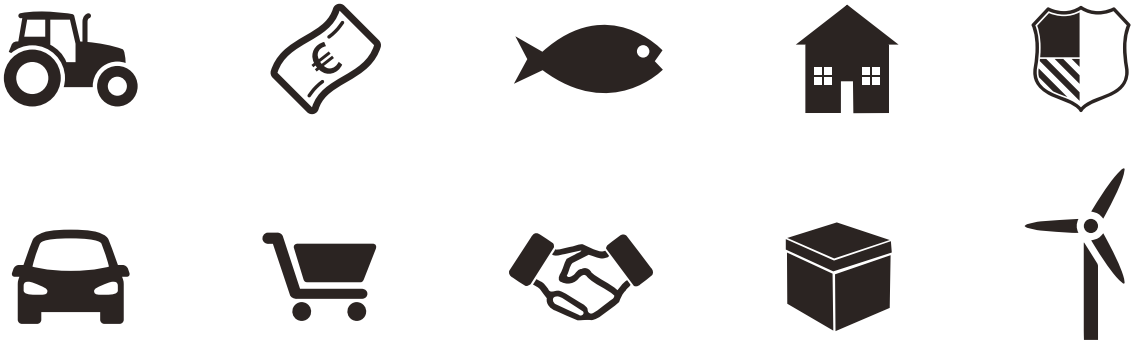
FOUNDATION FOR EUROPEAN PROGRESSIVE STUDIES
FONDATION EUROPÉENNE D'ÉTUDES PROGRESSISTES

Framing the New Progressive Narrative:

A Mutual and Cooperative Approach to the Economy and Society



THE PEOPLE'S BUSINESS

mutuo

Peter HUNT
Mark WILLETTS

FOUNDATION FOR EUROPEAN PROGRESSIVE STUDIES
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Contents

Preface 2

1. Foreword: Ernst Stetter & Peter Hunt 3

2. Executive Summary 4

a. Express summary 4

b. Policy ideas for Progressives 5

3. Cooperatives and mutuals: The People's Business and a force for progress and social democracy 8

a. Spreading ownership, power and wealth 10

b. Delivering financial services in the interests of customers, not capital 12

c. Providing affordable housing 21

d. Enabling rewarding and fulfilling work 23

e. Helping to reach renewable energy targets 28

4. Policy ideas for progressives 31

a. An economy that prioritises **people before other interests** 31

b. Policy ideas that **counterbalance the effects of globalization** 32

c. Businesses that challenge inequality and **spread wealth** 33

d. **Financial services** in the interests of customers, not capital 33

e. **Work** that is meaningful and rewarding 33

f. Access to quality affordable **housing** 34

g. **Energy** security through local control 34

Appendix 1 An overview of cooperative law in the EU 39

Appendix 2 Details of activities undertaken in the project 45

Appendix 3 Acknowledgements 46

Appendix 4 Bibliography 48

Appendix 5 About us 51

Preface

The power of commerce to create the wealth upon which the progress of society is built is immense. Yet in recent years we have seen the erosion of trust in corporations and the polarisation of the interests of ordinary citizens from the businesses for whom they work and with whom they trade.

The rich have increased their share of wealth whilst global corporations have begun to behave as sovereign nations, in the interest of their shareholders. Yet austerity has affected working people most, with a whole new generation of young people facing greater challenges than ever before.

Progressives need to be able to present a positive vision of an economy that works for ordinary people. The way in which the economy is organised, how business operates, and ultimately how wealth is shared among people, is crucial to rebuilding trust with the electorate.

It is no longer a binary choice between the intervention of government or support for a free market. Business needs to be trusted by customers, to respect its workers, and follow a purpose that serves the common good.

The People's Business is about more than regulations and laws. It is about putting people in control and tying that idea of self-help firmly into the progressive tradition of self fulfilment. It is about business, but in your interests.

1 Foreword

Ernst Stetter & Peter Hunt

Much of the disillusionment with politics that is shared across the European Union stems from our politicians' inability to propose economic and political systems that work for ordinary people, rather than the vested interests of business, the wealthy and the powerful.

Across the E.U., social democrats appear to offer only an alternative, albeit kinder, management of the same economic systems that are seen to have failed. The only radical alternatives being discussed on the left are throw-backs to an equally discredited state-controlled past.

We need to find a policy narrative that connects with and inspires voters by aligning the recognisable social democratic political values of fairness and democracy with a new political plan for organising our economy and society.

A major part of this is the progressive attitude to business. We should be the champions of businesses that spread wealth and empower their workers and customers.

Progressives should be in favour of businesses that:

- Work in the interests of their customers
- Share widely the rewards of enterprise
- Actively engage and involve their workers

The theme of cooperative business ownership is one that should be claimed by progressives across the European Union. A policy agenda that promotes and grows customer and employee ownership of business could help to develop strong progressive and populist policies that can work for many social democratic and labour parties in the EU.

In many more countries, the history of cooperative and mutual business is interwoven with progressive movements. Many trade union and socialist societies originally founded these organisations to provide services to their members. In the middle 20th century, social democrats turned to the state for economic and social solutions; the subsequent growth of marketization left little response from the left.

At the same time, the legacy of the former communist states from Eastern Europe cannot be ignored. For decades, different regimes misused 'cooperatives' as a means of seeking to appear open to collective ownership. The reality was that these organisations were controlled by the state and had no genuine internal democracy.

This has had a damaging effect on the cooperative 'brand' in these countries where people are understandably cynical about bogus collectivism.

But the size and scope of the cooperative business sector across the EU is impressive. From the food we eat to the homes we live in, our places of work and relaxation, our healthcare, financial well-being and energy providers, cooperatives are an intrinsic part of the lives of our people. They have a central part to play in helping to solve some of the biggest challenges we face as Europeans.

Progressives should understand them, value them, and deploy them as part of our policy agenda for serving the public through the Peoples' Business. This is a credible position from which to reclaim the ground of social business for progressives.

Executive Summary 2

a. Express summary

The financial crisis saw Governments spend over EUR 1.5 trillion of taxpayers' money to rescue the failed investor owned banks. The subsequent period of austerity has delivered real hardship across Europe, with reduced economic growth, unemployment and damaged living standards for many, even as we have seen a greater concentration of wealth than before.

This experience shows how economies are vulnerable to major shocks when significant business sectors are dominated by listed firms, each similarly owned and following similar business objectives.

Recession and slow growth means that corporate tax revenues are down, whilst at the same time, greater globalisation has facilitated large corporations to go 'tax shopping' on a scale not seen before. From being seen as the engine of growth and progress, big business has been added to the lengthening list of institutions that the public no longer trusts to do the right thing.

Economic hardship has been exacerbated by an increase in housing inequality, personal debt and a lack of quality work, particularly for young people. Our economy and society remains challenged by huge structural issues such as an ageing population and its attendant ever higher healthcare costs.

We remain reliant on a volatile world market for oil and gas, where businesses and states combine to fix prices as we continue to struggle to replace fossil fuels with renewable alternatives.

The inability of our politicians to respond to this has led to the splintering of 50 years of consensus politics. The rise of populism of both the right and the left is evidence that voters are impatient with the 'managerial politics' on offer from the centre left and centre right.

Progressives need a fresh approach to rebuild popular trust by ensuring that business operates in the interests of people, rather than against them. We need to go beyond trying to regulate markets that are not working and consider how to promote the core purpose of enterprising economies.

We need to show that we understand how business works and how it can be a force for progress, dealing with many of the difficult challenges of our time. There is hope. There are already businesses that are of the people and for the people. We need to recognise and grow them. Progressives can offer a vision of an economy that operates in the interests of people by stimulating business that has the service of customers and workers as its core purpose.

The Peoples' Business project has seven public policy objectives:

1. An economy that prioritises **people before other interests**
2. Policy ideas that **counterbalance the effects of globalisation**
3. Businesses that challenge inequality and **spread wealth**
4. **Financial services** in the interests of customers, not capital
5. **Work** that is meaningful and rewarding
6. Access to quality affordable **housing**
7. **Energy** security through local control

This report is about how cooperatives and mutuals - the true People's Businesses -can contribute to achieving these objectives.

a. Policy ideas for Progressives

This report proposes a series of policy positions that Progressives could adopt in order to successfully implement these seven objectives.

An economy that prioritises people before other interests

The experience of the financial crisis should teach us that we have to better manage the risk that our economy faced. The lack of corporate diversity in the banking and insurance sector led to a 'domino effect' among shareholder owned banks and insurers around the world, many of which failed simultaneously. There are lessons here for the financial services industry of course, which we address later, but the bigger point is that any industry that is dominated by similarly owned institutions will be vulnerable at times of stress.

It is essential that there is a consistent policy approach across the European Union. In practical terms, this means that there should be a policy, legislative and regulatory framework in each member state that facilitates all types of business to compete in a free and fair manner.

Progressives should adopt a policy objective to support corporate plurality and the role of cooperative and mutual businesses through appropriate policy, legislative and regulatory actions.

Policy ideas that counterbalance the effects of globalisation

In increasingly globalised economies, multi-national ownership has begun to lead to the dominance of global and regional brands for many day to day services, from coffee shops to retail stores and banking.

The liberalisation of markets has a number of unintended consequences for domestic governments, with companies owned and headquartered elsewhere, often paying little tax in the countries where they operate, and leaving governments with little influence over their operations, and instead subject to corporate strategies devised to serve the interests of distant owners.

This has had a real effect on jobs and productive industries in many countries, leaving them less able to compete in a market of the EU. Efforts are now being made to align taxation policies to dampen the effects on national exchequers, but more is needed to counterbalance the growing power of global brands.

Cooperatives maintain a close proximity to the interests of their members. They typically operate within national boundaries and are locally focussed.

There should be active policies to promote these domestically owned cooperatives and mutuals to help to drive business that operates in the people's interests, provide keen competition to multinationals and ensure that taxes are paid in the countries where they are due.

Businesses that challenge inequality and spread wealth

The way a business is owned will affect the way it conducts its affairs, the strategy it pursues, and what happens to the profits. Ownership acts to concentrate wealth unless it is spread widely. If left to markets, this concentration will continue through consolidation, mergers and takeovers as capital interests are served ahead of those of workers or customers.

Cooperatives spread wealth by distributing their surpluses to members in the form of dividends or through lower pricing. Compared to shareholder owned businesses, ownership is spread more widely, with a greater proportion of customers and employees able to benefit from the economic benefits of business.

Progressives need to consider active policies that promote the spreading of wealth and help customers and employees to share in the financial success of their businesses.

Financial services in the interests of customers, not capital

The shock caused to European economies during the financial crisis has had far- reaching consequences for the lives of ordinary people. Austerity policies are a direct result of the tax losses incurred in bailing out banks and the subsequent recession that has damaged living standards for millions of citizens.

It has to be a responsibility of governments to protect the EU from similar economic shocks. This is understood as far as regulation of the industry is concerned. Yet the structural danger posed by similarly owned firms following similar business strategies has not been addressed.

The need to ensure diversity of corporate ownership must be a policy objective, with cooperatively owned firms able to play a full part in the financial services sector. Regulation should not be simply based on investor owned firms and must permit customer ownership to flourish.

