



This is a draft of the entry for *Encyclopedia of the Social and Solidarity Economy* (forthcoming 2023) published by Edward Elgar Publishing Limited in partnership with United Nations Inter-Agency Task Force on Social and Solidarity Economy (UNTFSSSE). This work has been funded by the Government of the Grand Duchy of Luxembourg.

## Cooperatives and Mutuels

*Chiyoge B. Sifa, International Cooperative Alliance-Africa*  
*Caroline Shenaz Hossein, University of Toronto, Scarborough*

Bibliographic information

**Chiyoge B. Sifa and Caroline Shenaz Hossein. Forthcoming 2023. Cooperatives and Mutuels. Edited by Ilcheong Yi, Peter Utting, Jean-Louis Laville, Barbara Sak, Caroline Hossein, Sifa Chiyoge, Cecilia Navarra, Denison Jayasooria, Fernanda Wanderley, Jacques Defourny, and Rocio Nogales-Muriel. *Encyclopedia of the Social and Solidarity Economy*. Cheltenham and Northampton, MA. Edward Elgar Publishing Limited in partnership with United Nations Inter-Agency Task Force on Social and Solidarity Economy (UNTFSSSE).**

Or

**Chiyoge B. Sifa and Caroline Shenaz Hossein. Forthcoming 2023. Cooperatives and Mutuels. Edited by Ilcheong Yi et al. *Encyclopedia of the Social and Solidarity Economy*. Cheltenham and Northampton, MA. Edward Elgar Publishing Limited in partnership with United Nations Inter-Agency Task Force on Social and Solidarity Economy (UNTFSSSE).**

June 2022

**UNTFSSSE Knowledge Hub Draft Paper Series**

For more details, please visit the Edward Elgar's Companion Website (<https://www.edelgar.com/textbooks/yi/>) and Main book page (<https://www.edelgar.com/shop/gbp/encyclopedia-of-the-social-and-solidarity-economy-9781803920917.html>)



The responsibility for opinions expressed in this document rests solely with their author(s), and availability on the SSE Knowledge Hub for the SDGs ([unsse.org](https://unsse.org)) does not constitute endorsement by the United Nations Inter-Agency Task Force on Social and Solidarity Economy (UNTFSSSE), or its institutional members, partners or observers, of the opinions expressed in it. No publication or distribution of this document is permitted without the prior authorization of the author(s), except for personal use. This document is made available on the SSE Knowledge Hub for the SDGs in the form and language in which it was received.

### *Abstract*

At least one-sixth of humanity belongs to cooperative institutions. The origins of the cooperative and mutual are shared globally, and they are born out of crisis to help people when formal systems fail. Yet, a global history of cooperatives is missing. Cooperatives are defined as autonomous associations of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise, and they are guided by a set of seven principles that make them distinct from commercial firms. Mutuals are distinct in that a large proportion of the business should be owned by either employee and/or the local community. Both cooperatives and mutuals have contributed to a distinct economic model that prioritizes people over profit and has value in every corner of the world.

*Keywords:* ICA; cooperatives; Gōngyè Hézuòshè; mutuals; cooperative origin; member-owned

## Introduction

More than one billion humans belong to formal member-owned co-op institutions. Millions more engage in informal cooperatives, self-help groups, and the commons. Cooperatives are voluntary organizations usually born out of a crisis (also see the entry “SSE and resilience in the context of multiple crises”). They often exist to fill a need in business and society. These organizations are democratic and rules are determined by the members who created them. The more we study social and solidarity economies, the clearer it becomes that people around the world have and are engaged in formal and informal cooperatives. The International Cooperative Alliance (2018) (ICA) defines a cooperative as an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise, and they are guided by a set of seven principles that make them distinct from commercial firms.

To locate the origin of cooperatives and mutuals is no easy task because of the global reach of the co-op system (also see the entry “Origins and histories of SSE”). Canadian scholar, Lou Hammond Ketilson (2006) has made the point more than a decade ago that there is a need to rethink how we understand the development of cooperatives, especially for people who do not identify with Europe’s industrial revolution (see also: Hammond Ketilson and MacPherson 2001). In *The Cooperative Movement: Globalization from Below*, Richard Williams (2007) has argued that the cooperative movement owes its start (and growth) to the Global South (also see the entry “Indigenous economies and SSE”). Today, India is the country with the largest number of cooperatives in the world, both formal and informal (ICA 2018, Williams 2007).

