The Oxford Handbook of Mutual, Co-Operative, and Co-Owned Business

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Abstract

This handbook investigates ‘member-owned’ organizations, whether consumer co-operatives, agricultural and producer co-operatives, worker co-operatives, mutual building societies, friendly societies, credit unions, solidarity organizations, mutual insurance companies, or employee-owned companies. Such organizations can be owned by the consumers, producers, or employees—whether through single-stakeholder or multi-stakeholder ownership. ‘Employee-owned’ business means businesses where a significant proportion of the company is owned by its employees, whether as individual shareholders or through a trust, or some combination of the two; ‘significant’ is generally taken as at least 25 per cent. This complex set of organizations is named differently across countries: from ‘mutuals’ in the United Kingdom, to ‘solidarity co-operatives’ in Latin America. In some countries, such organizations are not officially recognized. For the sake of clarity, the handbook will refer to member-owned organizations to encompass the variety of non-investor-owned organizations, and in the national case-study chapters the terms used will be those most widely employed in that country. These alternative corporate forms have emerged in a variety of economic sectors in almost all advanced economies since the time of the Industrial Revolution and the development of capitalism, through the subsequent creation and dominance of the limited liability company. Until recently, these organizations were generally regarded as a rather marginal component of the economy. However, in recent years, they have come to be seen in some countries as potentially attractive in light of their ability to tackle various economic and social concerns, and their relative resilience during the financial and economic crises of 2007–2016.

Keywords: mutual, co-operatives, employee ownership, business, stakeholders, member-ownership, corporate forms

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Introduction and Overview

This handbook analyses, describes, and explains the complex world of organizations that assign ownership rights and governance control to stakeholders other than investors. The complexity of this set of organizations results both from the different degree of control exerted by stakeholders in each typology, and from the different legislative and regulatory frameworks that govern these organizational forms.

This handbook covers the whole range of 'member-owned' organizations, whether consumer co-operatives, agricultural and producer co-operatives, worker co-operatives, mutual building societies, friendly societies, credit unions, mutual insurance companies, or employee-owned companies. Co-operatives can be owned by the consumers, the producers, the employees, or by other members—whether through single-stakeholder or multi-stakeholder ownership. By 'significantly employee-owned' we mean a business where a meaningful proportion of the company is owned by its employees, whether as individual shareholders or through a trust, or through some combination of the two—where 'significantly' is generally taken to be at least 25 per cent. The term 'employee-owned' or 'worker-owned' or 'worker co-operative' is typically reserved for a business where the workers own more than 50 per cent of the shares or ownership rights of the business.

This complex set of organizations is termed differently across countries: from 'mutuals' in the UK, to 'solidarity co-operatives' in Latin America, to 'employee-owned' and ESOPs (Employee Stock Ownership Plans) in the United States. In some countries, such organizations are not even officially recognized and thus lack a specific descriptor. For the sake of clarity, this handbook refers to 'member-owned organizations' to encompass the variety of non-investor-owned organizations, and in the national case-study chapters, the terms used will be those most widely employed in that country.

These alternative corporate forms have emerged in a variety of economic sectors in almost all advanced economies—since the time of the Industrial Revolution and the development of capitalism, through to the subsequent creation and dominance of the limited liability company. Until recently, these organizations were generally regarded as a rather marginal component of the economy. However, over the past few years, (p. xxiv) member-owned organizations have come to be seen, in some countries at least, as representing a newly attractive potential in light of their ability to tackle various economic and social concerns. The first international organization that explicitly recognized the importance of these organizations was the Labour Conference that in 2002 adopted the International Labour Organization (ILO) Recommendation No. 193 concerning the promotion of co-operatives. The interest in co-operatives grew further as a consequence of their relative resilience during the financial and economic crises of 2007–9.[1]

Thus, 2012 was designated by the United Nations as the 'Year of the Co-operative'. In addition, various documents have been researched and issued by the European Union Institutions that have pointed to the important potential role that could be played by non-investor-owned enterprises across European societies. These include the Communication of the Commission on the promotion of co-operative societies in Europe, where the Commission argued for a greater focus on this area within the new Member States and candidate countries, where despite extensive reforms the instrument of co-operatives is not fully developed. And the Report on Social Economy discussed by the Committee on Employment and Social Affairs of the European Parliament called on the Commission to take the specific features of the social economy (aims, values, and working methods) into account when devising European policies, and to incorporate the social economy into its policies and strategies. Another important such document, that pointed to the contribution of co-operatives to societal well-being, was that of the 'Europe2020' strategy, and this was followed by the European Commission launching their 'Social Business Initiative', which developed a similar message.[2]

This renewed interest in member-owned organizations has paved the way for a wider recognition of the importance of corporate diversity in contributing to the health and resilience of national economies, including for example by the 2012 Report delivered by the UK Commission on Ownership, which advocated a greater degree of corporate diversity, with a stronger member-owned and employee-owned sector, and with the UK's 2010–15 Coalition Government being

committed—including in its *Coalition Agreement*—to strengthening the co-operative and social economy sectors, in part to create a more resilient financial services sector in reaction to the global financial and economic crises of 2007–9, which were generally seen as having been fuelled by the excesses of privately and shareholder-owned banks and other financial institutions.