Work that is meaningful and rewarding

The evidence is strong that worker ownership improves business performance and employee satisfaction at a time of increasing globalisation which has led to feelings of greater powerlessness among workers.

Employee owned business directly incentivises and rewards workers for their efforts. Owner workers are productive, and can contribute disproportionately to wealth creation. Direct ownership puts all the fruits of ownership – income, capital appreciation, information and control – in the hands of the shareholder. With workers as the shareholding beneficiaries, wealth is shared more equitably and work is rewarding.

Progressives should promote policies that encourage high quality work that is rewarding for workers. This could include active policies to facilitate worker ownership, re-routing social security into investment and giving all EU citizens the opportunity to benefit.

Access to quality affordable housing

Cooperative housing represents an important part of the housing market in many countries in Europe and provides a realistic route to affordable housing. Cooperatives enable tenants to control decisions affecting their homes through mutual ownership. Housing cooperatives as well as other affordable housing providers are faced with a number of challenges, such as adapting to changing demand, improving the sustainability of the housing stock as well as the environmental quality of the neighbourhoods, and coping with unfavourable conditions on the financial and housing markets.

Progressive policies for affordable housing should include provision for cooperatively owned homes.

Energy security through local control

Switching to clean decentralised renewables is crucial if Europe is to end its current reliance on polluting and harmful energy sources such as coal, gas and oil. Cooperatives can make a significant contribution to increasing the number of renewable energy projects and therefore helping nations to meet their renewable targets.

This is because the democratic structure of cooperative renewable energy projects means that it is more likely that local people will support planning applications in their area if it can be shown that they accord with the wishes of local people. This is a clear benefit such as when we think of the challenges in securing sites for the building of wind turbines.

Cooperatives are also able to provide shared economic benefits. Local consumers invest and receive a dividend in profits made, or reductions in the tariff paid. This means there is a rational economic benefit for consumers who truly have a stake in a renewable solution to the energy transition.

Those countries with significant local cooperative renewable projects have the highest level of renewable energy overall, partly as a result of proactive policies to support this.

Progressives can adopt policies to encourage community ownership of renewable energy projects through fiscal and regulatory means.

Cooperatives and mutuals are The People's Business - a force for progress and social democracy

3

From their very beginnings, cooperatives have been a practical response to adversity and market failures. They facilitate ordinary people coming together to pool their talents, capital and personal interests. Cooperatives are the epitome of community self help. They unleash the latent talents that can lay buried within people. They are good for society and are a direct manifestation of socialist progression.

The examples of cooperative action in this report show how these organisations can deliver on the key aspirations of progressives and social democrats. They provide a genuine opportunity for people to improve their incomes, housing, employment and ultimately their quality of life. Cooperatives and mutuals can be shown to directly benefit not only their individual members, but also society as a whole.

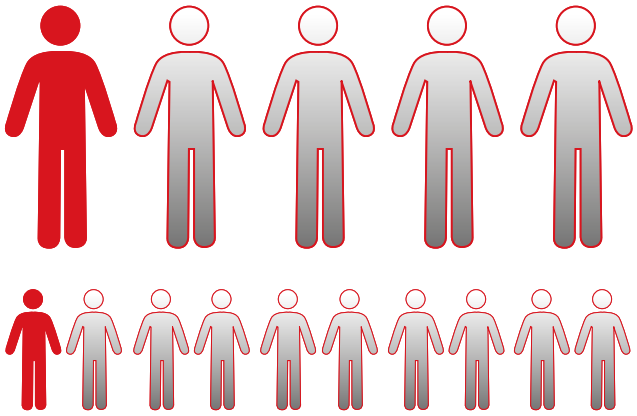
As businesses owned by those who participate in them as employees and customers, they have a direct focus on the quality of what they achieve, rather than returning profits to investors. Their different focus permits them to act as a regulating force in markets whilst achieving different ends from capitalist businesses.

As participants in this diverse range of economic activities, cooperatives and mutuals contribute to a range of public policy objectives. They are good for people, and for society as a whole.

Cooperatives spread ownership, power and wealth

Cooperatives spread wealth by distributing their surpluses to members in the form of dividends or through lower pricing. Compared to shareholder owned businesses, ownership is spread more widely, with a greater proportion of customers and employees able to benefit from the economic fruits of business.

Cooperatives and mutuals are owned by large numbers of EU citizens, in fact people are twice as likely to be a member of at least one cooperative than a shareholder in a listed company.



20% (1 in 5) of EU citizens is a member owner of a cooperative business, compared with 11 % (1 in 10) who are are direct shareholders.

At a time of increasingly globalised economies, multi-national company ownership has begun to lead to the dominance of global and regional brands for many day to day services, from coffee shops to retail stores and banking.

This liberalisation of markets has a number of unintended consequences for domestic governments, with companies owned and headquartered away from, and often paying little tax in the countries where they operate. This leaves governments with little influence over their operations, and instead subject to their corporate strategies.

This has had a real effect on jobs and productive industries in many countries, leaving them less able to compete in a market of the EU. In some countries, whole sectors, such as banking are now foreign owned.

Cooperatives and mutuals are domestically owned businesses, paying tax in their local state of origin. As member owned firms, they cannot be absorbed

into multi national operations without being demutualised. They exist to serve specified local populations and so are useful businesses to have as part of a diverse economy.

Their ownership means that people are able to have a genuine stake in businesses that are part of their economies, are able to share in the wealth created by cooperatives, which are also significant providers of employment.

Governments should positively encourage cooperative ownership to help maintain productive local economies. New policies are required to protect and promote cooperative ownership in individual states.

Across all EU member states cooperative and mutual businesses are significant in a range of business sectors, from agriculture to banking, housing, insurance, retail, industry and renewable energy.

Concentration of cooperatives and mutuals in the EU
Total income for the sector 1.3 trillion Euros each year

Presented on a per capita basis

>2000 Euros per citizen (11 countries)

350 – 2000 Euros per citizen (8 countries)

<350 Euros per citizen (9 countries)

Cooperatives and mutuals provide employment to 4.7 million people across the EU

How cooperatives and mutuals spread ownership, power and wealth in all business sectors

Agriculture:

Cooperatives help maintain food security and lower prices

Income 338bn Euros each year

Top 5 EU states for cooperative agriculture (Measured by income per capita)

1 Denmark
2 Ireland
3 Finland
4 Netherlands
5 France

Farmers have always cooperated to achieve economies and scale in producing food. From working together to purchase agricultural machinery to collaborating in the processing and marketing of their produce, this approach to work allows farms of all sizes to maintain their independent ownership.

In this way, the profits from food production are returned to their source, to be reinvested in local economies or distributed to local owners. This economic method enables smaller producers to maintain their way of life and to guarantee a broad based ownership of the means of food production.

More than half of the food produced in the European Union passes through cooperatives that enable individual food producers to realise economic benefits that they could not otherwise achieve alone. Cooperatives help groups of agricultural producers improve their bargaining power, reduce costs by pooling capital and resources, and sharing services such as marketing.

The lower production costs bring the benefit of lower priced food for EU consumers, and secures the supply of locally produced food within the single market.

The cooperatives help farmers to achieve economies of scale, by reducing the unit costs of inputs and services, enabling individual farmers to focus on producing goods rather than finding buyers and suppliers. Cooperatives also enable farmers to improve product and service quality and reduce risks. They can allow farmers to address common problems, develop new market opportunities or expand existing markets. Agricultural cooperatives empower farmers and improve their position in the marketplace.

The role that cooperatives play in this sector enables small agricultural holdings to compete in the food supply market. Apart from the economic benefits that this brings to local communities, it helps to avoid the depopulation of rural areas, create better stewardship of the land and foster environmental protection.

Other associated benefits include a reduction in food miles travelled which simultaneously means more local food processing. This form of ownership ensures that land continues to be owned by European families and helps ensure that land use is in keeping with local traditions.

Maintaining local small scale production allows the rich food heritage of many European nations to be preserved, with world renowned high quality produce a significant export earner of foreign currency.

Arla Foods, Denmark

A major international agri-producer

Arla Foods is an international cooperative based in Aarhus, Denmark, and the largest producer of dairy products in Scandinavia. Arla Foods is owned by 12,700 dairy farmers and had a 2015 revenue of EUR 10.3 billion. Arla Foods is the world's seventh largest dairy company based on revenue.

During the 1880s dairy farmers in Denmark and Sweden formed small cooperatives to invest in common dairy production facilities. By doing this they made efficient use of their milk and higher quality products. The earnings they made from their milk were equally split between the dairy farmers and together they built a successful future for themselves and the next generation on their farm.

Over the years, the cooperative idea proved increasingly attractive. Small farmer cooperatives merged and became stronger. They expanded from local to regional to national cooperatives. In 2000, the largest Danish dairy cooperative merged with its Swedish counterpart and Arla Foods, the first cross-border dairy cooperative, was formed.

The cooperative also flourished in other countries and through recent mergers cooperative owners in the UK, the Netherlands, Germany, Belgium and Luxembourg have joined Arla Foods.

Arla Foods operates under a number of brands including Arla, Lurpak, Anchor and Castello cheese.

Nicolas Feuillatte Champagne, France

The world's third largest champagne producer

The Centre Vinicole – Champagne Nicolas Feuillatte (CV-CNF) is the oldest union of producers of champagne. It is the number one selling Champagne brand in France and the third biggest-selling Champagne brand in the world, behind Moët & Chandon and Veuve Clicquot, selling 9.9m bottles in 2013.

The business has expanded to become the biggest federation of grower cooperatives in Champagne, comprising more than 5,000 growers, 80 member cooperatives and 2,150 hectares of vineyard. It handles over 50% of the total supply in the region.

Grapes are harvested exclusively by hand to keep the berries intact until they enter the press, thus guaranteeing the quality of the juices and avoiding oxidation at all costs. Picking manually also enables the growers to select only the finest grapes, and in so doing provide the chief winemaker with incomparable quality.

By providing member growers with direct access to consumers and an equal share of the added value, the cooperative model is an overriding success. True to the spirit of its founders, it strives to uphold an ethos of solidarity through values such as transparency and equality.

The CV-CNF is also hugely successfully from an economic perspective, with total sales of EUR 215 million in 2015, yielding a profit of EUR 20.3 million, demonstrating that the cooperative union model is a distinct advantage.

Banking & Insurance:

Cooperatives provide financial services in the interests of customers, not capital

Income 540 bn Euros each year

Serve 210 million customers

Provide employment to 1.3 million people across the EU

The shock caused to European economies during the financial crisis has had far reaching consequences for the lives of working people. Austerity policies are a direct result of the tax losses incurred in bailing out banks and the subsequent recession has damaged living standards for millions of citizens.

It has to be a responsibility of governments to protect the EU from similar economic shocks. This is understood as far as regulation of the industry is concerned. Yet the structural danger posed by similarly owned firms following similar business strategies has not been addressed. The need to ensure diversity of corporate ownership must be examined, with cooperatively owned firms able to play a full part in economies.

