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Do Values and Principles Make a Difference in Times of Crisis?

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This short paper explores aspects of co-operative difference and co-operative advantage in the context of the 2008 'credit crunch' and again as we face the social and economic pressure of COVID-19. Utilising the discourse surrounding the financial crisis, the paper looks at the questions raised about the continuing relevance of co-operative values and principles in creating effective and responsive organisations; the 'natural' place of co-operatives as inherently socially responsible and poses questions for possible areas of research to raise the profile of co-operative values in what some commentators are referring to as a 'new economic age' and the 'new normal'.

Introduction

In the post crisis phase, societies must also deal with the unintended consequences of the crisis management period. Inevitably, policy responses are second-guessed. Fairness issues feature more prominently. And the initial policy convergence formed in the midst of the crisis gives way to fragmentation and excessive political brinksmanship. Indeed, governments are often replaced by an electorate that is seeking greater accountability for the crisis (El-Erian, 2010, p. 10).

The quote above was said in the context of the aftermath of the financial crisis but equally could be considered relevant when considering responses to the current COVID crisis and, in the UK, dialogue surrounding Brexit.

A year before El-Erian's Per Jacobsson lecture on 'Navigating the new normal in industrial countries', the term 'new normal' had been brought into common parlance by Miller and Benjamin (2008) and has generally become associated with the aftermath of a crisis and the uncertainty of a situation different to that prior to the crisis. Yet, the term normalises a past and present that according to Asonye (2020) has not worked for many in society. Asonye comments from the perspective of Nigerian citizens many of whom in March 2020 took to the streets to protest that 'hungervirus' might be more deadly than coronavirus and pointed more widely to the reported rise in domestic violence, homelessness and increasing poverty. He further suggests the need to reimagine the world by tracing history, actively learning (from previous crises such as the Ebola outbreak in West Africa) to consider the generation of a new paradigm rather than the next normal.

Birchall and Ketilson (2009) point to the resilience of co-operatives and their tendency to thrive in times of crisis. They provide a number of examples such as Raiffeisen credit co-operatives emerging from the 1860s agricultural depression and, in the US, the growth of agricultural co-operatives and associated credit unions during the 1930s. The benefits of 'co-operative difference' and the associated 'co-operative advantage' have similarly been lauded with increased flag waving for co-operative tenacity in time of economic turmoil during the financial crisis (Gosling, 2008; Porritt, 2008; Seib 2008) and continuing austerity measures. An interesting effect of the recession, according to Birchall and Ketilson (2009, p. 26) was that "co-operatives everywhere are rediscovering their core values as member-owned businesses and are making these part of their business strategy". At that time, it seemed the general public had lost trust in banks, while evidence pointed to a growing confidence in the remaining building societies (particularly those that had resisted demutualisation) as safe harbours for individuals' savings. Seen as important concepts in assessing strength in financial and social (community) relationships, Siegrist et al. (2007) suggest that we should differentiate between 'trust' and 'confidence' and using the concepts interchangeably can be problematic (Earle, 2009). Yet, what we can see in the research and academic literature is a lack of consensus on the meaning of trust although the complexity of trust relationships and mutual values has been explored to

some extent (see for example, Spear, 2000 on social capital and trust; Birchall and Simmons, 2004 for discussion on size and democracy; and Choi, 2009, consumer co-operatives in Korea). Furthermore, if we see trust as social and relational and confidence as instrumental and calculative as Earle (2009) suggests, then there are implications for the longevity of any switch in allegiance and deposits to building societies and co-operative financial institutions. Moreover, it begs the questions: Is the reaffirmation of trust in co-operatives and mutuals (Christianson, 2009) limited to reaction to market or government failure or is it also an opportunity to reassert co-operative values, ethical conduct, and strong participatory governance in these organisations?

What we saw at the time was that popular opinion (and that of some financial commentators) was generally supportive of the UK government bail-out of Dunfermline and the takeover by Nationwide (the largest of the mutual societies) — quite a different response to another ‘Scottish’ institution — the Royal Bank of Scotland. However, there had been more concern expressed over the rescue by Nationwide of the Derbyshire and Cheshire building society in 2008 which, at that time, left many with reduced protection of their savings under the Financial Services Protection Scheme (Colman 2008). This suggests that the concept of public trust is more complex than uncritical accounts may suggest and varies depending on what kinds of perceptions and trust measures are used. Indeed, a 2009 survey carried out by the Financial Services Research Forum (Nottingham University Business School) looked at both cognitive and affective trust (Ennew, 2009). Consumers appeared to have a degree of trust in the reliability and dependability of financial services institutions (and building societies more so than banks), which was suggested could have been a result of government intervention in 2008 (cognitive trust). However, there was a degree of reduced trust in the motives of such institutions in that people did not necessarily feel financial institutions actually had their customers’ best interests at heart (affective trust). This aspect of trust, which can also be exhibited in changes in levels of customer loyalty, is seen more in younger customers who do not necessarily have the engagement with and loyalty to one particular institution that characterises the behaviour of ‘older’ consumers and could be reflected in some credit unions and co-operative societies that are experiencing challenges arising from an aging membership base and lack of ability to attract and retain younger members.

