



Co-operatives and Social Responsibility

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The material in this extract is drawn from *Co-operatives: Linking practice and theory* (Adderley, in press). The title 'Co-operatives and social responsibility' was chosen to give the broadest scope to explore the relationship between co-operatives and the ideas of community, social responsibility, sustainable development, and concern for community.

Co-operative Identity

Though co-operatives are enterprises meeting the needs of their members, they are not designed to be self-interested at the expense of others. This is reflected in the International Co-operative Alliance (ICA) statement on co-operative identity in several ways (ICA, 2018). In the definition, co-operatives are said to meet needs that are common, and that these needs are economic, social, and cultural. The values of self-help and self-responsibility are said to include both a reference to the individual self, and the collective self (Pobihushchy, 2002). Within the co-operative values, co-operatives are said to be based on a value of solidarity. Significant emphasis was placed on this value by MacPherson (1996), who explained that solidarity makes sure that co-operative action is not self-interest, but keeps the interests of the wider community in mind.

The ethical values within the ICA statement include social responsibility and caring for others. Perhaps most significant was the introduction of Principle 7, concern for community: "Co-operatives work for the sustainable development of their communities through policies approved by their members" (ICA, 2015, p. 85). The democratic nature of co-operatives is important in that it should facilitate participation by co-operative members (who are part of a local community) in the decisions of the co-operative. That co-operative members cannot claim the profits of a co-operative in the way shareholders in a traditional investor-owned firm could, is also said to contribute to a more sustainable approach, as longer-term perspectives can be taken (Bevilacqua, 2022).

From the ICA statement we get social responsibility, sustainable development, and concern for community. This is not intended to be something disconnected or abstracted from the co-operative. A distinction can be drawn between a business donating money to a 'good' cause, and a co-operative working within 'their community', in which they operate (ICA, 2015; Robertson, 2016; Yeo & Yeo, 1988). It was clear in the work leading up to the agreement of

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this statement in 1995 (Böök, 1992), and its immediate interpretation thereafter (Hoyt, 1996), that this principle included broader commitments to sustainable development (MacPherson & Paz, 2015) more generally, including environmental protection (Wilson et al., 2021). Others have argued that stewardship of the environment needs to be called out more explicitly within the ICA statement, either as an amendment to the current Principle 7 (concern for community), as a new 8th principle; or as a preface to the ICA statement recognising a dependency on the environment (Bickford, 2020). It is worth remembering that the principles are guidelines for implementing the values.

Social Responsibility

Social responsibility, generally termed ‘corporate social responsibility’, is expressly included in the list of ethical values in the ICA statement. To Böök (1992), it was a value implicit in the co-operative way:

Social responsibility is basically built into the co-operative way. That is why co-operative organizations were and are started: groups of people wanted to participate in the shaping of their living conditions and to influence the social and economic conditions for society at large. This is social responsibility. It is also the way in which co-operative organizations are established as people-based, democratic organizations formed to promote the needs of their members, with a fair distribution of benefits and with an open membership (as far as possible). Social responsibility is a basic constituent in co-operative contexts; in the motives, purposes, relationships between members and their societies, and in the relations between the societies and the community at large. Co-operatives are not charity organizations, but are, indeed, organizations consciously designed to give the people a voice in the shaping of their living conditions. (para 3.6)

It has been suggested that co-operatives are inherently socially responsible — with that responsibility embedded into their identity (Pezzini, 2006). This would make them the earliest form of socially responsible business (Kurucz et al., 2008). This is most clearly embedded in co-operatives existing not just for economic benefit, but also in aiming to meet the social and cultural needs of their members.

There is no universally agreed definition of corporate social responsibility, but Söderberg (n.d.) outlines the International Organization for Standardization (ISO) definition as:

Responsibility of an organization for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour that

- contributes to sustainable development, including health and the welfare of society
- takes into account the expectations of stakeholders
- is in compliance with the applicable law and consistent with international norms of behaviour; and
- is integrated throughout the organization’s activities within its sphere of influence. (section 2.18)

In a wider business context, the concept of social responsibility has evolved over time, with its focus moving through: purely economic based theories centred on cost and risk reduction, followed by the competitive advantage it can bring, its impact on reputation and legitimacy, through to a more societally based approach synergising stakeholder interests (Kurucz et al., 2008). This more recent school of thought more closely aligns to the ICA statement (ICA, 2015). The ICA set out dimensions of social responsibility for co-operatives: people, products, principles, environment, community, democracy, and development, which are seen to broadly align with principles of social responsibility (Osten et al., 2024).