A variety of business models creates corresponding diversity in forms of corporate governance, risk appetite and management, incentive structures, as well as behaviours and outcomes. Because they are not driven by profit-maximising, short-term expectations of shareholders or financial analysts, mutuals and cooperatives are able to pursue business strategies aimed at long-term sustainability. This also offers wider choice for consumers through enhanced competition that derives in part from the juxtaposition of different business models.

Cooperative and mutual financial services businesses are owned by their customers, and are run solely in their interests. They compete in markets where the alternative providers are typically listed companies, which operate in the interests of their shareholders. The difference in ownership means that they have an inherent advantage in that they do not have to return profits to capital investors. This means that they can use that money to provide better services and lower prices to customers. It also means that they operate to a different economic target, where instead of maximizing shareholder value, they maximise the value of their services to customer owners.

This is a way of using the wealth earned from the business to benefit a wider number of people. Cooperatives and mutuals are able to offer consistently better value savings, loans and insurance products, driving competition into the heart of these highly competitive markets. They also provide local services such as branch networks and locally focused services that are valued by their customers.

Market share of cooperative banks

25%+ Austria, Denmark, Finland, France, Germany, Italy, Netherlands

15-25% Cyprus, UK

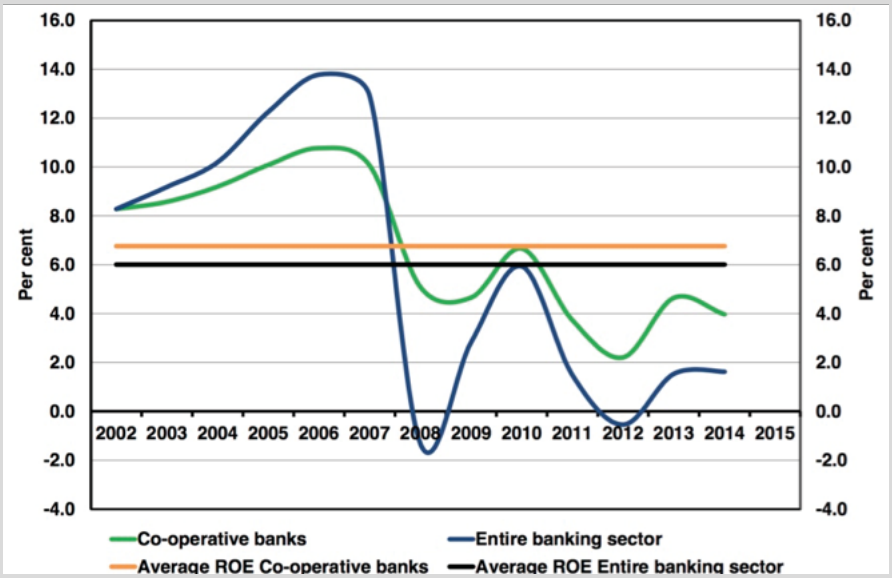
5-15% Greece, Hungary, Luxembourg, Poland, Spain

0-5% Belgium, Bulgaria, Croatia, Czech Republic, Estonia, Ireland, Latvia, Lithuania, Malta, Portugal, Romania, Slovakia, Slovenia, Sweden

Source: EACB

The performance of mutually owned banks since the beginning of the financial crisis contrasts starkly with that of their stock market listed competitions, as the following graph shows.

Return on equity of cooperative banking groups and entire banking sector



Source: calculations by TIAS based on data from cooperative banking groups, the European Central Bank and the Swiss National Bank.
Note: The orange and black lines represent the average return on equity of respectively cooperative banks and the entire baning sector over the time span 2002-2014.

We can see that cooperatives can counter-balance the short-termist pressure of the capital market. The existence of corporately diverse financial services markets will help to significantly de-risk markets and protect economies from reliving the experience of 2008.

By consistently offering better value products, these businesses are pre-distributing wealth to large numbers of consumers through beneficial pricing and service quality systems. But this opportunity is not available to all EU citizens, with many states having no or limited cooperative banking. Policy makers must address the legislative and regulatory barriers that mean this choice is not available to everyone.

EU states with no or limited cooperative banking:

Belgium	Latvia
Croatia	Malta
Czech Republic	Romania
Estonia	Slovakia

Rabobank

One of the top 30 banks in the world

Rabobank is a cooperative bank, founded in 1972, as a result of a merger between the regional central banks of the Dutch credit union movement. It is a cooperative and a global leader in food and agri financing and sustainability-oriented banking. Rooted in agriculture, Rabobank was set up as a federation of local credit unions, which offer services to the local markets.

It is one of the largest banking groups in the Netherlands, and among the top 30 banks in the world. It made a net profit of 2.2 billion euros in 2015, an increase of 20% compared to 2014. Its Common Equity Tier 1 ratio amounted to 13.5% and in 2015 Rabobank further strengthened its capital ratio to 23.2%. As of December 2014, total assets amount to €681 billion with a net profit of €1.8 billion.

It has 1.9 million members who play a part in the governance of the business, which has domestic market shares of 20% of mortgages, 35% of savings, 43% and 84% of food and agribusiness.

Raiffeisen banking

'What can´t be done alone, can be done together'

The first cooperative banks were founded by Friedrich Wilhelm Raiffeisen (1818-1888) and Hermann Schulze-Delitzsch over 160 years ago, in the mid-19th century. The first cooperative loan societies were established in order to support farmers at a time of famine and economic breakdown.

Raiffeisen, as a mayor of a number of villages in the German Westerwald province first set up charitable cooperatives to help agricultural labourers and small farmers. Soon, however, he realised that the Christian principles of charity were not effective enough and that organised self-help would be more beneficial in achieving his goal. In 1862, he founded the first banking cooperative in Anhausen, which became a model for Raiffeisen banks.

Today, cooperative banks account for about a third of the German and a quarter of the Austrian banking sectors. With 12,800 branches and more than 19,600 ATMs, they have one of Europe's biggest banking service networks. As independent banks, with many years' knowledge of local markets and personal contact with customers, they are particularly rooted in the economic life of their region.

Local roots, a nationwide network, commitment to their members, and democratic organization are features that characterize the more than 1,047 cooperative banks throughout Germany. Membership is the foundation of the 'registered cooperative' legal structure (eingetragene Genossenschaft). The 18 million customers of the cooperative banks are simultaneously their members and their shareholders.

In contrast to stock market listed banks, the advancement of members' interests is the top priority for the local cooperative banks, with profits retained to develop the best quality services for customers and dividends paid to members.

Local cooperative banks offer their customers a wide range of financial services as a result of their relationship with the sophisticated, specialized institutions in the Volksbanken Raiffeisenbanken cooperative financial network.

Well known names include Bausparkasse Schwäbisch Hall for building finance, R+V Versicherung for insurance, Union Investment for fund management, and the network's central institution DZ Bank.

Crédit Mutuel

Customer owned and customer serving

Crédit Mutuel is a major French bank, with headquarters in Strasbourg. It has 7.4 million customers. In 2016 it had a net income of 11.98 billion euros. Its brands, Crédit Mutuel and CIC have a network of nearly 6,000 outlets. The group provides expertise in all areas of finance to 30.1 million customers. The local branches of Crédit Mutuel are attached to 18 regional federations, themselves adherent to the National Confederation of the Crédit Mutuel, the central body of the network.

Crédit Mutuel has 15.2% of the French deposit market and 17.2% of loans distributed by banks. Through its cooperative ownership, the company is collective and power is exercised democratically.

The French banking sector is dominated by cooperatives, ensuring that these businesses operate in the interests of their customers.

Cooperative and mutual insurance

Insurance has always been provided on a mutual basis, with property protected cooperatively and life and health challenges met through collective action, long before states saw a responsibility for social welfare. From property and casualty, to life and health insurance, mutual insurers were the original pioneers of insurance provision, with the first recorded mutual insurer dating back to 1642, long before the first stock company insurer.

Mutuals and cooperatives are values-based entities with no shareholders and can therefore take a longer-term view when managing risk. They are in business to benefit their members and the communities that they serve and to provide fit for purpose, fairly priced products that are sold in the world's most competitive markets.

Mutual and cooperative insurers are good for markets and competition. Their different ownership structure allows them to focus on the long-term needs of their customers and on delivering high quality products, often designed with and for their customers/members, at fair prices, rather than having to focus on the interests of external shareholders.

Customer-centric business models are now recognized by many as better for the financial services sector. Following the turbulence of the global financial crisis of 2007/8, national and global leaders are increasingly demonstrating support for a model of business that puts customers, citizens and communities at the heart of their corporate purpose, adding stability to the insurance and wider financial services sector.

The evidence of the economic downturn is that mutuals have generally been more resilient than listed firms. There are numerous examples of individual mutuals consistently leading their markets in performance and service. During the financial crisis of 2008 and the following years of economic turmoil, mutual and cooperative insurers have not faced the level of difficulties encountered by the banking sector and by certain other insurers. They have not had to be bailed out by their governments to any significant degree.

Today, these firms maintain low cost services that reach the needs of all types of communities and are increasingly relevant in supporting health and welfare provision whilst acting as major contributors to competition in general and life insurance, where they continue to ensure that markets work in the interests of citizens.

Mutuals and cooperatives are an important part of a diverse landscape of business forms; in all EU countries there is a varying degree of diversity in terms of ownership type and business model. For insurance, however, this is not true today. Private insurance may be offered by stockholder-owned companies in all countries, but only 23 EU Member States allow insurance undertakings to have the legal form of a cooperative or a mutual, and three more limit mutuals to certain lines of insurance.

EU countries where mutual or cooperative insurers cannot be established:

Cyprus
Estonia
Lithuania
Malta
Slovakia

EU countries where mutual or cooperative insurance is (practically) absent:

Croatia
Czech Republic
Latvia
Romania

EU countries where mutual or cooperative insurance is restricted:

Bulgaria (only life)
Greece (only non-life)
Ireland (only life)

Note: In many countries, the market share of the mutual and cooperative insurers includes the business volume of local branches and subsidiairies of foreign mutuals.

This explains why for example in Slovakia, where no mutual insurers are allowed, the sector's market share is still sizeable.

Mutual insurance market share

High > 40%	Moderate 20%-40%	Low 10%-20%	0 - 10%
Austria [1]	Hungary [2 3]	Luxembourg [2]	United Kingdom
Netherlands [1]	Czech Republic [2 3]	Latvia [2 3]	Estonia [2 3]
Slovakia [2 3]	Sweden	Greece [2]	Malta [3]
Denmark	Spain [1]	Slovenia [2]	Ireland
Germany	Finland [4]	Belgium	Cyprus [3]
Romania [2 3]	Poland [2]	Croatia [2 3]	
France	Bulgaria [2 3]	Portugal	
	Italy	Lithuania [2 3]	

1) includes the significant market share of so-called hybrid mutuals
2) includes the market share of establishments of foreign mutuals
3) (practically) no domestic insurance mutuals/cooperatives
4) exclusive of statutory pension insurance
Source: ICMIF Global Mutual Market Share, AMICE Statistics

P&V Group, Belgium

A business established by Progressives

The P & V Group is a Belgian cooperative insurance group that was founded in 1907 at the initiative of the Belgian Labour Movement, which is still represented on the board of directors through delegates from the trade union and the mutuality movements.