This handbook is international in scope, includes contributions from the leading academics and practitioners from the relevant fields, and covers the various disciplinary areas—including economics, finance and accounting, management and business, law, politics, history, organizational studies, psychology, public policy, and industrial sociology. The approach of the collection is interdisciplinary. The chapters reflect the latest (p. xxv) academic research and thinking on each topic, as well as reporting the relevant policy debates. The strengths and weaknesses of the various alternative corporate forms are explored, with failures analysed as well as successes.

The chapters in Part I of the handbook describe and analyse the diversity and complexity of member-owned organizations, with Chapter 1 by Jonathan Michie considering why ownership matters in the first place—from which follows the importance of who those corporate owners are, namely private (or family), external shareholders, or members. Following the 2007–8 global financial crisis and the subsequent years of stagnation and economic fragility across many economies, there remains little consensus as to what might constitute an alternative to the neoliberal order that led up to, and arguably caused, that global financial crisis of 2007–8, which in turn led to the first global fall in production and incomes, in 2009, since the 1930s.
Chapter 1 considers what such an alternative might look like. The rise of capitalism led to the co-operative, Marxian, and other critiques of that emerging economic order. Likewise, the crisis of the 1930s led to Keynesianism and to social democracy being adopted across much of Western Europe, as well as to the new international order as fashioned at Bretton Woods. Similarly, Michie argues, the failure of what the late Andrew Glyn had termed ‘capitalism unleashed’ needs to herald fresh thinking, and a new era of global economic development—sustainable environmentally, economically, and socially. This will require a greater degree of diversity of ownership forms—private, state, and co-operative and mutual. Such diversity is needed to make the productive system more resilient. Such corporate diversity would also have the additional benefit of creating an environment in which it would become easier to tackle the problems of excessive corporate pay, and income and wealth inequality.

This analysis is developed further by Giovanni Ferri and Angelo Leogrande who, in Chapter 2, argue that policy debates are generally underpinned by an unacknowledged assumption that there is an archetypical form of enterprise, namely the private limited company, with enterprise forms differing from this archetype being viewed as anomalous, possibly the result of temporary or unusual conditions, and likely to naturally evolve into public companies (that is, private limited companies with their shares publicly traded). However, they argue, reality tells us that entrepreneurial pluralism is actually the norm rather than the exception, and that these ‘non-archetype’ enterprises do not in general disappear—and on the contrary often thrive. Furthermore, progress in the theories of industrial organization, corporate governance, stakeholder inclusion, and the common good all tend to suggest that entrepreneurial pluralism may be welfare enhancing. Against this background, Ferri and Leogrande consider and discuss the potential causes and effects of entrepreneurial pluralism. Specifically, they focus on mutual producer/consumer associations, social enterprises, co-operative enterprises, and family firms.

(p. xxvi) In Chapter 3, Stuart White discusses three liberal philosophies of ownership: right libertarianism, which advocates an expansive conception of private property and which holds that legitimate and strict rights to such property can emerge through the voluntary production and exchange of self-owning individuals on the basis of initial privatizations of external resources that can be very unequal but nevertheless just; left libertarianism, which modifies the right libertarian position by insisting on a (more) egalitarian initial distribution of external resources; and democratic liberalism, which makes all property rights subject to democratic judgements guided by principles of social justice which express an understanding of citizens’ common good. The chapter discusses

the implications of each philosophy for co-operatives and mutuals, and for the place of public policy in promoting these kinds of enterprises and related institutions.

Chapter 4 by Hagen Henrÿ considers the legitimacy of measuring co-operative law by the internationally recognized co-operative principles, and discusses the evolution of co-operative law across the globe over the past decades. Based on this, Henrÿ then suggests re-establishing the rationale for a co-operative law which distinguishes co-operatives from other types of enterprise, this rationale being the sustainable development enhancing diversity of enterprise types. The locus of competition and competitiveness needs to shift, he argues, from financial performance to the normative capacity of enterprises to contribute to sustainable development. Co-operatives have a competitive advantage in this respect. The chapter therefore suggests how to translate this capacity into the legal structure of co-operatives. This needs to be done against the background of current economic, political, sociological, and socio-psychological changes and challenges, of which globalization is both cause and effect, and which impact upon the co-operative values and upon the notion of (co-operative) law and of law-making.