In response to unfavourable environmental conditions, a key factor for survival has been, in part, the sector’s ability to ‘look after its own’ (Myers et al., 2011); an implicit guarantee within the building society movement for larger societies to merge with smaller financially weak societies in ‘rescue mergers’ (Batiz-Lazo & Billings, 2009, pp. 5-6). While on the one hand, this guarantee may be perceived cynically as self-interest, on the other the preference of merger over failure can also be interpreted as upholding the principle of co-operation between co-operatives.

Other aspects reported as significant were size and closeness to (and care for) community in that the smaller, more local societies and those that retained a more traditional business model and a sense of customer-ownership (Birchall, 2013a), maintained profitability into the crisis and post-crisis and, even with reductions in overall levels of assets across the sector, showed significant growth (HM Treasury, 2010; KPMG, 2013). Yet, as Birchall (2013b) suggests, for every example of historical survival through crisis, recession and continued resilience, there are counterexamples: rapid growth and collapse; degeneration; bankruptcy. Responses to crisis may bolster co-operative resolve but equally may stretch the integrity of co-operative principles through increased competitive pressure. Similarly, the development of large and complex co-operative banks and merged building societies has meant more difficulty for ordinary members to monitor activities (democratic and member control), leading to an expressed need for a “transparent and durable balance between local delivery and central management ... to safeguard engagement and involvement of members ...” (Groeneveld & Sjauw-Koen-Fa, 2009, p. 7).

In the COVID-19 pandemic, attention to health outcomes is also accompanied by concern for the economic and financial health of individuals and organisations. In the UK, building societies

and credit unions have been designated as essential services along with the setting up, in 2019, of Fair4All Finance – part of the UK Government commitment to financial inclusion initiatives (<https://www.fair4allfinance.org/>). In considering the capacity of societies to respond to complex uncertainties, consequences of actions may be hard to predict when having to rely on “the responsiveness of its constituent organisations ...” (Birchall 2013b, p. 13 - citing Hannah & Freeman, 1989, p. 3). In this arena, too, co-operatives are receiving more attention, whether in relation to sustainable development goals (ILO, 2015); safeguarding UK social care services (Co-operative College/Change Agents, 2017); crisis and reconstruction (Parnell, 2001); job and work preservation (Delgado & Laliberté, 2014) and addressing democratic deficits (Pestoff, 2017).

Since the outbreak of the COVID-19 pandemic, organisations such as the International Labour Organisation (ILO), International Co-operative Alliance (ICA)/Co-operatives Europe and the International Organisation of Industrial and Service Co-operatives (CICOPA), have been monitoring labour and co-operative responses to the crisis. The need for equipment has sparked partnerships and co-operation between co-operatives such as that between Mondragón Assembly Group and Bexen Medical to produce 14 million surgical masks per month after a call from the Spanish Agency of Medicines for help (Mondragón Assembly, 2020). In an update to the ILP in March 2020, Legacoop in Italy reported, among a number of initiatives, taxi co-operatives offering free transport services to over 65s in difficulties; Coop Lombardia in collaboration with Supermercato24 offering free home delivery to over 65s; and Cirfood, a catering co-operative, donating unused food for canteens to support people who cannot leave their homes (Tognoni, 2020; see also <https://coopseurope.coop/resources/news/covid-19-coop-response-for-examples-as-of-april-2020>). As well as the larger co-operatives supporting local, national and international efforts there have been numerous informal and spontaneous self-help and mutual aid groups springing up to enable volunteers and citizen action at local and community levels and via social media (e.g., Smith, 2020).

The levels of engagement and the focus of individuals on collective endeavour, care for community, solidarity and mutuality as well as well-being, lives and livelihoods has potential both in the emergence of new co-operative enterprise and in longer-term responses to recovery. Much of what we are currently seeing is resonant with co-operative values of self-help, self-responsibility and solidarity. Whether the informal community-level activity continues after COVID-recovery remains to be seen. Some will ebb away, and this is to be expected. The impact on formal organisations who have re-purposed their business and business models, for those experiencing different working environments and conditions and the reassertion of sustainable development and mutuality also remains to be seen. Principles of care for community and co-operation among co-operatives are also seen as key in past and current actions to mitigate crises — in social protection for workers (Voinea, 2020); in how retail co-operatives supporting food supply networks through FareShare (2020) — a food redistribution charity (established in 1994 through a partnership with homeless charity Crisis, and Sainsbury’s — one of the big four investor-owned supermarkets); or a community benefit society moving from shop to home delivery (Community Carrot, 2020) to ensure supplies to their members and local community.

In 2019, Steve Murrells, chief executive of the UK Co-operative Group since 2017, became part of the UK Government’s Inclusive Economy Partnership “to identify and develop solutions to solve some of the UK’s toughest challenges” (Fitton, 2019, para 4). The three complex problems on the agenda are financial inclusion, mental health at work, and transition to work for young people. While co-operatives may not be the panacea to these three challenges (or indeed the UN sustainable development goals), how co-operatives thrive, revive, or emerge during the COVID-19 pandemic and its aftermath may provide more evidence as to the sustainability and resilience of the co-operative model on the route to a fairer future and that values and principles, with and without crisis, matter.

Authors

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