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

### 1. What are cooperatives and mutuals?

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

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

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

The Top 300 by turnover ranking this year (data reference year 2018) presents an overall total of 2,146 billion USD with the agricultural (104 enterprises) and insurance sectors (101 enterprises) dominating the list. The wholesale and retail trade sector mainly composed of retailers' cooperatives (33 enterprises) and consumer cooperatives (21 enterprises) represents the third biggest economic sector followed by the financial service sector (21 enterprises). In terms of cooperative type, almost half of the Top 300 are producer cooperatives (133 enterprises) mainly representing agricultural cooperatives and retailers' cooperatives, whereas mutuals (83 enterprises) and consumer/user cooperatives (65 enterprises) mainly composed of consumer cooperatives and financial service cooperatives represent the other half. Only a small number of worker cooperatives (3 enterprises) and multi-stakeholder cooperatives (2 enterprises) are included in the Top 300 rankings by turnover.

Cooperatives and mutuals are owned by and are run for the benefit of the membership and the community values of the society. The worker voice and membership in a co-op challenge the notion that there is only one way to do business. The strive for lateral and democratic governance, as seen in *empresas recuperadas* in Argentina, the MST (Movimento dos Trabalhadores Sem Terra: Landless Workers' Movement) in Brazil, and the Gung-Ho (Gōngyè Hézuòshè: Industrial Cooperatives) in China, enables greater autonomy in the capitalist process, and allows workers to run the organisations themselves (also see the entry "Participation, governance, collective action, democracy and SSE"). The origin of cooperatives is about the plurality of experiences because so many people have found refuge in these collective businesses that are rooted in struggle and transforming the economic conditions from the bottom-up (see Box 14.1 and 14.2).

#### **Box 14.1. Gōngyè Hézuòshè (Gung-Ho)**

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

#### **Box 14.2. The first mutual in South Africa**

The Old Mutual Group was established in Cape Town, as South Africa's first mutual life insurance company, offering financial security during uncertain times in 1845. The company was founded by John Fairbairn as a mutual insurance company under

the first name of The Mutual Life Assurance Society of the Cape of Good Hope (see <https://www.oldmutual.com/about>). This mutual operates in 14 countries and has a membership made up of individuals, small and medium-sized businesses, corporates, and institutions.

## 2. Locating the origins of the cooperative movement

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

One of the early co-op institutions documented was that of the Dutch Eendragt Maakt (meaning “unity creates strength”), an investment trust in 1774. As early as 1843, Japan had a cooperative known as Hotokusha, which was a mutual savings and credit society (Fisher 1938). The term Kyoritsu or Doeki means “cooperation”, yet these expressions are not known as part of the origin story (Saito 2010). In the mid-nineteenth century, the Japanese had a growth of consumer cooperatives, such as the Kyoritsu-Shosha and Doeki-Sha in Tokyo, Osaka Kyoritsu Shoten, and the Kyoritsu Shoten in Kobe around 1879 (ibid). Ela Bhatt (2007), the founder of SEWA, has clarified that India has a long-standing tradition of self-help groups, mutuals, and cooperatives. In 1924, the US operated the first modernized mutual fund through the MFS Massachusetts Investors’ Trust (Bianco Research 2018).

During the European violent conquest and plantation economies in the Americas, African people were enslaved, as a way to finance the Industrial Revolution, and they resorted to collective and hidden cooperatives to cope with this brutality (Hossein 2020). It was the knowledge of collectivity and cooperative systems that helped people form the Quilombola system in Brazil and the Maroons colonies across the Caribbean to live free (Farfán-Santos 2015, Kelley 2002, St. Pierre 1999). Historian Maurice St. Pierre (1999) described how African enslaved people in Guyana organized buying clubs to buy their freedom and land when they were freed. By 1932, the Kilimanjaro Native Cooperative Union Ltd was the first coffee cooperative established despite considerable opposition from colonizers (“A Short Account of the Kilimanjaro

Native Co-operative Union, Ltd” 1946). Renowned African American scholar W.E.B. Dubois hailed the Underground Railroad as a series of cooperatives, born out of a struggle for freedom since the nineteenth century (Haynes 2019, Gordon Nembhard 2014). In the archives, Benjamin Drew (1856) recorded True Bands systems, which were cooperatives, carried out by formerly enslaved Africans who fled to Canada. Locating the cooperative origins is vast and varied in terms of the kinds of cooperative institutions that many people have had a stake in inventing.