The chapters in Part II consider the rationale of co-operative enterprises, starting in Chapter 5 with a consideration by Carlo Borzaga and Ermanno C. Tortia of co-operation as a mechanism of co-ordination. This, they argue, represents a new approach to the economics of co-operative enterprises—which is necessary because the interpretations hitherto produced on co-operative firms have been, in general terms, unsatisfactory. The reasons for this are to be found in the limitations of the dominant theoretical paradigms in interpreting the individual, collective, and social reality of co-operation. Recent theoretical developments, they argue, allow us to start dealing with the most relevant economic dimensions of co-operation, by: (i) recognizing co-operation as a peculiar and basic co-ordination mechanism of economic activity; (ii) considering collective and mutually beneficial entrepreneurial action, and not only individual action, as legitimate and fruitful; (iii) understanding economic motivations not only as self-interested and opportunistic, but also as intrinsically driven, as reciprocal, and as social. Starting from an analysis of the key market imperfections, Borzaga and Tortia develop a theory of co-operatives as enterprises that do not, as a norm, maximize net economic returns as their main objective, but instead pursue mutually beneficial and social aims.

In Chapter 6, Victor A. Pestoff analyses the social and political rationale of co-operative enterprises, and in particular their potential as providers of social services. (p. xxvii) Co-operative enterprises have, he argues, a unique capacity to mobilize social capital and to provide relational goods that neither public nor private for-profit providers demonstrate to the same degree. This brings co-operative enterprises full circle in terms of their historical political role, as democratic pioneers, since they can now also contribute to reducing what is often today seen as a worrying democratic deficit. The chapter explores the political and social dimensions of co-operative enterprises that pursue multiple goals. It also introduces a dynamic model of co-operative development that can be fruitfully employed for analysing the social and political dilemmas faced by co-operative enterprises.

The chapters in Part III consider the history of member-owned organizations, starting with Vera Zamagni who argues in Chapter 7 that the birth of co-operatives in Europe in the middle of the nineteenth century shaped the presence of this form of enterprise and differentiated it from the established capitalist one over subsequent years, both in terms of internal organization and in terms of sectors of activity. This chapter highlights the diffusion of nineteenth-century types of co-operative across the world—including their successes and their limitations. Zamagni also analyses the novelties that emerged in the late twentieth century, and which helped contribute towards what is arguably a renaissance of the co-operative enterprise in the twenty-first century.

In Chapter 8, Joseph R. Blasi and Douglas L. Kruse provide a historical perspective on employee ownership in the USA, which as they demonstrate, plays a significant role in the US economy today, with this worker ownership taking a number of different forms. A large proportion of the US population (close to a fifth) currently own stock in the company where they work. Meaningful worker holdings are ubiquitous in high-technology companies such as Google in the Internet area, Microsoft in the software area, Gilead Sciences in biotechnology, and Qualcomm in mobile technology. As noted in Chapter 29 by Corey Rosen, the most intensive sectors of worker ownership in the USA are in around 10,000 companies with about 15 million workers having

Employee Stock Ownership Plans, where about 4,000 of the firms are majority or 100 per cent worker-owned, and a compact but vibrant and growing sector of about 300 worker co-operatives with around 6,000 members.

The chapters in Part IV survey the co-operative, mutual, member-owned, and employee-owned sectors of the economy globally, starting with Virginie Pérotin's survey in Chapter 9 of worker co-operatives providing good, sustainable jobs across a range of communities. Her chapter examines the implications of the key international research findings of the last two decades for our understanding of why worker co-operatives are created, the objectives pursued by the founding and subsequent members, and the spill-over effects of the performance of these co-operatives for the communities in which the firms operate. The chapter argues that worker co-operatives, by providing institutions in which employees control most aspects of their job and firm strategy (including pay and employment trade-offs) internalize a number of externalities to the conventional operation of firms. These co-operatives provide good, stable jobs in which employees' potential and creativity can flourish. In addition to promoting economic democracy, worker co-operatives thus offer sustainable and local employment, and are likely to (p. xxviii) have a number of positive effects on their communities' economies, public finances, and health.

The various national types of co-operative banking are considered by Silvio Goglio and Panu Kalmi in Chapter 10, including: credit unions (as in the UK), decentralized networks (as in Germany, Italy, and Austria), and centralized networks (as in France, the Netherlands, and Finland). This chapter considers the historical evolution that has characterized the different patterns with regard to national peculiarities (social and economic). The present process of hybridization in the sector is analysed, as is the potential for such hybrids to contribute towards a renewal of co-operative enterprises in the twenty-first century.