P & V aims to offer as many people as possible fair protection. Over the years, the group has grown steadily. Each brand and distribution channel which forms part of the P & V Group has their own identity. However, they all share the basic idea, which has since 1907 remained intact: solidarity with the insured and society. P & V employs 1700 people and are headquartered in Brussels.

The P & V Group also develops close links with civil society through partnerships and sponsoring within such areas as prevention campaigns (health, traffic safety and environment), educational projects, financing of university research and developing world assistance, and also through activities undertaken by Foundation P&V, created in 2000, which combats social exclusion of young people.

The P&V Group ranks number six on the Belgian market with a 5.3% market share (6.2% in non-life and 4.7% in life insurance, figures dated 2013).

Consumer and retail:

Cooperatives are big businesses in retail markets, returning value to customers

Cooperatives tend to start small, based around groups of like-minded people. But the success of these businesses over the years has enabled many to grow into well known market leaders in a whole range of business sectors.

In some cases, cooperatives are the pre-eminent businesses, playing a major role in the economic and social development in their respective countries. Cooperative retailers are perhaps the best known cooperative brands.

The original cooperative shops were established as a response to market failure, where affordable food of a trusted quality was not available to the public. In the almost 200 years since the first coop shops were established, many of these businesses have grown to become market leading well known brands.

Consumer cooperatives retain their cooperative structure and purpose, which means that they continue to exist for the benefit of their customers. In some cases, they return their profits to their customers directly, through a share in a dividend, and in others they reduce prices and maintain shops where others would deem a service to be insufficiently profitable.

In many countries, these cooperatives have pioneered new retailing methods and driven the adoption of fair trade policies that benefit food producers, particularly those in developing countries.

Retail cooperatives allow independent businesses to come together under a joint brand to compete in highly competitive retail markets. In a similar way to agricultural cooperatives, they combine the strength of independent ownership to build strong brands which can be marketed on a greater scale, pooling purchasing power and helping to keep food costs low.

Top 5 EU states for consumer, retail and pharmacy cooperatives

1	France
2	Finland
3	Germany
4	Denmark
5	UK

Finland – S Group

A food retail market leader

S Group is a Finnish network of companies operating in the retail and service sectors with more than 1,600 outlets in Finland. S Group consists of twenty independent regional cooperatives and SOK Corporation, which is owned by the cooperatives, and its subsidiaries. It boasts a 45% share of the food retail market in Finland.

SOK Corporation operates as the central company for the cooperatives and provides them with procurement, expert and support services. It is also responsible for the strategic guidance of S Group and the development of the various chains. In addition to its regional and national subsidiaries, SOK engages in the supermarket trade and the travel industry and hospitality business in the Baltic countries and Russia.

The origins of cooperative retail in Finland is common with the experience across Europe. In the nineteenth century, many private merchants aimed for maximum profit and used spirals of debt to trap people into continuing their customer relationships whilst neglecting product quality and hygiene. Cooperatives were established in response to this failure of the market.

Employees of the Vyborg workshop established the first cooperative society in Finland in 1882, soon followed by the Helsinki General Nutritional Society in 1889. Its stores were open to all, selling on credit was strictly forbidden, all members had one vote and surplus was distributed primarily according to the volume of purchases. The principles of open membership, democracy and the distribution of surplus according to the use of services continue to guide S Group's operations.

The cooperative principle spread rapidly in Finland in the early twentieth century. SOK Corporation was set up in 1904 to manage joint purchases and provide advice and guidance.

Cooperative activities within what is now S Group soon became a key factor in the Finnish economy and a significant aspect of Finnish society between 1920 and 1950. SOK was the leading wholesale business in Finland in terms of purchasing power. In addition, it established a significant number of industrial enterprises to ensure the availability and high quality of goods.

Training provided for employees has been an integral part of S Group's operations since the very beginning, and later the SOK Cooperative Enterprise School was created in 1919.

Banking operations were launched by S Group and the S-Bank was established in 2007. By the end of 2011, S-Bank had around 2.5 million customers.

E. Leclerc

Social reform through commerce

E. Leclerc is a French cooperative society and hypermarket chain which currently has more than 500 locations in France and 114 stores outside of the country. These independent business members of Leclerc account for over EUR50 billion in turnover annually.

The brand was established by social reformer Edouard Leclerc in 1948 as a response to restrictive market practices by suppliers and retailers in France. He was opposed to monopolism and trade intermediaries, committing his business to shorten supply chains and help independent retailers to compete by using a unified brand.

Members must follow a few simple rules that codify practices: sell at the lowest price, distribute 25% of their profits to their employees and voluntarily participate in the management. Members must fully own their store, and they do not have to pay E. Leclerc any of their profits.

The founding principles remain the same today: to defend consumers and their purchasing power.

The international E. Leclerc stores operate to the same principles in Spain, Portugal, Italy, Poland and Slovenia. Today, 112 stores have already been created outside France, representing more than 2.4 billion euros in turnover.

Housing:
Cooperatives can provide affordable homes

Income 22 bn Euros each year

Provide homes for more than 9 million people

Cooperative housing represents an important part of the housing market in many countries in Europe and provides a realistic route to affordable housing, whilst enabling tenants to control decisions affecting their homes through mutual ownership.

There are different cooperative housing models in different countries, but what characterises housing cooperatives compared to other housing providers is that they are jointly owned and democratically controlled by their members, according to the principle of "one person, one vote". This has clear implications for the way they operate compared to other actors on the housing market and benefits not only their members but also the public interest.

Top 5 EU states for cooperative housing

1 Austria
2 Sweden
3 Germany
4 Poland
5 Italy

At a time of rising housing costs and demographic changes leading to smaller households, the need for affordable housing is acute in many communities across the EU.

Housing cooperatives as well as other affordable housing providers are faced with a number of challenges, such as adapting to the changing demand improving the sustainability of the housing stock as well as the environmental quality of the neighbourhoods, and coping with unfavourable conditions on the financial and housing markets.

Housing cooperatives in Austria

Providing homes for one in six people

In the middle of the 19th century, housing reformers concerned by distressing living conditions and population growth paved the way for the birth of limited-profit housing associations.

The oldest and still active housing cooperative in Austria was founded in 1895. At that time, there was no state support for housing or for the cooperative movement. The first limited-profit housing development company was established in 1907 and is still operating. Established in 1908 by imperial sanction, the public fund enabled the essential components of Austrian housing policy, such as limited profit shares, reasonable rents, ties-up of assets and government auditing.

As a result of the long-term government support for housing, every sixth inhabitant of Austria lives in an apartment built and/or managed by a limited-profit housing association today.

At the end of 2005, the housing cooperatives portfolio in Austria was as follows:

- 101 housing cooperatives, 334,000 housing units representing 8% of the total housing stock and 15% of the total multi-family-housing stock
- 412,000 individual members

The housing cooperatives portfolio is divided in:

- 228,000 rental units (15% of the total rental housing stock)
- 106,000 owner-occupied units (21% of total owner occupation housing stock).

Housing cooperatives in Sweden

Solving the housing shortage

Cooperative housing was a response to extreme housing shortages and severe housing speculation. In 1923, tenant organisations founded HSB Riksförbund to promote and make the necessary representations to political bodies in support of coop housing development.

The original goals of the tenant organisation activists were to give everyone a way to control their housing situation as well as to provide good housing to large groups in society. Even though housing cooperatives have the freedom to choose their management service, most of them buy their administrative and maintenance service from their HSB regional organisation (or Riksbyggen respectively) which also contributes to keeping close links between the housing cooperatives and their umbrella organisations. Housing cooperatives are known for good quality housing and good maintenance which makes them cheaper in the long run.

Housing cooperatives (HSB and Riksbyggen' portfolio) key characteristics are:

- Mostly located in urban areas, the cooperatives have between 20 to 100 apartments, with an average size of 80 units. The largest cooperative in HSB portfolio has 1,033 units.
- The properties (building and land) are owned by the housing cooperatives.
- Tenants must be members of the cooperative. The Board is responsible for approval of membership. An individual who is not accepted as a member can lodge a complaint with the local rent tribunal.
- Members buy shares giving them unlimited occupancy rights as long as they fulfill their obligations. Shares are sold at market value. HSB and Riksbyggen own the right to sublet or sell the apartments in the rare cases of new coop development where units are not completely sold.
- Members pay a monthly fee that covers interest and amortisation expenses of the cooperative's loans as well as the operating expenses and scheduled future maintenance. The monthly fee is related to the size of the units the member occupies.

Industry & Services:

Cooperatives can provide rewarding and fulfilling work

Income 95 bn Euros each year

Provide employment to more than 1.2 million people across the EU

Cooperative business can channel the latent skills and talents of regions otherwise better known for economic deprivation and lack of opportunity.

Employee owned business directly incentivise and reward workers for their efforts. Owner employees are productive, and can contribute disproportionately to wealth creation. Direct ownership puts all the fruits of ownership – income, capital appreciation, information and control – in the hands of the shareholder. With employees as the shareholding beneficiaries, wealth is shared more equitably and work is rewarding.

Through engagement as owners, workers can be shown to be more productive and engaged. Employee ownership is associated with a greater willingness and ability to contribute innovative ideas, and absenteeism and labour turnover are lower in employee-owned business. Both are strong indicators of worker morale.

Top 5 EU states for industry and service cooperatives

1 Italy
2 Spain
3 Germany
4 Cyprus
5 Netherlands

During the financial crisis, worker ownership was seen to be more resilient in terms of economic sustainability, jobs and capital / debt ratio than other types of business. In many cases these firms have been net job creators, saving a large number of enterprises from closure, maintaining most of their jobs and keeping local economic activities alive.

Their strength is linked to the intrinsic motivations of self-management for worker-members, which enable worker-members to take on flexible work hours and adjust salaries rather than reduce jobs during market downturns, or often decide to look for other business opportunities to redeploy the firm's capabilities for local needs or subcontracting, and in how their business purpose is committed to the wellbeing of members and other social objectives rather than the pursuit of short term profits. Worker cooperatives also have a record of economic stability and steady expansion during periods of growth, while remaining embedded in their regions. Better public policies for the promotion of cooperatives will help cooperatives, which in turn can substantially help Europe in its drive for growth and jobs.

Many worker owned firms are the result of businesses that have been transferred to, or bought out by the employees and re-established under the worker cooperative form. According to the European Commission, the EU may lose approximately 150,000 enterprises each year, representing 600,000 jobs because their owners retire, set up a new business or seek other opportunities, while no buyer or successor can be found.

In addition, bankruptcies or business failures also lead to plant closures, when at least part of

the activity is profitable. The potential of saving enterprises and jobs through the cooperativization of enterprises, that would otherwise close down, should be a public policy objective.

Policy needs to support direct financial mechanisms to help employees invest in enterprises in order to engineer business transfers to employees, should be supported.

In some European regions, such as Italy's Emilia-Romagna region and Spain's Basque Autonomous Region, cooperatives have established strong industrial clusters owned and controlled by their constituent cooperatives.