### **3. Making the distinction between cooperatives and mutuals**

Seven Principles form the cooperative identity and these include voluntary & open membership, democratic member control, member economic participation, autonomy & independence, education training & information, cooperation among cooperatives, and concern for the community. Cooperatives and mutuals choose “one-member-one-vote” governance directly or indirectly and they both share this commitment to democracy building and yielding to the membership. During the early 1900s in Lévis, Quebec, the Desjardins’ created the caisses populaires in response to the financial exclusion of a French-speaking Catholic minority (Bouchard 2013, Lévesque, Malo and Rouzier 1997). Today, Desjardins is one of the largest financial institutions in Canada and has an extensive global reach. Much of the organization is committed to the concern for community co-op value and they educate, and support cooperative development in Canada and worldwide.

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

### **4. The impact of cooperatives and mutuals**

Cooperatives and mutuals have wide appeal around the world because of their impact on community development. The United Nations General Assembly declared 2012 as the Year of Cooperatives based on the major impact that cooperatives and mutuals have had in social and economic development, with cooperativism acting as a formal human intervention across the planet. . In Uganda, precarious youth created a shoe-shining cooperative (See Box 14.3). Because the autonomous nature of cooperatives guarantee that they are not manipulated into fulfilling the needs and aspirations of external agents at the expense of members’ needs and aspirations make these institutions valuable to people around the world (Hannan 2014). It is why cooperatives are a critical component of the social and solidarity economy (Gibson-Graham and Dombroski 2020, Hossein 2018, Quarter, Mook and Armstrong 2017, Bridge, Murtagh and O'Neill 2009). Through the establishment of the UN Inter-Agency

Task Force on Social and Solidarity Economy in 2013, cooperative institutions are viewed as an integral part of the UN agenda. These global efforts signify that no single region in the world can claim to be the only authority on cooperatives or mutuals.

**Box 14.3: Uganda shoe-shiners**

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

The cooperative principles are not only about business results, but these co-op values are also about making positive impacts in the community. A mutual venture, for instance, is one where people come together to achieve something that none of them can meet on their own. By pooling a shared need through a willingness to do something collaboratively, they provide a mechanism to meet the needs of all. Author Nici Nelson (1996) has documented the Kiambu women's banking co-ops actively since the 1970s to show that informal co-ops existed in Kenya long before the colonial period. In east Africa, Savings Credit and Cooperatives (SACCOs) have an ancient history of mobilizing goods and they are well recognized as cooperative institutions (Kinyanjui 2019).

The principle of 'cooperation among cooperatives' enables cooperatives and mutuals to utilize the benefits of economies of scale and enhances the sustainability of the organisations, and this is why they have a tremendous impact on human development. The case of the Amul Dairy cooperative in India speaks to the value chain which supports a number of cooperative producers and marketing organizations (see Box 14.4).

**Box 14.4: Amul**

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

Another important aspect for cooperatives and mutuals is the price point for members. When the profit motive is not the only focus for shareholders, then these member-owned institutions can ensure transparent prices to members. In co-ops, the goods and services can be sold at a lower cost to members (and consumers) because of various decisions the institution will make and the cost-savings go to the



membership to decide how to use these surpluses. In terms of equity-sharing, a cooperative institution rewards its membership in relation to its engagement with the co-operative or mutual, rather than in proportion to investor-shareholding. Mutuals can also offer competitive interest rates and fee tariffs on savings, deposit accounts, mortgages, and loans.

Cooperatives contribute to better socio-economic development because of a communities concern with poverty reduction, employment generation, and social integration. In 2002, the International Labor Organization (ILO) approved a specific instrument for cooperatives, called the Promotion of Cooperatives Recommendation n°193 (2002), which recognized the importance of cooperatives in job creation, mobilizing resources, generating investment, their contribution to the economy, and how they promote the fullest participation in the economic and social development of all people.

## **Conclusion**

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

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

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

## **Bibliography**

Bernardi, Andrea. 2016. "Gung-Ho, The Chinese Co-operative Movement." In *The Co-operative Firm: Keywords*, edited by Andrea Bernardi and Salvatore Monni. RomaTre-Press.

Bernard, Tanguy and David Spielman. 2009. "Reaching the rural poor through rural producer organizations? A study of agricultural marketing cooperatives in Ethiopia." *Food Policy* 34 (1): 60-69. <https://doi.org/10.1016/j.foodpol.2008.08.001>.

