



Don't Forget the Definition: The Importance of 'and' Versus 'or'

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This article focuses on only one subset of the Definition, which as with the other aspects of the Definition has been carefully crafted and drafted. Omitting any part of the Definition significantly alters its meaning and effect. It is suggested that the Definition, in its entirety, could therefore be a useful framework through which a co-operative could audit and report to members on its activity at a high level, with reporting on the Values and Principles providing further detail.

The International Co-operative Alliance (ICA) agreed the *Statement on the Co-operative Identity* (the Statement) in their General Assembly of September 1995 (ICA, 2018). There are three parts of the Statement: Definition, Values, and Principles. Much attention is focused on the 'Values and Principles' parts of the Statement. Many co-operatives include the values and principles expressly within their governing documents, others have 'Values and Principles Committees'. And, in 2015, the ICA published their *Guidance Notes to the Co-operative Principles*. Yet, the lead author of the Statement considered "each of [the three parts] as important as the others" (MacPherson, 1995, p. 18); with much emphasis on Values and Principles, there is a risk in leaving behind the Definition:

A co-operative 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 (ICA, 2015, p. ii).

Whereas the Principles are guidelines for putting the Values into practice (ICA, 2018), the definition sets out the minimum a co-operative must be. As such, it was "intended as a minimal statement" and not as "a description of a 'perfect' co-operative" (ICA, 1996, p. 5). While there can be degrees, therefore, to the extent different co-operatives embody the Values and follow the Principles, as a very minimum a co-operative must meet the entirety of the Definition.

The Statement, and in particular the Definition, is incorporated into international law through International Labour Organisation (ILO) Recommendation 193. The Recommendation itself is said to have "had a specific impact in more than 100 countries" (Smith, 2014, p. 27). In the United Kingdom, the Definition is used by the registering authority responsible for the 'co-operative society' legal form (Financial Conduct Authority, 2015a, paras 4.10-4.11).

Accordingly, the precise wording of the definition is critically important.

Recently, there have been prompts to consider the reference in the Definition to serving the "economic, social and cultural needs ..." of members. The Financial Conduct Authority (FCA), in considering feedback to its consultation on guidance on the definition of a co-operative, noted:

Some respondents suggested we use an amended form of the ICA Definition. Some suggested that '...to meet their common economic, social **and** cultural needs and aspirations' should instead be read '... to meet their common economic, social **or** cultural needs and aspirations' (FCA, 2015b, p. 5; emphasis in original).

The effect being to consider the 'and' as an 'or'. This suggestion was not adopted. An accompanying statement by the FCA outlined the reasons behind this decision:

We have rejected the suggestion of using an amended version of the ICA Definition because we do not agree that 'economic, social and cultural' should be read as 'economic, social or cultural'. It does not read like this on a plain language reading of the sentence and this reading is inconsistent with the intentions expressed in the preparatory documents to the Statement or ICA General Assembly which approved that text in 1995. Additionally, the definition used in our Finalised Guidance is identical to that used in ILO Recommendation 193. We cannot see a good reason for changing this (FCA, 2015b, p. 6).

Support for this view can be found in the work of the lead author of the Statement:

Most of them [co-operatives] exist primarily to meet economic purposes, but they have social and cultural goals as well. By 'social' is meant the meeting of social goals such as the provision of health services or child care. Such activities must be conducted in an economic way so that they provide the kinds of services that benefit members. Co-operatives may also embrace cultural goals in keeping with member concerns and wishes: for example, assisting in the promotion of a national culture, promoting peace, sponsoring sports and cultural activities, and improving relations within the community. Indeed, in the future helping to provide a better way of life — cultural, intellectual and spiritual — may become one of the most important ways in which the co-operatives can benefit their members and contribute to their communities.

Member needs may be singular and limited, they may be diverse, they may be social and cultural as well as purely economic, but, whatever the needs, they are the central purpose for which the co-operative exists (ICA, 1996, pp. 5-6).

Careful consideration was given to this aspect of the Definition by the ICA, with the co-operative movement in Germany proposing to the ICA Board that “cultural” be removed from the definition due for debate at the General Assembly. The ICA Board agreed. It is important to note the reasons articulated for the ICA Board’s agreement to the change:

This change emphasises that co-operatives are concerned primarily with meeting specific goals, including principle social goals, in the market place, as economic organisations. If members decide they would like their cooperative to undertake other activities that right is clearly provided for in other parts of the document (MacPherson, 1995, p.18).

The ICA General Assembly did not however agree with the ICA Board and reference to “cultural” was retained (Treacy, 1995). As a minimum therefore, co-operatives are required to be intending to meet the economic, social, and cultural needs of their members.

The need to meet these three separate objectives clearly makes sense when considered in the context of the rest of the Definition:

The three objectives of cooperatives contained in this definition — economic, social and cultural — are complementary and of equal legal weight. Legislators find it at times difficult to strike an appropriate balance between these three objectives and to ensure that the attainment of all of them be audited as required by Paragraph 8. (2)(b) [of ILO Recommendation 193]. They also find it at times difficult to strike an appropriate balance between these three objectives, on the one hand, and the two elements which make for the nature of cooperatives, namely ‘associations of persons’ and ‘enterprises’, on the other hand. Often legislators put unequal weight on these elements. Too much weight put on the association element prevents cooperatives from becoming competitive market participants. Too much weight put on the enterprise element, assuming that the stock company is the only type of enterprise, dilutes the characteristics of cooperatives (Henry, 2012, p. 52).

A co-operative aiming to meet only the economic needs of its members may struggle to distinguish itself from other types of enterprise. It may fail the test of being an “association of persons” and instead be simply an association of capital.

Conversely, a co-operative meeting only the social or cultural needs of its members may struggle to evidence it is an enterprise. The “and” in the Definition is very clearly not an “or” and cannot be considered as such without stripping the Definition of its structural integrity.

The Definition provides a useful framework for co-operatives to audit and report to members on its activity at a high level. Reporting on the Values and Principles would provide further and more specific detail. Most importantly though, is the need to take the Statement in its entirety — leaving behind none of its three parts: economic, social, and cultural needs.

The Author

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