Policy should encourage regulatory frameworks for the creation of cooperative consortia, in particular at local and regional level, as those networks considerably reinforce the sustainability of the constituent enterprises.

European and national policies should also support the establishment of cooperatives by young people. Through different levels of education, from primary education, specialist technical schools, to university courses, young people should have access to programs where the cooperative business model is taught.

Turning social security payments into investment
Lessons from the Italian Marcora Law

Worker cooperatives can play a significant part in rejuvenating firms which would otherwise close, in places where there is a supportive policy and business infrastructure to facilitate this. This can act as an essential component of a progressive employment policy.

Perhaps the best known example of this is Italy, where these conversions take place as negotiated employee buyouts between workers, exiting owners, the cooperative sector, and local authorities and bankruptcy courts.

Under a legal framework that is known as the Legge Marcora (Marcora Law), an infrastructure of support has been created to assist the worker buy-out of firms.

State funding that would otherwise have been spent on unemployment benefits is used to finance these new cooperatives. It has been phenomenally efficient for the taxpayer; it is estimated that this investment has safeguarded nearly 14,000 jobs, in 270 businesses and generated an economic return for the Italian State of 6.8 times the capital invested.

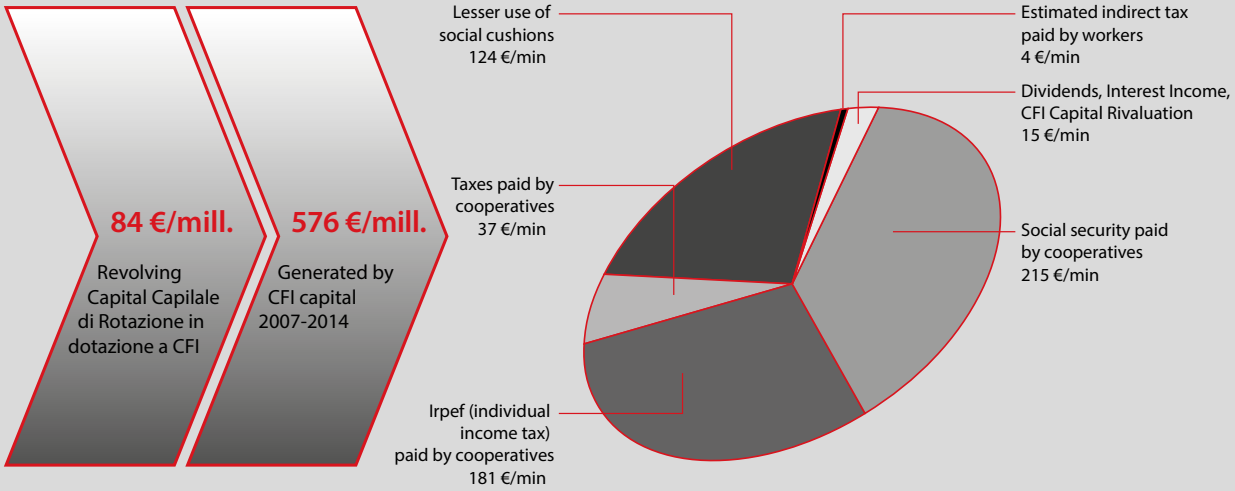
The Italian method of creating WBOs is a negotiated conversion and business restructuring mechanism with a unique set of supportive policies and a financing structure facilitated by a collaborative approach between workers, the cooperative sector, and the state.

How it works:
Employees can begin to consider a buy out project as soon as they anticipate the closing of a firm, if:

- part of or all of a firm is offered to employees by its owners
- a group of employees have been or will be laid off due to the closing of a business
- and after at least nine workers from the closing target company form a new cooperative

CFI Investment 2007-2014

has generated an economic return for the State 6.8 times the capital invested



CFI cooperatives capitalization:
Prompts at least an equal **capitalization** in the cooperative by **member workers**;
Contributes to **improving company rating** and strengthens the ability to access the credit system;
Fosters partnerships of **Mutualistic Funds** and the entry of **other investors**

Once employees form into a worker cooperative they can begin the process of purchasing part or all of the target company via:

- share capital purchases financed by their personal savings/redundancy payments
- advances of up to three years of their cash transfer-based and employer portions of their unemployment insurance benefits
- debt capital financing from either the cooperative sector or an institutional financier with funds secured by projections on future revenues of the worker cooperative and/or by the collateral offered from the acquired assets of the target company.

The minimum contribution per worker to the start-up capital can be no less than €4,000. New ventures are limited liability worker cooperatives to protect workers from risking personal assets should the business fail.

By law, Italian cooperatives must contribute 3% of their annual profits to a national fund (fondo mutualistico) which is dedicated to cooperative development. This money is managed by a specialist agency, Cooperazione Finanza Imprese (CFI), which provides technical assistance, business feasibility studies for assessing the viability of new worker coops, and invests risk capital or debt capital finance for workers. CFI works closely with employees, local labour and business representatives, cooperative associations and consortia, before deciding to invest in or assist in the start-up or further consolidation of a WBO project.

The Italian State Treasury has made available two funds for WBOs in order to promote and secure levels of employment in times of crisis and for the conversion of businesses in crisis into cooperatives. These funds contribute to the capitalization of a new cooperative via share or debt capital financing on a 1:1 ratio with workers' initial start-up or capital investments.

Basque Cooperatives at Mondragon

Enterprise that promotes humanity at work

The world famous Mondragon cooperatives, from the Basque region of Spain operate a business model based on inter-company cooperation. Its objective is to deliver a fair, equitable and supportive business on behalf of its employee owners.

Mondragon is Spain's tenth largest business group. It operates in the industrial, financial and retail sectors and also develops initiatives in the field of knowledge and education. Today, the Mondragon group has 147 companies employing 80,000 workers. It is a highly internationalised, competitive and successful cooperative group with over 50 years of history, and it has become a world benchmark in terms of work in cooperation.

The Group was originally established as a response to overwhelming social need in the Basque country. The fascist Franco regime had victimized the republican regions of Spain, and Basques were without employment opportunities alongside their loss of freedom.

In 1956, a Catholic priest, Jose Maria Arizmendiarrieta established the first cooperative, according to the principle that companies are best run when workers are their owners and participate in management decisions. At a time when civic freedom was curtailed in Spain, Mondragon provided an outlet for democratic expression

The system of governance is arranged so that the worker members of the cooperative own a share of their company, elect their managers (in each company and in the overall cooperative), and participate in all major decisions. The salary range limits the difference between executive positions and the lowest paid employees; the highest paid can never make 6.5 times more than the lowest paid.

One of the successes of Mondragon has been its ability to create a sense of identity among the workers within the company, encouraging an environment of solidarity. This has been shown where one part of the business has supported less well performing units within the group.

UP Group services in France

Created by Trades Unions for the benefit of workers

Established in 1964 by trades unions, Le Chèque Déjeuner cooperative was designed to improve employee lunch breaks. By creating the Chèque Déjeuner meal voucher, a simple and effective tool, the first members of the cooperative laid the foundations of what remains the vision of Up Group to this day: offer solutions to improve daily living, and contribute to social progress.

Up Group's parent company, Chèque Déjeuner, is 100% owned by its employees with no external shareholders. Up group now provides a range of employee benefit, loyalty programmes, and financial services to businesses. Operating in 17 countries, serving 21 million beneficiaries, Up group employs nearly 3,000 people and has revenues of over 340 million Euros.

As a cooperative, Up Group's 700 employee members participate in strategic decisions and elect the Board of Directors. The Board then appoints its Chairman. The employees hold the majority interests, i.e. at least 51% of share capital. Profit-sharing is carried out on the basis of fairness: a portion is paid to all employees in the form of bonuses and profit-sharing, another portion is attributed to employee-members in the form of dividends, and another portion is allocated to the company's reserves. These reserves may not be shared and they are final; they contribute to the development of the cooperative by consolidating equity and ensuring continuity.

Every four years, the members of the Board of Directors are elected by all employees-members. There are nine to fifteen members, they all come from the cooperative, and from different departments (IT, manufacturing, legal, sales etc). Their mission is to determine the strategic guidelines for the group and ensure their implementation.

The main French trade unions (CGT, FO, CFDT) have always been present, ever since the group was created, and are represented by an outside Director who sits on the Board. Three elected officials of the Works Council also sit on the Board.

Renewable energy:
Cooperatives can help to reach renewable targets

Income 1 bn Euros each year

650,000 citizens active in energy transition

A 'renewable energy sources cooperative' (REScoop) is any group of citizens that cooperate in the field of renewable energy, which includes developing new production, selling renewable energy or providing energy related services. A renewable energy sources cooperative' makes it possible for citizens to actively participate in renewable energy and energy efficiency projects.

Anyone is eligible to join a REScoop; after purchasing a cooperative share and becoming a member and co-owner of a local project, members share in the profits and often are given the opportunity to buy the electricity at a fair price. In addition, members can actively participate in the cooperative: they can decide in what and where the REScoop should invest, and are consulted when setting the energy price.

REScoops foster social acceptance for renewable energy - Local opposition to renewable energy projects (typically wind turbines) decreases when citizens are given the opportunity to invest in and co-own the production installations. This is especially true when local citizens are involved from the very start of the project. Stakeholder involvement and direct citizen participation foster social acceptance for renewable energy. Local citizens not only share in the profits, they also have access to clean energy at a fair price.

REScoops keep the individual investment affordable - Not everyone has a roof suitable for solar panels, nor does everyone have the financial capacity to make such an investment. Such production installations are typically owned by a large group of citizens, keeping the individual investment affordable.

REScoops benefit the local community. They usually share part of the profits with their members and use the rest to develop new projects or benefit the local community as a whole. Some coops for example have financed the construction of a local sustainable concert hall, while others erected a charging point for electric bicycles. Thus, all citizens benefit from the projects and the profits that they generate.

REScoops take action on energy efficiency - the revenues that result from renewable energy projects are often used to finance energy efficiency measures in public buildings. Some have paid for insulation material for public buildings, while others pay the wage of a local energy expert who helps citizens and the local municipality improve their overall energy efficiency.

REScoops keep money in the local economy by using local energy sources, stimulating local employment and including local citizens. Thus they keep money within the local community that would otherwise be lost.

Top 5 EU states for renewable energy cooperatives

1 Germany
2 Denmark
3 Austria
4 Netherlands
5 United Kingdom

Ecopower, Belgium

Cooperative collaboration with local citizens

Ecopower is one of the largest renewable energy cooperatives in Europe. Membership grew quickly from 47 members in 1999 with the initial hydro project to more than 43,000 members in 2012. The growth of Ecopower had two main drivers. Firstly the building of three wind turbines in the city of Eeklo and secondly the 2003 decision to become an energy supplier in the wider Flanders region.

Ecopower began because one of the city's Aldermen felt that energy costs of the municipal football stadium were too high. In 1999 the city of Eeklo launched a public tender to build two wind turbines on land owned by the city. Ecopower later secured a third location on a nearby private site.

