

# Do Co-operatives Differ from Mutual Non-Profits? A Social Economy Perspective

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*This paper argues that non-profits serving a membership (that is, mutual non-profits) are similar to co-operatives, particularly co-operatives without shares, and they should not be viewed as a distinct organisation type. Two types of evidence are considered: first, the evidence from a previously published study<sup>1</sup> is reviewed. That study indicates that mutual non-profits and co-operatives (particularly, co-operatives without shares) have a strikingly similar pattern of scores on five dependent measures (Social Objectives; Volunteer Participation; Democratic Decision-Making; Government Dependence; and Market Reliance) derived from the social economy framework.*

*The second type of evidence is a comparison between these two organisation types using the co-operative principles. Again, very little difference is found. The study concludes by reconceptualising the relationship between co-operatives and mutual non-profits within a social economy framework.*

This paper argues that co-operatives and non-profit mutual associations (hence referred to as mutual non-profits) have much in common and it is somewhat misleading to consider them as distinct organisation types. Like co-operatives, mutual non-profits are set up to provide a service to their members, and like co-operatives, there are many differing manifestations of mutual non-profits. In fact, the term mutual aid is central to the rationale for co-operatives.<sup>2</sup> For the sake of simplicity, mutual non-profits are divided into organisations that serve an economic purpose - for example, unions, staff associations, business associations, professional, managerial and consumer associations, tenant associations - and organisations that are primarily social in their orientation - for example, ethno-cultural associations, religious congregations, social clubs, self-help groups, neighborhood associations, home and school societies, socio-political groups.<sup>3</sup> Not all mutual non-profits are incorporated; some (typically, unions) operate without incorporation. However, all have the form of a non-profit association and particularly a non-profit association that provides a service to its members.

This paper is divided into three sections: first, to present the data from a previously published study<sup>4</sup> that compares co-operatives and non-profits on five dimensions; second, to discuss whether the co-operative

principles<sup>5</sup> are equally applicable to mutual non-profits; and third, to attempt a reformulation of the relationship between co-operatives and non-profits using the social economy framework.

### Earlier research

The earlier study<sup>6</sup> compared four organisational types (publicly oriented non-profits; mutual non-profits; co-operatives without shares and co-operatives with shares) on the five dependent measures (Social Objectives; Volunteer Participation; Democratic Decision-Making; Government Dependence; and Market Reliance) derived from the social economy framework. In order to make these comparisons, a sample of co-operatives and non-profits in the province of Ontario was drawn - for co-operatives, the entire list of the Co-operatives Secretariat in 1998<sup>7</sup> (2,657 organisations) was used as a sampling frame; for non-profits, the sample was drawn from the 7,354 Ontario listings in *Associations Canada 1998-99*, a broad listing of associations that is updated annually. For both sampling frames, the selection was random.

The results were analysed using a MANOVA followed by Tukey paired comparisons. The results offer some support for the hypothesis that serving a membership is an important factor in the basic characteristics of an organisation, and that is true regardless of whether the incorporation is non-profit or co-operative. The mutual non-profit group differed from the publicly oriented non-profit group on more scales than from the co-operative groups.

Mutual non-profits, however, are closer to co-operatives without shares than those with shares. Co-operatives with shares rely more on the market for their revenues than co-operatives without shares and also rely less on volunteers than mutual non-profits. Co-operatives without shares, by comparison, have a similar emphasis on volunteer participation to mutual non-profits. This may be due to the type of service that they provide (childcare, housing, healthcare); that is, largely social services. Co-operatives with shares, in contrast, tend to be businesses that with the exception of their board are operated predominantly by paid staff. Members of organisations in the co-operatives without shares category may on average be more involved in their organisation than the members of co-operatives with shares. In Kurt Lewin's terms,<sup>8</sup> the activities of the organisation occupy a greater part of the members' lifespace. The members in the latter group may perceive themselves more like consumers of a service than the members in co-operatives without shares and mutual non-profits. These results are summarised in Figure 1 and Table 1.