Over past decades, agricultural co-operatives have grown substantially in most developed and developing countries, often reaching dominant market positions. In Chapter 11, Samira Nuhanovic-Ribic, Ermanno C. Tortia, and Vladislav Valentinov enquire into the economic mechanism behind this growth, by elaborating on the relationship between co-operative identity and the outcomes of co-operative activities. They highlight the ability of agricultural co-operatives to co-ordinate large-scale production, to monitor work contributions and product quality, and to ensure economic independence of farmer members. Following the two principal streams in the economic literature, the chapter distinguishes between the conceptions of agricultural co-operatives as units of vertical integration and as firms characterized by common governance of collective entrepreneurial action with an ability to reduce transaction costs and economic risk. The chapter describes the financial and governance limitations of agricultural co-operatives, while taking account of institutional tools and models introduced to overcome such limitations. The chapter concludes by suggesting directions for enhancing the role of co-operatives in agricultural and rural development.

Over the past decade or so, in several countries both within and outside Europe, new types of co-operatives have emerged with specifically declared *social* goals. The development of these co-operatives is above all connected to the engagement of co-operatives in the supply of welfare and educational services, which are carried out beyond the 'boundaries' of each co-operative's membership. Their emergence is in contrast to the traditional model of co-operatives, which were based on a single stake-holding system; here we have the identification of both members and users, leading towards a greater openness, and a readiness to have additional bearers of interests, such as volunteers, sharing the duties and benefits of the organization. Drawing on country studies of Italy, Spain, France, Portugal, Greece, and South Korea, Chapter 12 by Giulia Galera focuses on these new types of co-operatives with declared social goals, which have in several countries become important providers of welfare services.

The community co-operatives that are also spreading today in many parts of the world are part of an evolutionary process that has seen the progressive shift of co-operatives' focus from specific social and professional groups to society as a whole. Since the term 'community co-operative' is relatively new, and similar institutions are named differently at different times, the first task is to elucidate the concept. Chapter 13by Pier Angelo Mori discusses the differences between these new community co-operatives on (p. xxix) the one hand, and the more traditional co-operatives on the other, reviewing the data, with a special focus on customer-owned providers of public utilities.

The chapter closes with a discussion of the economic reasons why this new organizational mode is more likely to expand today than it has in the past.

Companies that wish to provide their employees with an ownership interest in their stock must adapt their plan design to the specifics of labour law, securities requirements, tax regimes, privacy laws, and other issues in their various countries. In Chapter 14, Loren Rodgers suggests guidelines for companies to design their plans by reviewing best practices in equity compensation. Rodgers argues that companies would be wise to begin with their ideal plan design and then adapt it to reflect legal requirements, taking into account that some companies must accommodate the requirements of multiple countries.

The chapters in Part V analyse the political, governance, and organizational aspects of co-operative and employee-owned and mutual businesses, starting in Chapter 15 with a consideration by Joseph R. Blasi, Richard B. Freeman, and Douglas L. Kruse of what the US research suggests about employee ownership. Sharing the fruits of labour with workers has led to initiatives of both profit-sharing and worker ownership. Several decades of research show that firms with worker ownership and profit-sharing tend to do better on average. A variety of studies, those comparing firms before and after they initiated worker ownership, those comparing workers in the same firm with and without worker ownership, and those looking at combinations of worker ownership and profit-sharing, reach the same conclusions. Evidence from large groups of firms and large samples of workers show that a supportive corporate culture is generally necessary for worker ownership to function best, and that cash profit-sharing in the short term tends to strengthen economic performance.

Mutuals and co-operatives have a distinct legal form which sets them apart from privately and shareholder-owned companies. Chapter 16 by Zoe Adams and Simon Deakin reviews the theoretical and empirical literature on the governance and performance effects of these differences in legal form. The chapter shows that it may be misleading to think of workers and customers as the owners of mutual enterprises, and that a more precise focus on the content of voice, income, and control rights in particular organizations must be undertaken in order to assess the implications of different legal structures for economic performance. The empirical evidence suggests that, on average, both worker- and customer-mutuals are more risk-averse and less profitable, but also more sustainable, than commercial entities structured as companies limited by share capital. However, the mutual form does not, in itself, guarantee that the firm is run in a more democratic and participative way, and the increasing use of mutuals in the public sector does not necessarily equate to increased involvement by workers and customers in decision-making. If the mutual form is not a panacea for the problems of accountability and sustainability affecting companies, it further follows that mutualization, while useful in some contexts, should not be favoured at the cost of wider reforms to corporate governance.

