of at least three categories of members, of which workers and users are compulsory. Beyond the minimum of three categories, the multi-partner aspect of the SCIC is open to any other individual and any private and/or public legal person. All these persons can be associated with the capital of the co-operative. Each associate takes part in the collective decision-making via the category to which it belongs, and each has one vote.

SCICs produce a wide variety of goods and services which meet the collective needs of a territory, involving the best possible mobilisation of its economic and social resources. The social utility of a SCIC is also guaranteed by its vocation to organise, among any actors, a practice of dialogue, democratic debate and citizenship formation.

In a further quotation from Margado, he states: “The multi-partner aspect of the SCIC, its capacity to enhance co-decision taking by people having a different relationship to the same activity, no matter what its activities, is the cornerstone of this new type of co-operative. It is the trademark and the guarantee that the SCIC’s activity is well-rooted in the territory in which it operates.” At present, Eighty-three SCICs have been officially registered in France.<sup>42</sup>

5.3.4 - This list of social cooperatives could be longer. In Spain, we are witnessing the development of the so-called “co-operatives of social initiative”, which are engaged in educational, welfare, medical and work integration services.

Since 1997 in Quebec (Canada) legislation has allowed for the creation of multi-membership or solidarity, co-operatives. The relevant legislation states, “the solidarity co-operative concurrently consolidates members who are users of the services offered by the co-operative, and members who are workers employed within the co-operative. Moreover, any other person or company who has an economic and or social interest in attaining the objective of the co-operative may also be member of the co-operative.”<sup>43</sup> More than 250 solidarity co-operatives are active in Quebec; they are present in various fields of activity, with a dominant presence in the area of personal home services.

In Greece too, social co-operatives with limited liability came into being following new regulations introduced in 1999. In Japan, established and newly created co-operatives have started to take part in the social health care sector ...

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<sup>41</sup> Margado A., ‘A new form of co-operative in France: Société Co-opérative d’Intérêt Collectif (SCIC)’, in Borzaga C., Spear R. (eds) *Trends and Challenges for Co-operatives and Social Enterprises in Developing and Transition Countries*, edizioni 31, Trento

<sup>42</sup> More details at: <http://www.scic.coop/>

<sup>43</sup> Girard P. (2004), Solidarity co-operatives in Quebec (Canada): overview, in Borzaga C., Spear R. (eds) *Trends and Challenges for Co-operatives and Social Enterprises in Developing and Transition Countries*, edizioni 31, Trento

In light of the seventh principle of the co-operative identity, “concern for the community” is really taken into account. Similarly, the involvement of various kinds of stakeholders in the activities of the co-operatives and in the decision-making process contributes to the promotion of a sense of social responsibility at local level. Once again, this demonstrates the commitments of co-operatives to corporate social responsibility as, instead of merely paying the concept lip-service, co-operatives have shown their willingness to employ corporate social responsibility in practice.

## 6 - CONCLUSIONS

Raising awareness about and operating under a different and diverse approach to governance, while remaining true to the co-operative principles, is a key challenge.

There are also several challenges that the co-operative movement has to face, in order to be able to respond to the expectations that are attached to it

### 6.1 – A cultural challenge

Why is the historical, cultural and principled heritage of co-operatives not present in public opinion?

Does the “obligatory” diversity of this specific form of enterprise mean that it is difficult for it to be translated into wider society?

How can co-operatives overcome the "burden" of the past, which in some countries, means making a break with the old ideological distinction between "white" co-operatives and "red" co-operatives?

There are numerous strong signals that a growing proportion of the general public supports or wants a more balanced economic model and more sustainable and participative life styles.

After the fall of communism and the doubts about the capacity of liberalism to produce balanced solutions, co-operation became a reference for a more balanced model for our economy or, to employ a term used in the draft Treaty for a new Constitution for Europe, an essential component of a new "market social economy".