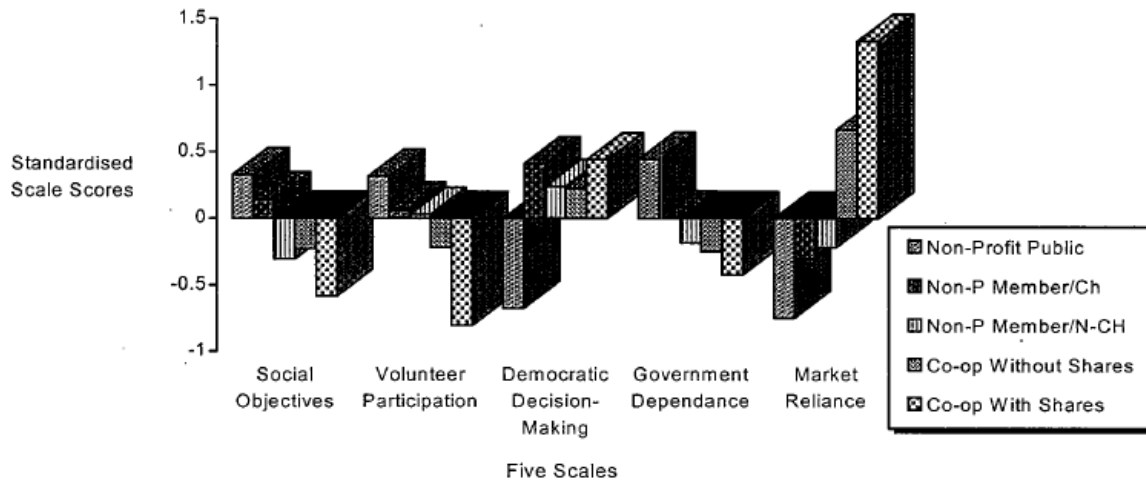


Figure 1  
 Organisation Type (Including Charitable Status) By Scale

These results suggest that the social economy framework has some utility for grouping social organisations. There appears to be as much similarity between mutual non-profits and co-operatives without shares as for any of the other categories. Therefore, treating these groups separately because of differing forms of incorporation seems artificial. The groups that would most justify separate treatment are the publicly oriented non-profits and the co-operatives with shares.

	Non-Profit Public	Mutual Non-Profits	Co-operatives Without Shares
Mutual Non-Profits	Dependence on Govt. Democratic D-Making Reliance on Market		
Co-ops Without Shares	Volunteer Participation Democratic D-Making Reliance on Market	Reliance on Market	
Co-ops With Shares	Social Commitment Dependence on Govt. Democratic D-Making Volunteer Participation Reliance on Market	Reliance on Market Volunteer Commitment	Reliance on Market

Table 1  
Summary of Statistically Significant Scales in Planned Comparisons  
(Four Categories of Independent Variable) P <.05

### **The Co-operative Principles**

These principles, originating with the Rochdale Pioneers in 1844, and then updated in Manchester in 1995,<sup>9</sup> form another framework for comparing co-operatives and mutual non-profits. We shall discuss them in order in relation to this issue.

#### *Voluntary and Open Membership*

This principle, a statement on basic human rights, comes in two parts: first, membership should be voluntary rather than coerced, as

might have been the case for state-sponsored co-operatives in the former Communist regimes of Eastern Europe. This part seems applicable to member-based associations in general, including mutual non-profits. The second part about open membership may be problematic both for some types of co-operatives and mutual non-profits. If it is interpreted as meaning that prospective members shouldn't be subjected to discrimination on basic human rights (gender, religions, race, etc.), then it seems applicable to member-based organisations in general. Those for whom it might be problematic would have a bond of association based on a particular religion or ethnic group. However, that difficulty would be as applicable to co-operatives as to non-profits. Another difficulty that would be applicable to both co-operatives and mutual non-profits would be restrictions on membership due to the ability of the organisation to provide it to a larger group; for example, a housing co-operative with limited space.