In Chapter 17, the Chief Executive of the Plunkett Foundation, which supports some of the world's smallest community-based co-operatives, looks at what the larger (p. xxx) co-operatives can learn from these. Peter Couchman explores five different approaches that a co-operative can take—a trust based approach, the corporate governance based approach, the competence based approach, the values based approach, and an open co-operatives approach—and considers the implications of each.

There is a widespread belief that co-operatives are necessarily small-sized enterprises. However, there is evidence that in some cases co-operatives have larger dimensions in certain areas than other types of companies. Starting from this premise, Chiara Carini and Maurizio Carpita in Chapter 18 contribute to the existing literature by providing empirical evidence on the size of co-operatives in different areas of the world, and by analysing data from approximately 2,000 large co-operatives and mutual organizations from 56 different countries. These data are taken from the World Co-operative Monitor, a project promoted by the International Co-operative Alliance (ICA) in collaboration with the European Research Institute on Co-operative and Social Enterprises (Euricse). The purpose of the project is to take a step forward in measuring the dimensions of co-operatives, and to make an initial attempt at quantifying the economic and social impact of the largest co-operatives worldwide.

The chapters in Part VI report various national case studies. In Chapter 19, Xabier Barandiaran and Javier Lezaun analyse and report on the Basque town of Mondragón, which has given its name to one of the most significant experiences in co-operative organization and workers' ownership anywhere in the world. The Mondragón co-operative movement was founded in the 1940s with the establishment of a handful of educational institutions in and around Mondragón, and soon gave rise to a multitude of worker co-operatives, primarily in industrial manufacturing sectors. Today, the co-operative group encompasses more than 250 co-operatives, employing more than 74,000 workers across industrial and non-industrial sectors, and generating €12.5 billion in annual revenue.

The academic and practitioner literature on ESOPs has developed significantly over past decades, particularly with respect to their organizational impact (of improved corporate growth and productivity), and the different types of ESOPs (leveraged and non-leveraged). Yet, despite ESOPs being well conceptualized, the deals struck in the real world are often more complex endeavours than might be suggested by the literature. While there are examples of ESOP deals that effectively take firms into employee ownership in a one-stage process, it is often the case that ownership is transferred in multiple steps, which adds layers of complexity to the deal-making process. The focus here is generally on leveraged ESOPs where a worker-trust set up by a business receives a loan to buy company shares, with the loan being paid off by the company (rather than by the workers directly) out of its future revenues. ESOPs are unique in requiring no use of worker savings or investment to create employee ownership. In addressing this complexity, Daniel Tischer and John Hoffmire in Chapter 20 introduce and discuss various concepts of ESOPs, before providing a detailed description of what an 'add-on transaction' entails. In doing so, the authors are particularly interested in describing the key steps of such a deal, with a focus on the impact upon the business and on the employee-owners. The chapter provides valuable insights into the widely used practice (p. xxxi) of multi-tranche ESOPs. Understanding who the agents are that are involved in the process—as well as the impact and potential pitfalls of add-on transactions—is crucial factors in developing ESOPs as an alternative to external buy-outs.

In Chapter 21, Sara Depedri analyses social co-operatives as a new form that first emerged in Italy during the 1980s as a bottom-up phenomenon. The first regulation on social co-operatives was enacted in Italy through the 'Law 381/1991'. This chapter illustrates the emergence, the evolution, and the most recent trends of Italian social co-operation in order to identify the main traits that helped social co-operatives to become a successful organizational form for the provision of welfare services. The chapter also contributes to evaluating the added value of this co-operative form within its socio-economic context.

Over past decades, the discussion on climate change, together with catastrophic events in the power sector, has raised global interest in radical policy changes in these areas. Since the year 2000, Germany's 'Renewable Energy Sources Act' (EEG) has been a forerunner in triggering large-scale decentralized deployment of renewable energy. Although built on a relatively large social consensus, the consequences of the German 'Energiewende' have also raised conflicts between communities on the one hand, and investor-oriented project developers on the other. In Chapter 22, Markus Hanisch reviews the increasing role of energy co-operatives as a means to involve civil society, mitigate conflicts in planning, and distribute subsidies more evenly amongst a variety of often rural stakeholders.

Chapter 23 by Michela Giovannini and Marcelo Vieta focuses on co-operatives in four representative Latin American countries—Argentina, Chile, Cuba, and Mexico—highlighting their historical trajectories, evolutionary trends, and potential for further development. These representative countries reflect the range of co-operative development in Latin America, both historically and contemporaneously. Each country, for instance, shows different paths of co-operative development related to, amongst other factors, different levels of support by their governments, community-based responses to neoliberal policies, and varying connections to broader social movements. The chapter also presents a number of experiences that are of particular interest today in the region, such as worker-recuperated enterprises, indigenous co-operatives, community-owned agricultural co-operatives, co-operatives managing general interest social services, and, most controversially, public services and work-for-welfare co-operatives created by the state.

