
17. Cooperatives and mutuals

Chiyoqe B. Sifa and Caroline Shenaz Hossein

INTRODUCTION

More than 1 billion humans belong to formal member-owned co-op institutions. Millions more engage in informal cooperatives, self-help groups, and the commons. Cooperatives are voluntary organizations usually born out of a crisis (see also entry 52, “Resilience in the Context of Multiple Crises”). They often exist to fill a need in business and society. These organizations are democratic and rules are determined by the members who created them. The more we study social and solidarity economies, the clearer it becomes that people around the world have and are engaged in formal and informal cooperatives. The International Cooperative Alliance (ICA) defines a cooperative as an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise, and they are guided by a set of seven principles that make them distinct from commercial firms.

To locate the origin of cooperatives and mutuals is no easy task because of the global reach of the co-op system (see also entry 10, “Origins and Histories”). Canadian scholar Lou Hammond Ketilson (2006) made the point more than a decade ago that there is a need to rethink how we understand the development of cooperatives, especially for people who do not identify with Europe’s industrial revolution. In *The Cooperative Movement: Globalization from Below*, Richard Williams (2007) has argued that the cooperative movement owes its start (and growth) to the Global South (see also entry 8, “Indigenous Economies”). Today, India is the country with the largest number of cooperatives in the world, both formal and informal (ICA 2018; Williams 2007).

The story of cooperative and mutual sector beginnings is usually located in 19th century Europe. It is the story of the Rochdale Equitable Pioneers Society founded in 1844, also known as the Rochdale Pioneers, regarded as the “founders” of the cooperative movement. However, once we adjust for timelines and geographies, a global understanding of the cooperative sector emerges (Williams 2007).

17.1 WHAT ARE COOPERATIVES AND MUTUALS?

The cooperative model has a governance structure that gives members a say—and usually a vote—in how the institution is organized, with dividends distributed to its members. An example of a global cooperative firm is the Mondragon Cooperative Corporation in the Basque region of Spain, which was born of exclusion and crisis, and today is one of the leading cooperative firms in household appliances, as well as an actor in banking and education. Unlike commercial investor-owned firms, cooperatives and mutuals are member-owned businesses formed to prioritize the needs of their members, rather than corporate shareholders who may

be focused solely on profit. Examples of mutuals include credit unions, building societies, and mutual insurers.

Mutuals are distinct from cooperatives in that a large proportion of the business should be owned by either employees and/or the local community, with the organizations being owned by and run for the benefit of their current and future members (Mutuo 2009).

Mutuals consist of people making a commitment to each other which guarantees sustainability through their commitment in bringing their trade to the organization and responding to any further changes. They are able to do this because, as members, they own and control the organization. In a report by the World Cooperative Monitor (2020, 7), it explained why cooperatives and mutuals are in the top 300 rankings:

The Top 300 by turnover ranking this year (data reference year 2018) presents an overall total of US\$2146 billion with the agricultural (104 enterprises) and insurance sectors (101 enterprises) dominating the list. The wholesale and retail trade sector mainly composed of retailers' cooperatives (33 enterprises) and consumer cooperatives (21 enterprises) represents the third biggest economic sector followed by the financial service sector (21 enterprises). In terms of cooperative type, almost half of the Top 300 are producer cooperatives (133 enterprises) mainly representing agricultural cooperatives and retailers' cooperatives, whereas mutuals (83 enterprises) and consumer/user cooperatives (65 enterprises) mainly composed of consumer cooperatives and financial service cooperatives represent the other half. Only a small number of worker cooperatives (3 enterprises) and multi-stakeholder cooperatives (2 enterprises) are included in the Top 300 rankings by turnover.

Cooperatives and mutuals are owned by and run for the benefit of the membership and the community values of the society. The worker voice and membership in a co-op challenge the notion that there is only one way to do business. The strive for lateral and democratic governance—as seen in *empresas recuperadas* in Argentina, the MST (Movimento dos Trabalhadores Sem Terra / Landless Workers' Movement) in Brazil, and the Gung-Ho (Gōngyè Hézuòshè) in China—enables greater autonomy in the capitalist process, and allows workers to run the organizations themselves (see also entry 49, “Participation, Governance, Collective Action and Democracy”). The origin of cooperatives is about the plurality of experiences, because so many people have found refuge in these collective businesses that are rooted in struggle and transforming the economic conditions from the bottom up (see Boxes 17.1 and 17.2).

BOX 17.1 GUNG-HO (GŌNGYÈ HÉZUÒSHÈ)

Gung-Ho is one of the oldest cooperatives, founded during the invasion of China by Japan in 1938, with a set of values including mutual aid and rooted in national identity. Gung-Ho, or the International Committee for the Promotion of Chinese Industrial Co-operatives, was founded in 1938 in Hong Kong to organize unemployed individuals and refugees to take part in productive activities during wars with Japan (Bernardi 2016).