- Bhatt, Ela Ramesh. 2007. *We Are Poor But So Many: The Story of Self-employed Women in India*. Oxford, UK: Oxford University Press.
- Collins Advisors. 2012. "The History of the Mutual Fund, the Emergence of the ETF, and Picking the Right Fund for You". <https://mlcollins.com/the-history-of-the-mutual-fund/>
- Curl, John. 2012. *For All the People: Uncovering the Hidden History of Cooperation, Cooperative Movements, and Communalism in America*. Oakland, CA: PM Press.
- Drew, Benjamin. 1856. *A North-Side View of Slavery: The Refugee: Or, The Narratives of Fugitive Slaves in Canada. Related by Themselves, with an Account of the History and Condition of the Colored Population of Upper Canada*. Boston, MA: JP Jewett.
- Farfán-Santos, Elizabeth. 2015. "'Fraudulent' Identities: The Politics of Defining Quilombo Descendants in Brazil." *The Journal of Latin American and Caribbean Anthropology* 20 (1): 110–32. <https://doi.org/10.1111/jlca.12108>
- Fisher, Galen M.. 1938. "The Cooperative Movement in Japan." *Pacific Affairs* 11 (4): 478-491. <https://doi.org/10.2307/2751318>
- Hammond Ketilson, Lou. 2006. "Revisiting the Role of Co-operative Values and Principles: Do They Act to Include Or Exclude?" Centre for the Study of Co-operatives, University of Saskatchewan. <https://usaskstudies.coop/documents/books,-booklets,-proceedings/revisiting-the-role.pdf>
- Haynes, Curtis. 2019. "From Philanthropic Black Capitalism to Socialism: Cooperativism in Du Bois's Economic Thought." *Socialism and Democracy* 32 (3):125-45. <https://doi.org/10.1080/08854300.2018.1562824>
- Heredia, Ruth. 1997. *The Amul India Story*. New Delhi: Tata McGraw-Hill Publishing Company
- Hossein, Caroline Shenaz. 2018. *The Black Social Economy in the Americas: Exploring Diverse Community-Based Markets. Perspectives from Social Economics*. New York: Palgrave Macmillan.
- ICA. 2018. "Cooperative Identity, Values & Principles"2018. <https://www.ica.coop/en/cooperatives/cooperative-identity>.
- International Labor Organization. 2002. "Promotion of Cooperatives Recommendation, R193 (No. 193)" 2002.[https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100\\_ILO\\_code:R193](https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_code:R193)
- Lévesque, Benoît, Marie-Claire Malo, and Ralph Rouzier. 1997. "The 'Caisse de dépôt et placement du Québec' and the 'Mouvement des Caisses populaires et d'Économie Desjardins': Two Financial Institutions, the Same Convergence towards the General

Interest?" *Annals of Public and Cooperative Economics* 68 (3): 485-501.  
<https://doi.org/10.1111/1467-8292.00060>

Mshiu, Sam. 2003. "The Cooperative Enterprise as a Practical Option for the Formalization of the Informal Economy." [https://www.ilo.org/wcmsp5/groups/public/-ed\\_emp/---emp\\_ent/---coop/documents/publication/wcms\\_754087.pdf](https://www.ilo.org/wcmsp5/groups/public/-ed_emp/---emp_ent/---coop/documents/publication/wcms_754087.pdf)

Mutuo. 2009. What is a mutual? Mutuo. 2009. <http://www.mutuo.co.uk/latest-from-mutuo/what-is-a-mutual/>

Nelson, Nici. 1996. "The Kiambu Group: A Successful Women's ROSCA in Mathare Valley, Nairobi (1971 to 1990)". In *Money-Go-Rounds: The Importance of Rotating Savings and Credit Associations for Women* edited by Shirley Ardener and Sandra Burman, 49-71. Oxford, UK: Berg.

Obeidat, A. 1975. "The Concept of Cooperation in Islam and in Arab Society." *International Journal of Rural Cooptation* 3 (1): 3-12.

St. Pierre, Maurice. 1999. *Anatomy of Resistance: Anticolonialism in Guyana 1823–1966*. London: MacMillan Education.

Saito, Yoshiaki. 2010. *A Brief Chronicle of the Modern Japanese Consumer Cooperative Movement*, translated and edited by Takeshi Suzuki. Tokyo, Japan: Japanese Consumers' Co-operative Union.

"A Short Account of the Kilimanjaro Native Co-operative Union, Ltd." 1946. *The East African Agricultural Journal* 12 (1): 45-48.  
<https://doi.org/10.1080/03670074.1946.11664524>

Williams, Richard C. 2007. *The Cooperative Movement: Globalization from Below*. Farnham, UK: Ashgate Publishers.

World Cooperative Monitor. 2020. "Exploring the Cooperative Economy Report."

Wuttunee, Wanda A. 2010. *Living Rhythms: Lessons in Aboriginal Economic Resilience and Vision*. Kingston, ON: McGill-Queens University Press.