Although globalization has many facets, a key aspect is the increasing domination of market relations over other kinds of social relations. This phenomenon has created an increased interest in alternative forms of economic development that are more consistent with community values, as well as an interest in the nature and importance of social relationships themselves—regardless of any possible contribution to economic success. Chapter 24 by Lou Hammond Ketilson provides numerous examples of the role that the social economy and, in particular, co-operatives play in developing and sustaining communities in Canada, which they do by building and strengthening physical, personal, and social infrastructures in remote, rural, and indigenous areas, as well as in urban settings.

(p. xxxii) In Chapter 25, Joseph R. Blasi and Douglas L. Kruse argue that US worker ownership, which is already significant, could and should be expanded through improved public policies. The USA spends about $1 trillion every five years on tax incentives for businesses. To expand worker ownership, the White House could develop an Office of Broad-Based Capitalism. Stock market companies should only be allowed deductions for executive pay if they have a broad-based worker-ownership plan for all employees. Moreover, all Federal business tax subsidies could be conditioned on a broad-based worker-ownership plan. However, worker ownership will never spread until earlier tax incentives for Employee Stock Ownership Plans (ESOPs) in stock market companies repealed by President George H. W. Bush, are reinstated with additional encouragements for all companies to make stock grants to workers. Finally, Congress needs to make it easier for small-business people retiring to sell the company to its employees, and for private equity firms to spin off their portfolio companies to the workers. These policy strategies can be adapted to understanding policy choices in other nations where corporate tax incentives play a role in their economies.

It has long been acknowledged that co-operatives can buffer economic insecurity, offset some of the vagaries of market capitalism, and enhance social solidarity. An interesting—and in many respects peculiar—facet of the history of co-operatives is how worker (or producer) co-operatives and consumer co-operatives have evolved along completely separate trajectories. Yet production and consumption are inextricably bound up in tight configurations. Moreover, no one is exclusively a producer or consumer, and we repeatedly and iteratively change roles, often numerous times during the course of a single day. We seem, though, to be at an auspicious moment to rectify this anomalous situation. Chapter 26, by Maurie J. Cohen, outlines the notion of multi-stakeholder co-operatives, and highlights how worker-consumer co-operatives can bridge this divide. These organizations can also inculcate democratic values and solidaristic social relations—which might contribute to a process of innovating a new system of social organization over the coming decades.

In the United States, the work that home health aides perform provides a valuable service to society. Changing views of care are necessitating care models in which people who are elderly or have disabilities receive care in their homes or communities. There is a growing gap between the sharply increasing need for those requiring care and the pool of people from whom caregivers are drawn, which is increasing much more gradually. The poor quality of home care jobs exacerbates this problem. Chapter 27, by Daphne Berry, examines worker attitudes across three home care facilities under different governance structures—a worker co-operative, a for-profit business with no participation or ownership by workers (‘conventional’), and a not-for-profit business. The study uses data from multiple sources, describing worker attitudes across the different types of organization. The research shows that aides at the worker co-operative were significantly less likely to leave, and were more satisfied and committed to their jobs.

Co-operative banks have been an important part of the national banking systems in Europe since their creation as member-based organizations in the middle of the nineteenth century. Focusing on the Raiffeisenbanks and Volksbanks experiences in (p. xxxiii) Germany and Austria, Chapter 28 by Holger Blisse and Detlev Hummel recalls various phases in the history of these developments, concentrating on the switch from member-based to customer-oriented banks, and analyses possible strategies for reactivating a meaningful membership, to reposition these banks as responsible institutions for local and social problems.

As noted, an ESOP is the most common vehicle for broad-based worker ownership in the United States. The next chapter provides more detail about ESOPs. An ESOP is a legal trust that holds

the shares of all the workers in a firm and thus makes it possible to have long-lasting employee ownership. Under US law, existing companies can contribute stock or cash to this trust in order to buy shares of company stock to establish worker ownership gradually. Such trusts can borrow funds to buy shares on behalf of workers in order to establish significant, majority, or even 100 per cent worker ownership in one single transaction. All company contributions to the employee trust, whether in cash or stock—or to repay loans used to buy stock for workers—give the company a tax deduction under US Federal Law. In addition, interest on the loan is tax deductible. These schemes are analysed in detail by Corey Rosen in Chapter 29. The international relevance of the ESOP is that it is an example of a trust mechanism that can pull together individual worker-ownership interests into one trust entity, thus helping to ensure the continuity of worker ownership.