Co-operatives obviously cannot (and do not) claim a monopoly on social responsibility. There will be businesses that achieve more by various measures of social responsibility than comparative co-operatives. Clearly, the intention and reality can differ (Tuominen, 2017). Conversely, there are academic studies pointing to co-operatives achieving more in terms of

social responsibility than comparative investor-owned firms in the same sector (Bhowmik, 2021; Westerholz & Höhler, 2022).

The type of co-operative also has a bearing on this. Multi-stakeholder co-operatives, which bring different types of stakeholders into direct membership of the co-operative, will inevitably have a different relationship with many of its stakeholders (e.g. one of membership), than a single-stakeholder co-operative whose other stakeholders remain outside of formal governance structures (e.g. a worker co-operative whose suppliers and customers are not included in membership) (Gijssels, 2009). From a theoretical perspective, co-operatives *should* be more inherently socially responsible than an investor-owned firm because of features of their governance — including a purpose beyond economic need, democratic control, joint-ownership, and equitable distribution of surplus. The practice would need to be assessed on a case-by-case basis.

Sustainable Development

Sustainable development is part of social responsibility. The definition used by the United Nations (UN) in the Brundtland Report is that “sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (World Commission on Environment and Development, 1987, p. 15). It contains social, economic and environmental goals and is said to be a way of expressing the broader societal expectations. Principle 7 of the ICA statement uses the phrase ‘sustainable development’ based on awareness of this definition (ICA, 2015).

The UN Sustainable Development Goals (SDGs) were agreed in 2015 as part of the 2030 Agenda for Sustainable Development, a successor to the Millennium Development Goals (MDGs) (<https://sdgs.un.org/goals>). The 17 SDGs include goals such as the elimination of poverty (SDG 1), provision of decent work (SDG 8), responsible consumption and production (SDG 12), and urgent action to combat climate change (SDG 13). They are underpinned by 169 targets and 231 unique global indicators (UN, n.d.). The exact number of indicators referenced varies depending on whether you include duplicated indicators.

Co-operatives operate around the globe in countries with varying levels of economic development. There are plenty of examples of co-operative action which supports the MDGs (Birchall, 2004) and later SDGs. For example, the International Labour Organization (ILO) have produced reports looking at each SDG individually. Areas of co-operative sustainable development have been explored and include:

- Poverty reduction: by empowering people to collectivise risk and operate economically through an enterprise they democratically own (see Birchall, 2003). It looks at the role of agricultural co-operatives, and financial co-operatives in Africa.
- Gender equality: with open and voluntary membership without discrimination. There are examples given of the strong presence of women in the governance of worker co-operatives in Spain and Italy; and self-employment opportunities for women in India.
- Decent work: through democratic ownership and control in worker co-operatives around the globe.

See Iyer (2020), Koh (2024), and Wanyama (2014) for examples in Asia and the Pacific. The significance of co-operatives in helping meet sustainable development goals is recognised by the ILO in Recommendation 193, clause 14 (ILO, 2002), and the role of co-operatives as private sector actors contributing to meeting the SDGs is acknowledged by the UN.

The sort of sustainable development carried out by co-operatives, as with other businesses, will vary depending on their size and scale. Additionally, it will vary by type of co-operative. A producer co-operative involved in production and supply of crops, will have a more immediate

connection to some SDGs (such as hunger, responsible production, life on land, and climate action) than a worker co-operative providing jobs in the creative industry (which may have more of an immediate involvement with decent work, reduced inequalities, gender equality). A housing co-operative providing accommodation to 6 members is going to have a completely different scale to a consumer co-operative with global supply chains. For instance, work by numerous retail consumer co-operatives in the UK on Fairtrade involved them looking across the supply chain through to development of farming co-operatives providing produce such as cocoa.

Academic analysis looking at co-operative principles and sustainable development have been carried out (Herbert et al., 2016), noting stronger focus on the social dimensions of sustainability than environmental and economic aspects in terms of what co-operatives articulate in published reports. These understandably, focus on what is written and published by those co-operatives, which will miss details of any unpublished activities.

