

# A Basic Intro to Co-operatives

## What is a Co-operative?

A co-operative is a business - a form of business enterprise that is different from private and public enterprises, with a separate legal structure. Co-operatives are unique – they have a co-operative difference that creates a co-operative advantage. They are owned & controlled by their members. Co-operatives (or co-ops) are different because they are democratic, participatory, open, voluntary & community-based. Many different types of co-ops exist including agricultural, community service, education, housing, media, recreational, transport, utility and consumer or store co-operatives as well as credit unions. Co-ops are characterised by participative ownership & control, democratic structure & use of capital for mutual benefit. Their unique structure reflects and reinforces a set of explicit co-operative values and principles.

## The Co-operative Difference

	<b>Co-operatives</b>	<b>Investor-owned companies</b>
<b>Purpose</b>	Service driven	Capital driven
<b>Ownership</b>	The member users	Investor shareholders
<b>Control</b>	Majority of members. Members elect the board on basis of one vote per member	Majority of shares. Investor shareholders control the company based on the number of shares they own
<b>Use</b>	Users of co-operatives are its members	Users are not usually the majority of shareholders
<b>Shareholding</b>	Shareholding & non-shareholding. Limited number & interest	Shareholding limited number and interest

(Source: Co-operative Federation of Victoria)

## Co-operative Values & Principles

Co-operatives are unique businesses that are based on explicit values and principles articulated in the International Co-operative Alliance's Statement on the Co-operative Identity, adopted in 1995.

### Definition

“A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social & cultural needs & aspirations through a jointly-owned & democratically controlled enterprise.” (International Co-operative Alliance's Statement on the Co-operative Identity (ICASCI), 1995)

### Values

“Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, cooperative

members believe in the ethical values of honesty, openness, social responsibility and caring for others.” (ICASCI, 1995)

## **Principles**

The cooperative principles are guidelines by which co-operatives put their values into practice. Seven principles are defined in the International Co-operative Alliance's Statement on the Co-operative Identity.

### **Co-operatives as a means of organising**

Co-operatives are also as a means of organising – they are a *process* not just an outcome. Co-operation provides strength by bringing people with mutual aims & interests together through the pooling of energy, time & resources to effect change for a common benefit. A co-operative is about & *is* its members - it is formed for serving needs of members & the community not just the investment of capital. Co-operatives provide a space for sharing and learning new skills, empowering people, building capacity and creating community. Co-ops can also be seen as a political form of organising, based on decentralised, participatory democracy not a centralised hierarchy. They are based on a philosophy of achieving a mutual collective benefit not individual gain. Co-operatives are also an autonomous means of organising, reflecting the idea that responsibility is a condition of freedom. For example, members are welcome to constructively criticise an aspect of their co-op with which they feel there may be a problem but are then also expected to be prepared to take an active role in solving it.

**Co-operative Principles** (Source: International Co-operative Alliance's Statement on the Co-operative Identity, 1995)

#### **“1st Principle: Voluntary and Open Membership**

Co-operatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

#### **2nd Principle: Democratic Member Control**

Co-operatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organised in a democratic manner.

#### **3rd Principle: Member Economic Participation**

Members contribute equitably to, and democratically control the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

#### **4th Principle: Autonomy and Independence**

Co-operatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including

governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

### **5th Principle: Education, Training and Information**

Co-operatives provide education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of their cooperatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.

### **6th Principle: Co-operation among Co-operatives**

Co-operatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

### **7th Principle: Concern for Community**

Co-operatives work for the sustainable development of their communities through policies approved by their members.”



(The above material was adapted from the Co-operative Federation of Victoria 's "What is a co-operative?" Brochure and International Co-operative Alliance's "Statement on the Co-operative Identity" 1995)