Chapter 30 by Andrew Pendleton and Andrew Robinson reviews the development of new forms of employee ownership in Britain since the 1980s. It compares trust-based and direct forms of ownership, as well as hybrids of the two, drawing attention to the perceived benefits of each. The chapter then considers various influences on the development of these forms of ownership. The authors highlight the role of political factors within a broader context of economic change. Finally, drawing on a research project still underway at the time of writing, Pendleton and Robinson discern four main circumstances in which employee ownership is created, noting that those involved in ownership conversions vary according to these circumstances. This in turn impacts upon the forms of ownership and governance that are adopted.

The chapters in Part VII present various corporate and sector case studies. In Chapter 31, William Davies considers the themes of agency, democracy, and co-operation in relation to corporate governance. Corporate governance has long been theorized and criticized within the template provided by neoliberalism. This assumes that social relations will become most honest and productive when modelled on market relations. Yet this also results in a business culture of mistrust and endless audit. Participatory governance forms have certain advantages, which need to be clearly understood and articulated. Firstly, they treat dialogue as a better principle for relations within the firm than competition. And secondly, they treat ambiguity of value as a virtue, which can yield innovation. However, there is insufficient training, expertise, and practice for these advantages to come properly to light. As a result, we remain too often stuck with a dysfunctional model, whose failures are met with calls for more of the same.

Chapter 32's examination of the life cycle, institutional structure, governance, and policy environment of co-operatives in the Argan oil sector in south-west Morocco, by (p. xxxiv) Zahir Dossa, sets out the successes and setbacks of the co-operative model as a suitable tool for economic and social development in rural areas. Despite the positive development outcomes that Argan oil co-operatives reached, they strayed from four basic co-operative tenets: democratic decision-making, equitable profit distribution, open membership, and member education on co-operatives. Starting from this analysis, the chapter considers the relationship between the success of the Argan oil co-operatives on the one hand and their abandonment of the basic co-operative principles on the other. The chapter seeks to understand the conditions that make co-operatives feasible and effective in particular environments and how co-operatives, or employee-centric firms, can be adapted to their environments, or vice versa, in order to bring about economic and social development.

The co-operative and mutual model has been closely connected with the development of the Fair Trade movement, both in terms of producer groups and wholesale organizations. Both share key elements of participation and empowerment, and pay careful attention to economic development and fair governance. Chapter 33 by Alex Nicholls and Benjamin Huybrechts examines the development of Fair Trade globally, and explores some of these connections in detail.

The UK Government's agenda for public sector transformation has resulted in a growing number of public service mutuals. Despite this, there is little understanding of the transition experiences of such organizations, and the processes of organizational change necessary for becoming a mature public service mutual. Chapter 34 by Ruth Yeoman describes the transition experience of Rochdale Boroughwide Housing (RBH), a provider of affordable housing which is now a dual constituency mutual, jointly owned by staff and tenants. A key characteristic of the change was the need for individuals to craft new self-identities which held in tension the identity of being a co-owner with the identity of being a public service worker or tenant. Smith and Graetz's concept of

‘paradox management’ is used by Yeoman to investigate the proliferation of dualities in RBH, giving rise to dualistic thinking which generates new values from which individuals can craft positive self-identities, as well as develop the skills for managing a hybrid organization. Although the stresses and strains of change were not avoided, the co-owners of RBH have nonetheless created new individual and organizational capabilities which have the potential to not only sustain the organization, but to also raise the innovative and resilient capacities of the communities it exists to serve.

In French rural areas, in order to respond to economic and social needs, the co-operative movement has always developed entrepreneurship models based on democracy, solidarity, responsibility of actors, proximity, transparency, and consideration of future generations. Amongst others, the 11,500 farm machinery co-operatives (co-opératives d’utilisation de matériel agricole, or ‘Cuma’) which are active in the French countryside can testify to this dynamism. Based on case studies, Chapter 35 by Franck Thomas outlines the current developments of collective entrepreneurship models in the context of territory-oriented agricultural activities in France.

Co-operatives have played a significant role in the agricultural sector in China, particularly since the promulgation of a first national co-operative law in 2007. Chapter 36 (p. xxxv) by Li Zhao offers an analysis of the diversity and dynamics of agricultural co-operatives in contemporary China. A multi-dimensional typology of co-operatives is proposed in order to provide a framework of analysis. This analysis enables one to understand the diversified driving forces, the operational patterns, and the organizational missions of agricultural co-operatives in China. The significant contribution provided by each type of co-operative to poverty reduction, work integration, and local community development is considered. The chapter concludes with a discussion on the challenges and opportunities for the future development of Chinese co-operatives.