#### *Democratic Member Control*

Like co-operatives, mutual non-profits serve a membership who each have one vote in electing officers. In theory, therefore, they are democratic organisations. In practice, they are also similar to co-operatives in that there is much variation in the extent that the theory is applied. Some have an active membership who participate in the election of officers and who monitor their decisions; others are essentially management operated with an inactive membership.

#### *Member Economic Participation*

Like co-operatives, mutual non-profits are financed by their members, usually through a membership fee, though it may also involve payment for the service. For both, the membership payment is equitable and for both the membership payment is controlled democratically by the membership. The assets of the organisation generally is social property, but in some circumstances it may be possible to demutualise it. This latter circumstance is not prevalent, but and it does not pertain to mutual non-profits more than to co-operatives. One difference between mutual non-profits and co-operatives might be in the tendency of some forms of co-operatives to pay dividends for patronage. Co-operatives engaged in retail services, our research indicates, also are more likely than mutual non-profits to earn their revenues from the market; that is, through direct payment for the service.

### *Autonomy and Independence*

The International Co-operative Alliance's interpretation of this principle is that "co-operatives are autonomous, self-help organisations controlled by their members".<sup>10</sup> The same principle applies to mutual non-profits. The ICA also states that if co-operatives enter into agreements with external funding bodies, including government, they do so in a way that does not compromise their independence. Again, the same can be said of mutual non-profits. In practice, external financial obligations do place some constraints on organisations, whether it applies to co-operatives, mutual non-profits or other corporate entities.

### *Education, Training and Information*

Co-operatives have an obligation to educate the members of their board and the general membership to participate effectively, and to educate the general public about the value of co-operatives. In practice, education programmes are oriented predominantly towards the board; public education tends to promote the services of particular types of co-operatives. The same is true of mutual non-profits. Trade unions, for example, promote their particular cause to the public, as do other types of mutual non-profits.

### *Co-operation among Co-operatives*

This principle has two components: first, the functional integration between similar forms of co-operatives, as is done when second and third tier organisations are formed; and second, the promotion of a movement. At present, the functional integration is prevalent, but the movement culture is weak - really, non-existent. Any movement orientation that does exist is to promote particular forms of co-operatives rather than a vision of a co-operative commonwealth, for example, as in the past.<sup>11</sup> This same pattern exists for mutual non-profits - there is a functional integration through the formation of second and third tier organisations, a non-existent movement culture, and any orientation in that direction is specific to the type of service (for example, a religious group).

### *Concern for Community*

This principle is given two interpretations: first, it aligns co-operatives with the environmental movement for sustainable development; and second, it is also interpreted in the context of the community

development movement. Like co-operatives, mutual non-profits are located within a community; some are specifically environmental organisations and like co-operatives, in varying degrees they adhere to the practice of sustainable development.

### **Reformulating the Relationship**

The essence of our argument is the co-operatives and mutual non-profits are similar organisations with differing forms of incorporation and differing names. In this final section, we would like to present a reformulation using the social economy framework. The reformulation is presented in Figure 2, using a Venn diagram. Within it, co-operatives and mutual non-profits are characterised as part of the social economy. The social economy is a multi-dimensional, dynamic framework that is popular in Western Europe (particularly in francophone nations) and Quebec. This framework conceptualises non-profits and co-operatives as a social sector that differs from both the private and public sectors of the economy.<sup>12</sup> The assumptions underlying this framework are that: a) that the organisations within the social economy (that is, social organisations) have enough in common that an inclusive category is justified; b) and the categories non-profit and co-operative may not be the best procedure for grouping such organisations.