Ecopower launched one of their first wind turbine projects in a record time of 22 months. The project saw the creation of three wind turbines of which two were actually built in only 10 months. The engagement of the local community is seen as a key factor in Ecopower's success. Throughout the project there was no local opposition. Ecopower's close collaboration with the local authorities combined with its carefully planned and executed process of open communication aiming to involve a maximum number of local citizens were success factors that contributed to speeding up the authorisation process.

The close collaboration between the city and Ecopower as the wind developer, and the open communication ensured that citizens felt they had a real say in the project. There were no surprises or disappointments. As a result, one third of the new Ecopower members were inhabitants of the city.

Ecopower did not leave the city after the wind turbines were installed. In the offer for the public tender Ecopower had also offered a number of extra services to the city, which have led to fruitful collaboration over the years. Ecopower sponsored a nature information centre, set up solar installations, and installed a co-generation plant using plant oil to supply heat to two of the city's buildings. To cover a larger part of one of the building's heating requirements, Ecopower introduced a heat recovery system on the ventilation system of the building.

The project in Eeklo made it possible for Ecopower to grow more widely and demonstrated how cooperatives, because of the way they are owned, are able to work in tandem with the local population on energy matters.

Netzkauf EWS eG (ElektrizitatsWerke Schonau, EWS, Germany)

From environmental activism to energy generation

EWS provides electricity to about 137,000 people and gas to around 8,500 people bought from European markets. They currently own various installations that produce about 1% of the energy they provide.

In 1986 residents of Schönau, Germany founded an organisation named "Parents for a nuclear-free future" (EfaZ). They informed others about how to save energy. These active citizens established the Netzkauf GbR in 1991 and made plans to buy the electricity grid themselves.

EWS was created in 1994 as a 100% subsidiary of Netzkauf GbR. It took seven long years, but EWS succeeded in buying the local electricity grid in 1997. After this first success, EWS expanded and is now the owner of the gas network in Schönau and Wembach. During the following years, grids in eight neighbouring villages were bought.

EWS demonstrates that by taking matters in to the hands of the people cooperatives can develop new business models that suit the demand of members and the ideals of their organisation. The pioneers of EWS wanted to focus on saving energy and the production of renewable energy.

Being the grid operator of Schönau EWS was able to give every citizen the ability to produce energy. And these investments were hedged by paying guaranteed feed-in tariffs.

In Germany there are more than 900 grid operators, many are small, like EWS. For years the EU has been telling Germany to change the energy market, to minimize the number of grid operators. Many small grid operators have to give up, because from a financial perspective they are unable to fulfil the requirements from regulators. Bureaucracy is the major enemy to small grid operators, this is an area that should be improved.

How Progressives can build the People's Business: policy ideas

4

The objectives of The People's Business are:

- An economy that prioritises people before other interests
- Policy ideas that counterbalance the effects of globalisation
- Businesses that challenge inequality and spread wealth
- Financial services in the interests of customers, not capital
- Work that is meaningful and rewarding
- Access to quality affordable housing
- Energy security through local control

The People's Business Charter

Progressives have the opportunity to seize the initiative and promote business that is truly in the interests of people, rather than capital. Progressives will need to first establish the core principles of this new approach. To help set the foundation for this, we would first propose that Progressives adopt the People's Business Charter.

- Progressives should commit to a vision of the economy and society that prioritises the interests of people over capital
- Progressives should adopt enterprise policies that promote The People's Business
- Cooperatives, mutuals and member owned businesses should be able to compete freely and on fair terms with all types of business
- Progressives can champion these business forms on an equal basis alongside other types of corporate ownership
- National policy can recognise the value of these businesses and provide appropriate incentives for their creation and development
- Fiscal measures can promote cooperatives, mutuals and member owned businesses as much as share ownership of publically listed companies
- Legislation and regulation for these firms should match the best standards for any business

If Progressives adopt the People's Business Charter, it will be possible to consider specific policy proposals to turn its sentiments into a solid political plan.

Policy ideas for Progressives

If Progressives adopt the People's Business Charter, it will be possible to consider specific policy proposals to develop a solid political plan.

An economy that prioritises people before other interests

The experience of the financial crisis should teach us that we have to better manage the risk that our economy faced. The lack of corporate diversity in the banking and insurance sector led to a 'domino effect' among shareholder owned banks and insurers around the world, many of which failed simultaneously. There are lessons here for the financial services industry of course, which we address later, but the bigger point is that any industry that is dominated by similarly owned institutions will be vulnerable at times of stress.

Rather than merely considering corporate form, we should look at the core purpose of different types of business. It is no good relying solely on shareholder profit maximising firms if we want to ensure that other interests, such as our wider economy, customers, employees or the environment are to be safeguarded. The reality is that this just leads us into a game of cat and mouse of regulation with corporations that are only doing what they are set up to do – maximise returns for shareholders.

Worker owned and customer owned businesses do not behave in the same way because their purpose if different. Their outlook is more long term because their business purpose is related to serving different stakeholders, rather than short-term profit maximisation for shareholders.

In some European countries, and in some business sectors, there is already corporate plurality, and sometimes this is the result of national government policies, but usually it is connected to historical factors relevant to that nation. In other countries and industries, there is little or no corporate diversity, leading to discrimination against or a lack of support for cooperatives and mutuals, which means that they cannot compete fairly in the economy.

It is essential that there is a consistent policy approach across the European Union. In practical terms, this means that there should be a policy, legislative and regulatory framework in each member state that facilitates all types of business to compete in a free and fair manner.

> Progressives should adopt a policy objective to support corporate plurality and the role of cooperative and mutual businesses through appropriate policy, legislative and regulatory actions.

Progressive Policy proposals:

- Business policy should actively promote the maintenance of corporate diversity in each Member State
- Business policy should facilitate free and fair competition between all business forms so that cooperatives and mutuals are able to compete on a level playing field in all EU states
- Legislation and regulation for corporations should not give an advantage to investor owned firms
- National Governments should be responsible for measuring and reporting on changes in the levels of diversity annually; the EU Commission should co-ordinate an EU database of corporate ownership

Policy ideas that counterbalance the effects of globalisation

In increasingly globalised economies, multi-national ownership has begun to lead to the dominance of global and regional brands for many day to day services, from coffee shops to retail stores and banking.

The liberalisation of markets has a number of unintended consequences for domestic governments, with companies owned and headquartered elsewhere, often paying little tax in the countries where they operate, and leaving governments with little influence over their operations, and instead subject to corporate strategies devised to serve the interests of distant owners.

This has had a real effect on jobs and productive industries in many countries, leaving them less able to compete in a market of the EU. Efforts are now being made to align taxation policies to dampen the effects on national exchequers, but more is needed to counterbalance the growing power of global brands.

Cooperatives maintain a close proximity to the interests of their members, typically operate within national boundaries and are locally focussed. There should be active policies to promote these domestically owned cooperatives and mutuals to help to drive business that operates in the people's interests and ensures that taxes are paid in the countries they are due.

We have seen how cooperatives can provide continuing local employment following the exit of multi nationals, maintaining skills and quality jobs where otherwise these would be lost to local economies.

There should be active policies to promote these domestically owned cooperatives and mutuals to help to drive business that operates in the people's interests, provide keen competition to multi-nationals and ensure that taxes are paid in the countries that they are due.

Progressive Policy proposals:

- Fiscal incentives that recognise the value of cooperative and mutual ownership should be adopted in all states
- Policy should ensure that cooperatives and mutuals are not unfairly disadvantaged when competing with global listed firms
- Legislation to restrict demutualisation should be available in EU member states

Businesses that challenge inequality and spread wealth

Ownership matters. The way a business is owned will affect the way it conducts its affairs, the strategy it pursues, and what happens to the profits. Ownership acts to concentrate wealth unless it is spread widely. If left to markets, this concentration will continue through consolidation, mergers and takeovers as capital interests are served ahead of those of workers or customers.

Cooperatives spread wealth by distributing their surpluses to members in the form of dividends or through lower pricing. Compared to shareholder owned businesses, ownership is spread more widely, with a greater proportion of customers and employees able to benefit from the economic benefits of business.

Mutuals and cooperatives are an important part of a diverse landscape of business forms; in all EU countries there is a varying degree of diversity in terms of ownership type and business model. This is a direct result of a range of business policies that have favoured investor owned firms, either consciously or as a consequence of other decisions.

Progressives need to consider active policies that help customers and employees to share in the financial success of their businesses.

Progressives need to consider active policies that promote the spreading of wealth and help customers and employees to share in the financial success of their businesses.

Progressive Policy proposals:

- Fiscal policy should incentivise customer and worker investment in cooperatives
- Wider ownership participation in cooperatives should be encouraged

Financial services in the interests of customers, not capital

The shock caused to European economies during the financial crisis has had far- reaching consequences for the lives of ordinary people. Austerity policies are a direct result of the tax losses incurred in bailing out banks and the subsequent recession that has damaged living standards for millions of citizens.

It has to be a responsibility of governments to protect the EU from similar economic shocks. This is understood as far as regulation of the industry is concerned. Yet the structural danger posed by similarly owned firms following similar business strategies has not been addressed.

The need to ensure diversity of corporate ownership must be a policy objective, with cooperatively owned firms able to play a full part in the financial services sector. Regulation should not be simply based on investor owned firms and must permit customer ownership to flourish.

Progressive Policy proposals:

- Cooperatives and mutuals should be permitted to offer financial services in every member state
- Regulation for cooperative banks and insurers should recognise the specificities of these businesses and facilitate their continued growth
- Cooperatives and mutuals should be able to raise capital from their members and external investors alike

Work that is meaningful and rewarding

Progressives should promote policies that encourage high quality work that is rewarding for workers. The evidence is strong that worker ownership improves business performance and employee satisfaction at a time of increasing globalisation which has led to feelings of greater powerlessness among workers.

Employee owned business directly incentivises and rewards workers for their efforts. Owner workers are productive, and can contribute disproportionately to wealth creation. Direct ownership puts all the fruits of ownership – income, capital appreciation, information and control – in the hands of the shareholder. With workers as the shareholding beneficiaries, wealth is shared more equitably and work is rewarding.

Cooperative business can channel the latent skills and talents of regions otherwise better known for economic deprivation and lack of opportunity.

Through engagement as owners, workers can be shown to be more productive and engaged. Worker ownership is associated with a greater willingness and ability to contribute innovative ideas, and absenteeism and labour turnover are lower in worker-owned business. Both are strong indicators of worker morale.

Progressives should promote policies that encourage high quality work that is rewarding for workers. This could include active policies to facilitate worker ownership, re-routing social security into investment and giving all EU citizens the opportunity to benefit.

Progressive Policy proposals:

- Employees should be supported to take an ownership stake in the firm they work in through fiscal incentives
- There should be government sponsored policy initiatives to promote worker ownership, using social security funds as investment, such as exist in Italy

Access to quality affordable housing

Cooperative housing represents an important part of the housing market in many countries in Europe and provides a realistic route to affordable housing, whilst enabling tenants to control decisions affecting their homes through mutual ownership.

There are different cooperative housing models in the different countries, but what characterises housing cooperatives compared to other housing providers is that they are jointly owned and democratically controlled by their members, according to the principle of one person, one vote. This has clear implications for the way they operate compared to commercial players in the housing market and benefits not only their members but also the public interest.