The chapters in Part VIII consider the future of co-operatives, starting in Chapter 37 by Mark J. Kaswan with the United States, which has a long and proud tradition of co-operative labour arrangements. However, worker co-operatives today make up a very small proportion of the US economy. The chapter discusses the history and current extent of worker co-operatives in the USA, as well as the particular challenges and opportunities for growth and change in the worker co-operative sector. Kaswan also considers the character of the sector in terms of its principal objectives and orientation.

Co-operative identity is complex, and consists of several, at times interrelated aspects—which distinguish it from non-profit associations or for-profit companies. Co-operatives are characterized by a specific purpose, and when a legal entity has a defining feature that relates to the objective pursued, the organizational law of that entity has to define its particular identity in light of that objective. Given this, Chapter 38 by Antonio Fici considers the importance of co-operative law in stipulating the co-operative identity and preserving its distinguishing features. The chapter thus outlines the essential elements which characterize co-operative enterprises: the mutual purpose, co-operative transactions, co-operative activities with non-members, and the social function of co-operatives.

In Chapter 39, David T. Llewellyn’s starting point is that there is merit in having a diversity of ownership structures and business models in a financial sector (not the least being in enhancing competition), and that mutuals, co-operatives, and similar ownership models have a substantial contribution to make to corporate diversity. The chapter considers the arguments that were used in the UK in favour of conversion of mutual building societies and insurance companies to shareholder value institutions. The chapter reviews the outcome. Llewellyn concludes that the arguments put forward for conversion were largely bogus at the time, and have since been found to be irrelevant, at best. Nonetheless, members of converting institutions voted for it—which is not surprising given that the ‘windfalls’ implied an inter-generation transfer of wealth from previous and potentially future members to the current cohort of members. Comparison is made between the UK and other European countries with regard to conversions, where we find that in most other European countries such conversions are not possible because residual net worth is regarded as being held in perpetuity within the institution, rather than as a saleable asset owned by the current cohort of members.

Chapter 40 by Johnston Birchall examines the performance of several types of member-owned business since the financial crisis of 2007–8. It summarizes evidence for three financial co-operative sectors (European co-operative banks, the worldwide credit (p. xxxvi) union sector, and the UK building societies), finding that they have each proven to be less risky, more stable, and on a range of indicators more successful than conventional investor-owned banks. Birchall then examines the performance of retail consumer co-operatives, insurance mutuals, retailer-owned wholesalers, and employee-owned businesses. The wider benefits of having a significant member-owned sector are then considered. The conclusion is that resilience cannot be taken for granted—it has to be competed for in each industry sector, and the results will vary depending on the extent to which, in each sector, they can realize the 'co-operative advantage'.

Chapter 41 by David Erdal discusses evidence that the design of business as a human institution can be improved far beyond the current template of corporations owned by financial institutions, a template which led to the near collapse of the global economy in 2007–9, with costly consequences for future generations of taxpayers. Re-evaluating business theory from a perspective of human evolution leads to the recognition that human autonomy and voluntary co-operation in every business require the rights currently bundled as 'ownership'—the rights to information, influence, and wealth—to be allocated, not to financiers, but to the individuals directly co-operating as participants in the wealth-creation process. Evidence is discussed showing that member-owned enterprises perform as well or better than conventionally structured business in terms of human and economic sustainability, and that the problems of financing such enterprises are soluble.

In the concluding Chapter 42, Charles Gould argues that the future success of the co-operative business model will depend on its ability to distinguish itself, not only from the standard corporate form, but also from the variety of social economy options. The long-standing and globally accepted Statement on Co-operative Identity sets forth the accepted Principles that define a co-operative. With the *Blueprint for a Co-operative Decade*, co-operatives are now prepared to position themselves as the most participatory business model, and as leaders in sustainability, at a time when they are being widely adopted as priorities by the emerging generation.

Tischer, D., Yeoman, R., Michie, J., Nicholls, A., and White, S. (2016), 'An Evaluative Framework for Mutual and Employee-Owned Business', *Journal of Social Entrepreneurship*, published online 31 May 2016. DOI: 10.1080/19420676.2016.1190396Find this resource:

Notes:

([1]) For a synthesis of the literature on mutual performance, combined with an elaboration of a theoretical framework for evaluating mutual performance, drawing upon data generated from a range of mutual organizations, see Tischer et al. 2016.

([2]) Also noteworthy was the resolution by the European Parliament on the contribution of co-operatives to overcoming the crisis (A7-0222/2013).