A Venn diagram is used so as to indicate that the social economy, private and public sectors interact with each other and are inter-dependent upon each other. As indicated in Figure 2, the social economy consists of three components: first, market-based organisations; that is, co-operatives (primarily with shares) and commercial non-profits; second, publicly oriented non-profits that overlap with the public sector and often enter into partnership with government for the delivery of its services;<sup>13</sup> and third, mutual non-profits are grouped with co-operatives without shares. This latter group, as shall be argued, best fits civil society, which we characterise as a subset of the social economy. We differentiate co-operatives with shares from those without shares because our research indicates that the former group derives a greater part of its revenues from the market.

Co-operatives with shares form a bridge between the social economy and the private sector. However, it is not only co-operatives with shares that form this bridge to the private sector; there are also entrepreneurial non-profits earning their revenues from the market that have a similar status. These include automobile associations, insurance organisations such as Blue Cross and mutual insurers, organisations providing various educational and recreational activities, and some arts groups.

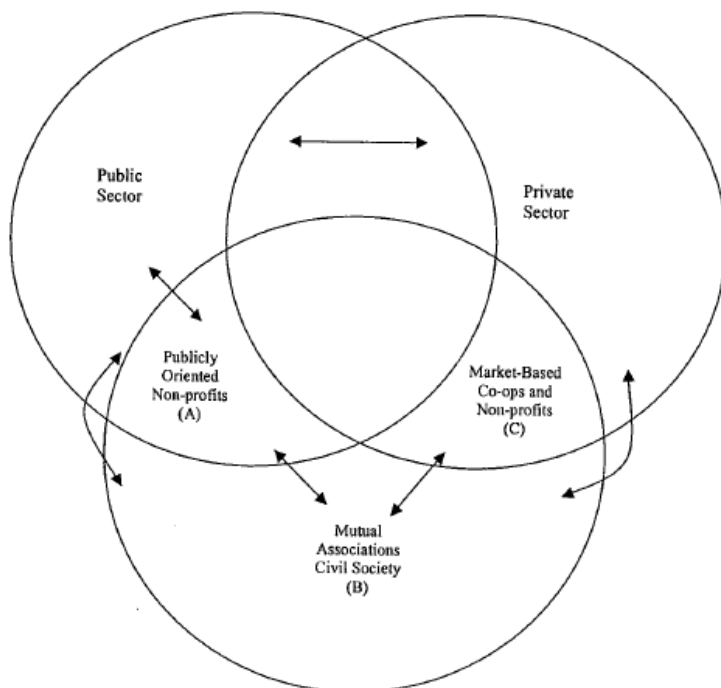


Figure 2.  
The Social Economy

The organisations in the overlap between the social economy and the private sector also include businesses with shares held in charitable trusts such as the German corporations Zeiss and Bosch, and a number of British firms such as the John Lewis Partnership, Scott Bader.<sup>14</sup> Also included are capitalist firms owned predominantly by their employees and with a high level of workplace democracy, as well as those with an exemplary environmental record (for example, the German firm Wilkhahn).

Mutual non-profits and co-operatives without shares are characteristic of civil society organisations in that they are voluntary associations, located in a community, through which the members engage with each other to provide a service to themselves. This definition is similar to that of Hall<sup>15</sup> who refers to "societal self-organizing in relation to the state." Although mutual non-profits and co-operatives derive their revenues largely from their members,



unlike co-operatives with shares and commercial non-profits, they are not primarily businesses. Of course, among mutual non-profits there are organisations that are uncivil - that is, elitist and racist. For example, Seligman reminds us: "[V]oluntary organisations can be of a particularly nasty nature and based upon primordial or ascriptive principles of membership and participation that put to shame the very foundation of any idea of civil society".<sup>16</sup> However, that is not a predominant characteristic of these organisations.

We feel that this grouping, using the social economy framework, has greater utility than thinking of these organisations exclusively by their form of incorporation; that is, whether they are co-operatives or non-profits. This framework is speculative and can be modified further, but we present it as an alternative way of conceptualising the relationship between co-operatives and non-profits.

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## Notes

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