BOX 17.2 THE FIRST MUTUAL IN SOUTH AFRICA

The Old Mutual Group was established in Cape Town, as South Africa's first mutual life insurance company, offering financial security during uncertain times in 1845. The company was founded by John Fairbairn as a mutual insurance company under its first name of the Mutual Life Assurance Society of the Cape of Good Hope (see <https://www.oldmutual.com/about>). This mutual operates in 14 countries and has a membership made up of individuals, small and medium-sized businesses, corporates, and institutions.

17.2 LOCATING THE ORIGINS OF THE COOPERATIVE MOVEMENT

Much of the co-op origin stories we know about are Western, but those stories come much later. American scholar John Curl (2012) provides early examples of economic cooperation such as First Nations, the Shoshone Nation, the Lakota, Southwest Pueblos, Northwest Coast tribes, and the Iroquois Confederacy as the original cooperators, because of their communal systems and potlatches embedded into the local economy. Metis (Indigenous peoples in the three Prairie Provinces of Manitoba, Saskatchewan, and Alberta, as well as parts of Ontario, British Columbia, the Northwest Territories, and the Northern United States) business scholar Wanda Wuttunee (2010) has explained that Indigenous Canadians have potlatches (a gift-giving feast practiced by Indigenous peoples of the Pacific Northwest Coast of Canada and the United States), and wisdom circles (gatherings which help elders to create and maintain social connections with other like-minded persons) as ways to rethink cooperativism. According to University of Jordan Professor Adnan Obeidat (1975), cooperative guilds were formed by craftsmen in ancient Egypt in 3000 BC. There are many cooperative institutions that have had a long history in Indigenous communities and in non-Western societies.

One of the early co-op institutions documented was that of the Dutch Eendragt Maakt (meaning “unity creates strength”), an investment trust in 1774. As early as 1843, Japan had a cooperative known as Hotokusha, which was a mutual savings and credit society (Fisher 1938). The term *kyoritsu* or *doeki* means “cooperation,” yet these expressions are not known as part of the origin story (Saito 2010). In the mid-19th century, the Japanese had a growth of consumer cooperatives, such as the Kyoritsu-Shosha and Doeki-Sha in Tokyo, Osaka Kyoritsu Shoten, and the Kyoritsu Shoten in Kobe around 1879 (ibid.). Ela Bhatt (2007), the founder of the Self Employed Women's Association (SEWA), has shown the world that India has a long-standing tradition of self-help groups and informal cooperatives.

During the European violent conquest and plantation economies in the Americas, African people were enslaved as a way to finance the Industrial Revolution, and they resorted to collective and hidden cooperatives to cope with this brutality. It was the knowledge of collectivity and cooperative systems that helped people to form the Quilombola system in Brazil and the Maroons colonies across the Caribbean to live free (Farfán-Santos 2015; St Pierre 1999). Historian Maurice St Pierre (1999) described how African enslaved people in Guyana organized buying clubs to buy their freedom and land when they were freed. By 1932, the Kilimanjaro Native Cooperative Union Ltd was the first coffee cooperative established despite considerable opposition from colonizers (*East African Agricultural Journal* 1946). Renowned

African American scholar W.E.B. Dubois hailed the Underground Railroad as a series of cooperatives, born out of a struggle for freedom since the 19th century (Haynes 2019). In the archives, Benjamin Drew (1856) recorded True Bands systems, which were cooperatives of formerly enslaved Africans who fled to Canada. Locating the cooperative origins is vast and varied in terms of the kinds of cooperative institutions that many people have had a stake in inventing.

17.3 MAKING THE DISTINCTION BETWEEN COOPERATIVES AND MUTUALS

Seven principles form the cooperative identity: voluntary and open membership; democratic member control; member economic participation; autonomy and independence; education, training, and information; cooperation among cooperatives; and concern for the community. Cooperatives and mutuals choose “one member, one vote” governance directly or indirectly, and they both share this commitment to democracy building and yielding to the membership. During the early 1900s in Lévis, Quebec, the Desjardins created the *caisses populaires* in response to the financial exclusion of a French-speaking Catholic minority (Lévesque et al. 1997). Today, Desjardins is one of the largest financial institutions in Canada and has an extensive global reach. Much of the organization is committed to the concern for community co-op value and it educates and supports cooperative development in Canada and worldwide.

The differences between co-ops and mutual institutions are subtle. Cooperatives require members to contribute to the capital of the business through direct investment and savings, whereas mutuals can derive profits through their customer relationship and direct it to the will of the membership. Cooperatives by design adhere to the “one member, one vote” rule (Bernard and Spielman 2009), and in mutuals the voting principle can also be operationalized through the use of delegates or interest groups. Though mutuals do not have to abide by the cooperative principles, many of them share values of open membership and members’ voices. The goal is that cooperative and mutual institutions share the power in the organization, and this is fundamental to the classic definition of a “mutual entity.”