Today, housing cooperatives as well as other affordable housing providers are faced with a number of challenges, such as adapting to changing demand, improving the sustainability of the housing stock as well as the environmental quality of the neighbourhoods, and coping with unfavourable conditions on the financial and housing markets.

Progressive policies for affordable housing should include provision for cooperatively owned homes.

Progressive Policy proposals:

- Progressives should support a legislative and policy agenda that enables cooperative ownership of affordable housing
- Financial support for social housing initiatives should extend to cooperative housing projects
- Publicly funded housing should insist on a minimum of tenant control in management structures

Energy security through local control

Switching to clean decentralised renewables is crucial if Europe is to end its current reliance on polluting and harmful energy sources such as coal, gas, oil and nuclear. Cooperatives can make a significant contribution to increasing the number of renewable energy projects and therefore helping nations to meet their renewable obligations.

This is because the democratic structure of cooperative renewal energy projects means that it is more likely that local people will support planning applications in their area if it can be shown that they accord with the wishes of local people. This is a clear benefit such as when we think of the challenges in securing sites for the building of wind turbines.

Cooperatives are also able to provide shared economic benefits. Local consumers invest and receive a dividend in profits made, or reductions in the tariff paid. This means there is a rational economic benefit for consumers who truly have a stake in a renewable solution to the energy transition.

Shared ownership also helps to promote greater energy conservation by consumers. Cooperatives work both on the producer and consumer side to help educate people on how they can best insulate their homes, reduce electricity usage and helps to meet their energy goals.

Those countries with significant local cooperative renewable projects have the highest level of renewable energy overall, partly as a result of proactive policies to support this.

Progressives can provide stronger support for the democratization of energy, by creating a supportive legislative and policy environment in a clear and coherent legal framework that can support diverse national and regional differences.

Progressives can adopt policies to encourage community ownership of renewable energy projects through fiscal and regulatory means.

Progressive Policy proposals:

- National legislation and policy should specifically support a whole range of citizen ownership and participation in the production and/or use of sustainable energy, including setting planning expectations
- In order to provide direction and certainty, national governments should establish targets for renewable energy and, more specifically, targets for community power.
- Community power projects should not be subject to competitive bidding processes in order to receive operating support; instead, they should be eligible to receive feed-in tariffs.
- Governments (at all levels) should provide financial support for preliminary investigations and works on community power projects.

Appendix 1
Cooperatives and EU law

Across the EU cooperatives engage in all forms of economic activity on the same basis as any other enterprise. They operate under the same commercial law regime as other businesses and are subject to the same regulatory regime as others in regulated sectors, such as banking, financial services or insurance.

Although they operate in the market like other businesses, cooperatives have their own identity and objectives that are based on their business purpose. Typically, in most EU countries, cooperatives have a special national legal regime that is distinct from other types of corporations. This is because the special features that define a cooperative need recognition and protection by law.

It is important that the best elements of legislation for cooperatives are available to these businesses in each member state. Only by having relevant and up to date legislation, can cooperatives compete freely with other types of business.

This analysis summarises the key features of cooperative law as found in national, European and international laws and policies and identifies some key principles that should be adopted for cooperative laws.

Some Key Principles for Cooperative Laws

Cooperative laws should restrict of the use of the title "cooperative" to genuine cooperatives to avoid misuse by other enterprises.

For business purposes cooperatives should enjoy the same ability as other enterprises to enter transactions and operate in different business sectors.

Cooperatives require capital and as well as relying on their members' shares should be permitted to admit non-user investor members who provide that but receive a limited return and have limited governance participation rights.

Cooperative laws should encourage the use voting and communication methods likely to make remote and face to face member participation as easy as possible.

The Study Group on European Cooperative Law (SGECOL) was established with the help of the European Research Institute on Cooperative and Social Enterprises (EURICSE) in 2011.[1] This paper refers to the SGECOL research project on Principles of European Cooperative Law (PECOL).[2]

PECOL developed "model" legal provisions (the Principles) accompanied by explanatory comments. It is based on existing cooperative law in seven European jurisdictions: Finland, France, Germany, Italy, Portugal, Spain and the United Kingdom. The project developed the main provisions of cooperative law needed to protect cooperative identity vis-a-vis other business organisations.[3]

1 More information about SGECOL and its work, can be found at http://www.euricse.eu/study-group-on-european-cooperative-law/.

2 The full results will be published in late 2016 or early 2017 by Intersentia Ltd of Cambridge UK under the title Principles of European Cooperative Law: Principles, Commentaries and National Reports.

3 See EURICSE Working Paper No. 024/12 New Study Group on European Cooperative Law: Principles Project for more information on PECOL.

Key Features and Legal Context of Cooperative Law

National cooperative laws are influenced by the legal culture and approach of each jurisdiction and by the history and structure of a country's cooperative movement. For example, the legal culture affects the extent to which legal rules are laid down by law for all cooperatives and how far choices are left to the statutes of each individual cooperative. The structure and history of national cooperative sectors affects how far there is one unified law for all cooperatives and how far different regimes exist for different types of cooperative. The key features listed below emerge despite those variations.

PECOL developed five key elements of Cooperative Law:

- The Definition and Objectives of Cooperatives;
- Cooperative Governance;
- Cooperative Financial Structure;
- Cooperative Audit; and
- Cooperation Among Cooperatives.

They are used here to summarise the approach of European legal systems to Cooperative Law.

Cooperative Identity and Definition

The key features of cooperative identity used in this paper use the ICA definition of a cooperative:

> "A cooperative is 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."

The ultimate objective of cooperatives is to satisfy the needs of their members as consumers or suppliers of the cooperative's goods or services. However, the aim of investor controlled companies is to maximize shareholder value by distributing profits as capital remuneration and increasing the exchange value of the shares held by investors.

This is reflected in many national laws and in the ICA Statement, including the principles of voluntary membership open to anyone who can benefit, democratic member control based on one member one vote regardless of capital contribution, limited returns on capital, the importance of cooperative autonomy from both capital suppliers and the state, the emphasis on education, cooperation among cooperatives, and the community benefit aim as decided by cooperative members. The protection of the title "cooperative" from misuse by other organisations is a central legal requirement.

PECOL recognised the recent emergence of "general interest cooperatives" which operate in the general interest of the community rather than the mutual interests of their own members. This reflects developments from the 1991 Italian Law on social cooperatives which pursue the social integration of citizens by managing social, health and education services or integrating disadvantaged people in the work force. Portugal followed with 'social solidarity cooperatives' which concentrate on social services. Spanish "social initiative" cooperatives and French "collective interest" cooperatives then followed.

Most countries place their general cooperative law in a separate act dedicated to cooperatives. Others place it in another act, such as the civil code (Italy) or the company code (Belgium). Many have special rules for particular cooperatives such as cooperative banks, agricultural cooperatives, housing cooperatives, worker cooperatives or social cooperatives. France and Portugal are prominent examples of the use of special laws.

Cooperative members are natural or legal persons who engage with the cooperative as consumers, suppliers or workers. However, membership may extend to investors, volunteers or public bodies committed to the pursuit of the cooperative objective. Most systems require a minimum of two members. Most jurisdictions allow cooperative statutes to subject membership to reasonable conditions related to their particular type or objective, but ban gender, social, ethnic, racial, political or religious discrimination and artificial restrictions on membership.

Cooperatives must pursue their objectives mainly through transactions with members for the provision of goods, services or jobs. Cooperative statutes may require a minimum level of participation and allow for the expulsion of a member who fails to meet that condition. Many cooperatives also engage in non-member transactions but in some systems, cooperatives must record such transactions and, if they become too large a proportion of trade, the cooperative may lose fiscal benefits or legal recognition. In some systems, profits from non-member cooperative transactions go to indivisible reserves.

Often, other laws, including company law, apply to deal with matters not regulated by cooperative law. It is important to avoid a process by which this "gap-filling" leads to an erosion of the legal protection of cooperative identity.

Cooperative Governance

Cooperative governance emphasises membership and democratic control as the key concerns. That usually works on the basis of one member one vote rather than capital contribution to ensure that cooperatives are directed and controlled by or on behalf of their members. That reflects the jointly-owned, democratically controlled and autonomous nature of cooperatives.

European legal systems generally permit cooperative governance structures to vary according to the size and type of cooperative and the sector in which it operates providing they ensure autonomy and member control.

Open and Voluntary Membership of Cooperatives

Cooperative membership should be open to any legal or natural person willing to accept the responsibilities of membership – employees for worker cooperatives, consumers for consumer cooperatives, and suppliers for producer cooperatives. Producer cooperatives often consist of other businesses or entrepreneurs.

Cooperative statutes must ensure that membership applications are dealt with by the board within a reasonable time. Reasons must be given for refusal and the applicant must be heard before a decision is made and be able to appeal against refusal. While no-one has a legally enforceable right to join a particular cooperative, the national body responsible for cooperative registration or audit must ensure that membership is open in line with ICA principles.

Cooperative statutes govern the grounds and procedure for ending membership. They deal with the notice period, any adjustment of the member's capital contribution and other consequences member's resignation. The procedure to expel a member must include the right to be heard before expulsion, to be informed of the reason for it, and to appeal against expulsion to the members' meeting.

Member Rights and Obligations

Membership confers rights and imposes obligations. They vary according to the type of cooperative concerned and are found in the cooperative's statutes or national cooperative law.

Member obligations may include a minimum level of transactions with the cooperative, a minimum capital contribution, and a certain level of participation in governance. Duties to participate in education and training and to bear a proportion of the cooperative's liabilities or losses are imposed by some national laws.

To assist cooperatives to raise capital, some national laws and the SCE Regulation permit a cooperative to have non-user investor members. They must contribute capital but have limited rights to participate in governance. That ensures user member control of the cooperative. In general interest cooperatives, all member obligations will focus on the pursuit of the general interest.

Cooperative members may enjoy individual rights to education and training and to attend speak and vote at members meetings. Postal or electronic voting should be available, particularly in elections

for directors and on any issues decided by direct member vote. Members can stand for election and receive financial and other information. They receive interest on their shares, engage in cooperative transactions and receive a cooperative refund as fixed by the board and general meeting. Collectively, members enjoy procedural rights to propose candidates for election as directors, to call additional members' meetings, to propose amendments to cooperative statutes and to seek to restructure or dissolve the cooperative.

Democratic Governance of Cooperatives

The legal rules on cooperative governance aim to ensure member democratic control through active member participation in policy making and major decisions, usually on the basis of one member one vote. The range of governance structures is influenced by the legal culture of each national system. Wide discretion may be left to the statutes of each cooperative or detailed rules may be laid down by law. In small cooperatives, some legal systems permit all members to participate directly in making every decision but most divide governance powers between the members' meeting and one or more boards or committees which oversee day to day management. The decision-making powers of the board and other committees are fixed by law or cooperative statutes.

The Members' Meeting

The members' meeting may be organised as one meeting or several. In cooperatives with a large or widely dispersed membership sectoral meetings are common. They replace the all member general meeting and members are represented by delegates at the next tier. The law should allow meetings to take place as is best suited to the cooperative and its members: face to face, via postal or electonic communication, or through a mixture of media.