### 6.2 – The challenge of development and the eradication of poverty

Co-operatives hold a special place in the construction of stable societies in the South. Evidence from NGOs engaged in development programmes in Southern countries clearly shows that the co-operative is a widely used tool. One specific example of this is provided by the Southern producer cooperatives who participate in the Fair trade movement.

We can affirm that the co-operative model is an essential tool for the development of less economically developed countries.

In the past, co-operatives failed when they were imposed by outsiders seeking to modernise people. In the future, the co-operative should develop organically, as a consequence of a community's evolution.

### 6.3 – The challenge of the new forms of "social and solidarity based economies"

It is important to maintain the centrality of the co-operative experience in the development of the variegated and multicoloured world of the so-called solidarity, ethical and "alternative" economy, which shares models and co-operative principles but is reluctant to see itself as directly part of the co-operative movement.

From the point of view of co-ops, they have to ensure that their original values are clear and strong, because over the years they have been clouded by the experiences of state interference in some countries or from the identification with capitalistic liberalism in others.

### 6.4 – The challenge to play a role to make democracy real

How to increase democratic participation, against the risks of a formalised and artificial or incomplete democracy ?

Free elections are important but are not sufficient to guarantee a real democracy. Ralf Dahrendorf entitled one of his recent articles "An election does not make democracy". In fact, what about economic life, media control, administration of justice, etc.? Substantive/real/true democracy is a holistic approach.

From the co-operative experience some answers can emerge.

Answers on the quality, the depth and the effectiveness of democracy. In fact, co-operative enterprises provide a key opportunity for participation – they are organisations which practice and experience economic democracy and creators of "social capital" in communities. This means that the co-operative is a motor for trust, cohesion and subsidiarity.

Co-operatives also provide answers in terms of the equilibrium of economic power, in fact co-operative enterprises can also excel in very competitive sectors. This is largely due to the employment of organisational models that exploit the capacity of "networking", a formula which allows co-operatives to overcome the "*pensée unique*" that claims that it is absolutely necessary for enterprises to be very large.

### 6.5 – The challenge of sticking to principles

I think that co-operatives have a clear economic and social role to play in today's society. This applies to countries in the North and in the South, in traditional sectors and in the social and solidarity-based economy.

What the future role of the co-operative movement will be depend largely on the organisations themselves.

If the movement can continue to work with economic and social aspirations as well as renewing and adapting itself while retaining its fundamental values, this will undoubtedly be the case. For this reason, it is important that the members, managers and directors of co-operatives are and continue to be, aware of the fact that co-operatives exist to serve their members and their community. Members, managers and directors must take full responsibility for this. The saying goes that "Co-operatives do not have members, members have co-operatives"<sup>44</sup> and it will be a challenge for the coming decades to give shape to this idea.

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<sup>44</sup> Hans-H. Munkner, quoted in J. Birchall (2003) – Rediscovering the co-operative advantage

The future of the co-operative movement lies in providing the answers to these challenges.

I hope the content of my paper has made it clear that co-operatives have an important message in these periods of transformation and uncertainty, because they know how to turn needs into enterprises, problems into projects, and they know how to give answers, at least partially, to the questions of sense and identity for individuals and for local communities.

Are co-operatives good companies “by definition”?

The answer to the question is “yes, but ...”

“Yes”

because the co-operative, much more than any other business organisation or juridical form of company, as the intrinsic characteristics to combine economic and social aims;

“But...”

as the co-operative is a complex and demanding form of enterprise, it requires sophisticated governance. The question of whether or not the co-operative is a "good" company hinges on its level of coherence with principles, organisational model and mission.

The Italian Cooperatives Bank Federation ( Federcasse-Confcooperative) are, for instance, proposing to the 439 local co-operatives banks associated not, as is commonly use nowadays a social balance, but rather a coherence balance, precisely to underline that for a co-operative to be a good company is to be truly itself, fully coherent.

The history of co-operative movement goes back 160 years and 800 million members throughout the world prove that this is possible.

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