17.4 THE IMPACT OF COOPERATIVES AND MUTUALS

Cooperatives and mutuals have wide appeal around the world because of their impact on community development. The United Nations General Assembly declared 2012 as the Year of Cooperatives, based on the major impact that cooperatives and mutuals have had in social and economic development, with cooperativism acting as a formal human intervention across the planet. In Uganda, precarious youth created a shoe-shining cooperative (see Box 17.3). The autonomous nature of cooperatives guarantees that they are not manipulated into fulfilling the needs and aspirations of external agents at the expense of members’ needs and aspirations, which makes these institutions valuable to people around the world. It is why cooperatives are a critical component of the social and solidarity economy (Hossein 2018). Through the establishment of the United Nations Inter-Agency Task Force on Social and Solidarity Economy in 2013, cooperative institutions are viewed as an integral part of the United Nations agenda.

These global efforts signify that no single region in the world can claim to be the only authority on cooperatives or mutuals.

BOX 17.3 UGANDA SHOE-SHINERS

In 1975, Uganda shoe-shiners, homeless street boys and girls, organized themselves into a cooperative. Having attained legal status, they requested that the city authority grant a permit to carry out their business on city streets. Success followed, and in a couple of years they started manufacturing shoe brushes using environment-friendly materials. In 2007, the cooperative had more than 600 members and had created branches in other cities of Uganda. Their affiliation to the Uganda Cooperative Alliance assisted them in capacity building and training, and the Cooperative Savings and Credit Union of Uganda provided loans to their members (Mshiu 2003).

The cooperative principles are not only about business results: these co-op values are also about making positive impacts in the community. A mutual venture, for instance, is one where people come together to achieve something that none of them can on their own. By pooling a shared need through a willingness to do something collaboratively, they provide a mechanism to meet the needs of all. Author Nici Nelson (1996) has documented the Kiambu women's banking co-ops actively since the 1970s to show that informal co-ops existed in Kenya long before the colonial period. In East Africa, savings and credit cooperatives (SACCOs) have an ancient history of mobilizing goods, and they are well recognized as cooperative institutions.

The principle of "cooperation among cooperatives" enables cooperatives and mutuals to utilize the benefits of economies of scale and enhances the sustainability of the organisations, and this is why they have a tremendous impact on human development. The case of the Amul Dairy cooperative in India speaks to the value chain which supports a number of cooperative producers and marketing organizations (see Box 17.4).

BOX 17.4 AMUL

Amul in India was formed in 1946 at the very end of colonial rule. Amul emerged as a cooperative movement, as a way to end the monopoly of Polson Dairy, and to foster the economic liberation of farmers in Anand, Gujarat (<http://www.amuldairy.com/index.php/about-us/history>). Amul is managed by a cooperative body, the Gujarat Co-operative Milk Marketing Federation Ltd (GCMMF). Amul is jointly owned by 3.6 million milk producers, and the apex body of 13 District Milk Unions, spread across 13 000 villages of Gujarat. Unlike corporate companies, Amul is owned by villagers who contribute tirelessly to the development of their cooperative (Heredia 1997).

Another important aspect for cooperatives and mutuals is the price point for members. When the profit motive is not the only focus for shareholders, then these member-owned institutions can ensure transparent prices to members. In co-ops, the goods and services can be sold at

a lower cost to members (and consumers) because of various decisions the institution will make, and the cost savings go to the membership to decide how to use these surpluses. In terms of equity-sharing, a cooperative institution rewards its membership in relation to its engagement with the cooperative or mutual, rather than in proportion to investor shareholding. Mutuals can also offer competitive interest rates and fee tariffs on savings, deposit accounts, mortgages, and loans.

Cooperatives contribute to better socio-economic development because of communities' concern with poverty reduction, employment generation, and social integration. In 2002, the International Labour Organization (ILO) approved a specific instrument for cooperatives, called the Promotion of Cooperatives Recommendation no. 193 (ILO 2002), which recognized the importance of cooperatives in job creation, mobilizing resources, generating investment, their contribution to the economy, and how they promote the fullest participation in the economic and social development of all people.

CONCLUSION

Humans around the world have created cooperatives and mutuals to shape their local context because these systems allow people to partake in an alternative economic model. Given economic and environmental crises and a global pandemic, cooperatives and mutuals stand as a reminder that non-capitalist origins, markets that put people first, and making a strong human economy are very much embedded in the world economy.

Situating the plural origins of cooperatives and mutuals is to give credence to the emergence and growth of cooperatives and mutuals as a global bottom-up movement. Co-ops put people before profit, and no one place or person can take credit for these origins. Crises are not unique to any one country, and people have sought camaraderie as a way to navigate complex arenas. The plurality of the historical origins only makes the movement a strong one. Once we understand that the cooperative movement is global, then we can fully appreciate how to build a movement that is a viable alternative to the dominant firm.

The timeline solely based on the experiences in the West would limit our understanding of the development of co-ops and mutuals. Informal and formal cooperative institutions have evolved with a purpose that seeks to achieve equity-sharing outcomes for members first and foremost. Cooperatives need not be subservient to the commercial firm and beholden to the goal of profit-making only. These member-owned institutions present a new way of doing business, one that is accountable to community well-being and human development.

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