There is a broader dimension to this work — if one considers co-operatives as institutions for the managing of natural common-pool resources (Gagliardi & Gindis, 2022), building on the work of Elinor Ostrom (Ostrom, 1990). This will be particularly important as work on nature-related financial disclosures continues to develop. See, for instance, the Taskforce on Nature-related Financial Disclosures (<https://tnfd.global/>).

Concern for Community

The 7th Principle, concern for community, was new in 1995 in its express inclusion in the ICA statement, but is evident throughout co-operative history (MacPherson & Paz, 2015). In setting out the background to this principle, MacPherson (1996) wrote that “co-operatives are organisations that exist primarily for the benefit of their members. Because of this strong association with members, often in a specific geographic space, co-operatives are also often closely tied to their communities” (p. 28). This does not suggest benevolence in the traditional charity sense. In the French translation of the statement, concern is translated to mean “commitment” (Wilson et al., 2021, p. 35), which is perhaps a better fit.

The principle of concern for community is broad enough to include social responsibility and sustainable development, detailed above. It is argued the concept is embedded in what co-operatives do:

A co-operative’s engagement with its community is not a frill. It is part of the way it should think about its business and a significant aspect of how it relates to its members. It is an important part of co-operative distinctiveness. It means that co-ops cannot ignore the social consequences of what they do. It means they have a responsibility to care for the communities in which they exist — both in what they do and how they choose to do it. (MacPherson & Paz, 2015, p. 47)

Shah (1995) argues that successful co-operatives need to be salient, with salience involving the co-operative becoming central to the lives of members. The examples of salient actions given by Shah in agricultural co-operatives in India include activity that would readily be considered to fall within Principle 7. For instance, it includes the provision of food programmes for all those living within a community in which the co-operative operates.

This line of thought links co-operative concern for community with the success of the co-operative itself. Co-operative literature often talks of the ‘virtuous circle’:

The economic success and sustainability of a co-operative creates the resources to apply this 7th Principle to working for economic, environmental and social sustainability of the communities in which co-operatives operate. The benefits from this responsible commitment to sustainability circle back through new members, increased turnover and higher surpluses that reinforce a co-operative’s economic success. (Shah, 1995, pp. 47-48)

This is not one-sided. Research suggests that co-operatives make positive contributions to their community, not simply by donating money to good causes, but because they “stabilize

communities because they are community-based business anchors that distribute, recycle, and multiply local expertise and capital within a community” (Gordon Nembhard, 2015, p. 154). Studies exploring the local economic impact of co-operatives have shown too that for every £10 spent in a retail consumer co-operative, an additional £4 is generated in benefits to the local economy (Sacks, 2013). The concept of external mutuality as an improvement in collective welfare has been considered by some to be within the principle of concern for community, and complimentary to the ‘internal mutuality’ benefitting members (Osten et al., 2024).

Role of Members

Principle 7 is clear in specifying that policies related to concern for community should be approved by their members. It is argued that “engagement with community is rooted in the co-operative idea of membership” (MacPherson & Paz, 2015, p. 40). There are multiple dimensions to co-operative membership — in that it reflects legal ownership, the right to participate in democratic participation and control, and participation in the business with an equitable return of profits based on that participation.

The members of a co-operative can be seen as a community of members, which gives a co-operative its purpose. It is argued that as well as the dimensions of membership mentioned above, members also have a community role (Mamouni Linnios et al., 2016). Others have viewed this as being part of the co-operative spirit (Böök, 1992) or culture (MacPherson & Paz, 2015). Co-operatives can also play a positive role in facilitating engagement of members in wider concerns such as environmental and ecological challenges (Deblangy, 2023).

Conclusion

There is evidence throughout the history of the co-operative movement of a commitment by co-operatives both to their members, and the communities in which they operate. Co-operatives are perhaps the first socially responsible businesses. Examples around the world show co-operatives contributing positively to sustainable development, which is recognised by the UN. Co-operatives cannot claim a monopoly on social responsibility or sustainable development. Many other types of business do take strong positive action to tackle climate change, or social justice. Inevitably within most countries one will be able to find an example of an investor-owned firm doing better on some of these measures than a particular co-operative. However, there is something inherent in the design of co-operatives, based on the ICA statement (ICA, 2015), that should facilitate social responsibility, sustainable development, and concern for community: there is plenty of evidence to show these concepts in action within co-operatives around the globe.

The Author

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