The members' meeting has power to appoint and remove directors who oversee the day to day operations of the cooperative but retains power to make fundamental decisions. They include decisions to restructure or dissolve the cooperative or to amend its statutes. The members' meeting will receive financial information about performance and appoint and remove financial auditors and board members.

Voting in members' meetings is generally based on "one member one vote" in contrast to companies where the norm is "one share one vote". However, members or their delegates can have plural votes based on participation in cooperative transactions, the number of members represented, or, in multi-stakeholder cooperatives, to ensure due representation of different member groups such as employees and customers. It is important not to link plural votes to capital contribution and to prevent minority control of the cooperative. These variations on the usual "one member one vote" system are used only when necessary for the better functioning of the cooperative or in "secondary" cooperatives with "primary" cooperatives as members.

Members' meetings operate within a similar legal framework to the meetings of other civil society organisations. Adequate notice of the agenda and the time and the place of meetings is needed to give members an opportunity to attend. Quorum requirements ensure that decisions are not unrepresentative of the membership. Most decisions are made by simple majority of the votes cast but special majorities are required for fundamental decisions, e.g. to amend the cooperative's statutes or dissolve or restructure it. Cooperatives must hold annual members' meetings but the board also has power to call extraordinary meetings. Typically, it will be required to do so if a certain number or proportion of members demand an extraordinary meeting. Another body, such as the cooperative's own supervisory board or audit committee or an outside regulator may also have power to call meetings.

Cooperative Boards, Management and Internal Controls

Cooperative boards deal with executive management, representation and supervision. Those three functions can either be performed by one administrative board ("one tier system") or divided between a supervisory board and a management board ("two tier system"). That division between the two possible board systems is fully reflected in the

SCE Regulation which permits either approach in an SCE. Executive management involves day to day business operations. Representation is the power to act formally for the cooperative in a legal context.

Those powers are allocated to:
(a) the administrative board in the one tier system
(b) the management board in the two tier system, or
(c) one or more directors or managers in some national systems, e.g. France.
Supervision involves monitoring executive directors or managers. In the two tier system, supervision is carried out by a separate board. In the one tier system, subcommittees of the administrative board or of the members' meeting may be used. The supervisory organ will liaise with external auditors. Cooperative members form the majority on both supervisory and administrative boards.

The number of board members, their term of office, and their qualifications are laid down in cooperative law or each cooperative's statutes, as are grounds for removal and disqualification and appointment or election procedures. Cooperative directors and managers must use their powers honestly, in good faith, with due care and skill, and in line with the law and their cooperative's statutes.

Cooperative Financial Structure

As business organisations, cooperatives use shares, loans and other financial instruments to raise capital. Like company shares, cooperative shares quantify the limited liability for business debts of those who hold them.

Cooperative share capital is variable and changes to it do not involve amending the statutes or public disclosure. This contrasts with company shares. However, some national legal systems (and the SCE Regulation) require cooperatives to maintain a minimum total share capital and reduction below that level may result in the cooperative being dissolved.

Cooperative membership is not focused on shareholding but on the economic relationship of the member with the cooperative as consumer, worker or producer. Members may contribute to capital equally or in proportion to their cooperative transactions. Legislation usually lays down a maximum proportion or amount of share capital that any member may hold to prevent a few members with large capital stakes from dominating the cooperative.

Cooperative share capital is paid interest at a limited fixed rate. Interest is never higher than the amount needed to raise and retain enough capital to run the business. Unlike the return on equity in a company, the return must not vary upwards with the level of profits.

Cooperative shares can be transferred among members or potential members but every transfer is subject to approval by the board. A member who leaves the cooperative can be paid only the nominal value of their shares plus or minus amounts due to or from the member.

Some jurisdictions require cooperatives to build mandatory reserves, for example, to support cooperative education or development or as a buffer against trading losses. Cooperatives also frequently build voluntary reserves. In some systems, the mandatory reserve is indivisible among members even on the solvent dissolution of the cooperative. Such reserves are sometimes, as in Italy, a basis for tax concessions for cooperatives based on their promotion of employment opportunities and retention of resources in a particular geographical area. A percentage of the net annual surplus or profit may be assigned to reserves. Mandatory reserves can only be used to cover a balance sheet losses not covered by other reserves.

The profit, or surplus, that arises from the cooperative's trade can be used in a number of ways. The decision about how to apply it is made by the members' meeting. It may choose to distribute it to members in proportion to their transactions with the cooperative or to add it to reserves.

Audit & Cooperation among cooperatives

Auditing

As enterprises, cooperatives are subject to financial audit and accounting rules similar to those that apply to companies. The SCE Regulation applies the national legislation which implements the EU Company Law accounting directives to SCE's .

In some European legal systems cooperatives are subject to an audit of their functioning as cooperatives. In Germany the Cooperative Audit Federations use a special cooperative 'management audit' for cooperatives in addition to the financial audit. The Federations have a monopoly over audits and use specially trained auditors. They carry out a mandatory pre-registration audit of the viability of the proposed project and verify compliance with registration requirements. Member orientated effectiveness is measured internally by an annual promotion plan and report. In addition, member orientated effectiveness, such as service at near cost, member advantages and the patronage refund is audited together with the cooperative's transparency, the quality of its employment practices and its use annual surplus and profit to go beyond ordinary Corporate Social Responsibility.

Cooperation Among Cooperatives

The ICA Principle of cooperation among cooperatives is part of cooperative identity. PECOL acknowledges two aspects: economic and socio-political cooperation. Both involve the use of forms and structures that safeguard the autonomy of each cooperative and are guided by the principles of equality, solidarity and subsidiarity.

The forms of economic cooperation among cooperatives include contractual relationships and the creation of a secondary (or higher-level) cooperatives or a corporate group. Socio-political cooperation might use an association to promote cooperatives' interests through representation, education and training, advisory services, audit or dispute settlement. Other objectives might include support for the creation of new cooperatives or the development of existing ones and the promotion of the cooperative business model.

Appendix 2
Details of activities undertaken in the project

1. Production of concept and preparation of the project work plan

Elements:

- Project design
- Identification of internal resources
- Engagement of additional external assistance
- Production of project work plan

2. Liaison with EU wide cooperative and mutual sector bodies

Elements:

- Identification of appropriate partners
- Discussion and engagement with partners
- Negotiation and approval of participation with Cooperative organisations

3. Preparation for and attendance at six policy seminars:

Brussels	23 September 2015
Berlin	28 October 2015
Copenhagen	20 November 2015
Barcelona	27 November 2015
Sofia	12 January 2016
Rome	20 January 2016

Elements:

- Liaison with FEPS events and management
- Development of agenda
- Identification of speakers
- Invitations to participants
- Organisation of presentations and materials
- Logistical arrangements including travel and accommodation
- Engagement of administrative assistance
- Attendance and participation at each event

4. Production of background research

Elements:

- Engagement of expert advisor
- Engagement of research assistance
- Advisor and researcher activities in relation to their engagement with Mutuo
- Production of background research resources, identification of case studies and production of core research

5. Preparation for and attendance at meetings with the European Research Institute on Cooperative and Social Enterprises in Trento, Italy

6. Preparation for and attendance of the Young European Socialists conference in Sicily, Italy

7. Production of video to accompany final report

Elements:

- Initial consideration of video concept
- Identification of additional external assistance
- Engagement of additional external assistance
- Management of and liaison with video designers to produce final video

8. Production of final report

Elements:

- Working with the data provided from background research to utilise in final report
- Drafting and editing final document text
- Engagement of additional external for design and concept
- Final checks and document production

Appendix 3
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Appendix 4
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Key web information resources accessed in the production of this report:

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www.copa-cogeca.be
www.euricse.eu
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NATION BASED RESOURCES:

Austria
www.gbv.at

Belgium
www.febecoop.be

Bulgaria
www.cks.bg

Croatia
www.zadruge.coop

Cyprus
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Sweden
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United Kingdom
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Appendix 5
About us

MUTUO CONTRIBUTORS

Peter HUNT, Managing Partner

Peter founded Mutuo in 2001 as the first cross mutual sector body to promote co-operative and mutual business to opinion formers and decision makers. He has twenty years' experience in the mutual sector, working with co-operatives, mutuals and employee owned businesses. For ten years, he was General Secretary of the Co-operative Party.

In 1999, he was a co-founder and secretary of Supporters Direct, the football supporters' initiative, which has gone on to establish nearly 200 supporters' trusts at professional football clubs.

He led the Parliamentary teams which piloted five private members bills through the UK Parliament, working with all parties to update co-operative & mutual law.

He has contributed to policy led initiatives to grow and develop the cooperative sector with a range of UK government departments, and continues this work internationally.

In 2015, Peter published an independent review into public policy affecting mutuals and completed work on the Mutuals Deferred Shares Act, which permits mutual insurers to issue cooperative share capital.

Mark WILLETTS, Partner

Mark joined Mutuo in 2010 as a public affairs and corporate communications specialist. He is currently Secretary to the All Party Parliamentary Group for Mutuals, liaising with Government, MPs and Peers on projects to help develop mutual businesses.

Between 2010 and 2012, he served as Assistant Secretary to the Ownership Commission – a two year study into corporate diversity. In 2012 Mark conceived and coordinated the UK Mutual Business Leader Visit to the United States, fostering relationships between senior executives, meeting with politicians and regulators.

He has presented at a number of global events including the ICMIF Communications Leaders Forum in Singapore and the International Cooperative Summit in Quebec.

Prior to joining Mutuo, he worked as a Researcher for a Member of Parliament in the House of Commons where he gained extensive parliamentary and government affairs experience. He is a graduate of the University of Warwick.

FEPS CONTRIBUTORS

Charlotte BILLINGHAM

Charlotte grew up in Sheffield, England. She graduated in European Studies and French at the University of Leeds in 2006.

Previously, Charlotte assisted in the constituency office of Richard Corbett MEP. She also taught English as a foreign language for the British Council in south-west France as part of her university course and then also after graduating in Mexico, each for one year.

Charlotte has been working at FEPS since its creation at the beginning of 2008. Amongst her responsibilities she coordinates the activities on climate change and energy. In addition to that she oversees the annual activity programme of the Foundation and deals with structural and relational matters concerning the Foundation and its members as part of her core responsibilities.

Ernst STETTER

Ernst Stetter is Secretary General of the Foundation for European Progressive Studies (FEPS). He is also a regular commentator on EU affairs in the media.

In 1976 Ernst Stetter began his professional career as a lecturer in economics at the DGB Trade Union Centre for Vocational Training in Heidelberg. From 1980 to 2008 he worked for the Friedrich Ebert Stiftung (FES) in various positions.

Ernst Stetter is an economist and political scientist. He studied in Tübingen and Heidelberg (Germany) focusing on international trade, finance, economic and social policy as well as development issues. In 1980 he obtained his PhD in political science for his dissertation entitled The Association of ACP-Countries (Lomé I and II) to the European Community and the STABEX-System.

In 2003 he received the French decoration of Chevalier de l'Ordre national du Mérite.

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