

## P5 Study Programme Unit 2: Mutuals and ways to classify them

### Proposed Definition of “Mutual”

A **mutual organisation**, or **mutual enterprise**, is an organisation which:

- has members (which may be persons and/or organisations)
- is owned either collectively or jointly by its members, in equitable shares
- is democratically controlled by its members

[ Note: this definition **deliberately** does not state anything about who might be beneficiaries of the organisation's activities. In some cases, members may be beneficiaries, in others a defined community (or communities), and in others both may apply.]

### The terms “mutual” and “co-operative”

All co-operatives are mutuals, but not all mutuals are co-operatives. As we saw in unit 1, an organisation is a co-operative if and only if it complies with the ICA definition of a co-operative, and with the ICA values and principles.

Examples of mutuals which are not co-operatives

- mutual insurers/pension providers
- building societies
- trade unions
- Benenden/Westfield

Credit unions tend not to call themselves co-operatives. In essence, I believe that most credit unions do comply with ICA definition, values and principles. Pragmatically, they avoid applying the term in case it provokes the financial regulators (ultimately the Bank of England), who seem in this country to believe that a co-operative cannot be a sound basis for a financial organisation. Some European countries, Canada and Australia do not seem to have this form of prejudice.

## 2. Classifications of mutuals

**Classification** is the principle tool of **Analysis**. Where there are 2 or more ways to classify, each way adds a dimension to the analysis. However, each dimension may or may not be of interest to analyst (researcher, investigator.....), depending on what she or he is aiming to achieve.

We could classify mutuals by economic sector, but today we are interested in more fundamental characteristics of mutuals.

## 3. Classification by Member Participation Role(s)

I have adopted the term “Member Participation Role(s) because “Member Classes” cannot be relied upon for rigorous analysis, as it is used for all sorts of sub-groups such as “young members”, “supporter members” “retired members”, “associate members”, etc etc

It is a commonplace among Co-operators to refer to “workers co-op”, “consumer co-op”, “housing

co-op”, “producers co-op”, “agricultural co-op”, “multi-stakeholder co-op”: but this list needs unpicking, as it mixes up economic sector, socio-economics and types of membership.

If we focus purely on what role or roles of participation members can have in a given co-op, **and which are universally applicable to ALL co-ops**, we have the following classification (with a definition of each category:

### **3.1 Workers co-op**

A **workers co-operative** is a co-operative in which the members supply the labour to produce or develop the product(s) and/or service(s) which the co-operative supplies.

### **3.2 Users co-op**

A **users co-operative** is a co-operative in which the members consume or use some or all of the product(s) and/or service(s) which the co-operative supplies.

### **3.3 Workers and users co-op**

A **workers and users co-operative** is a co-operative in which some of the members supply labour to produce or develop the product(s) and/or service(s) which the co-operative supplies, and some of the members consume or use some or all of the product(s) and/or service(s). A member may be both a worker member and a user member, but in this case, the member has the democratic rights of only one such member.

### **3.4 Workers and investors co-op**

A **workers and investors co-operative** is a co-operative in which some of the members supply labour to produce or develop the product(s) and/or service(s) which the co-operative supplies, and some of the members invest in the co-operative. The co-operative's rules must ensure that the worker members (as a whole) have ultimate democratic control – otherwise the organisation is likely to evolve into an investment vehicle and bring about exploitation of labour by capital. A worker member may hold investments in the co-operative. If the rules state that only members may invest in the co-operative, then the co-operative is a workers co-operative in which some or all of those members happen to have an investment account – it is **not** a workers and investors co-op.

### **3.5 Users and investors co-op**

A **users and investors co-operative** is a co-operative in which some of the members consume or use the product(s) and/or service(s) which the co-operative supplies, and some of the members invest in the co-operative. The co-operative's rules must ensure that the user members (as a whole) have democratic control. A user member may hold investments in the co-operative, but this does not confer investor membership. [If the rules state that only members may invest in the co-operative, then the co-operative is in fact a users co-operative in which some or all of the members happen to have an investment account.]

### **3.6 Workers, users and investors co-op [often called a “multi-stakeholder” co-op.**

A **workers, users and investors co-operative** is a co-operative in which some of the members produce or develop the product(s) and/or service(s) which the co-operative supplies, some of the

members consume or use some or all of the product(s) and/or service(s), and some of the members invest in the co-operative. A member may be both a worker member and a user member, but in this case, the member has the democratic rights of only one such member. The co-operative's rules must ensure that the worker and user members (as a combined whole) have democratic control. A worker or user member may hold investments in the co-operative, but this does not confer investor membership. [If the rules state that only members may invest in the co-operative, then the co-operative is in fact a workers and users co-operative in which some or all of the members happen to have an investment account.]

Notice that all of the categories of co-operative (3.1 to 3.6) can actually apply to mutuals, since they depend only on the organisation concerned being a democratic, member-owned organisation. However, we don't seem to hear each other talking about "workers mutuals" or "users mutuals" - but we could! An overwhelming majority of (non-co-operative) mutuals, however, are "users mutuals".

Exercise: What are P5's participation role(s), and therefore what sort of co-op is it?

#### 4. Classification by Structural Composition

An entirely different way of classifying, but also based on membership, so mutuals can be analysed in this way.

: primary, secondary, tertiary, hybrid etc.

Member Classes/"Multi-stakeholder"/solidarity co-op/

<b>(pure) primary:</b>	all members are persons
<b>(pure) secondary:</b>	all members are primary organisations
<b>(pure) tertiary:</b>	all members are secondary organisations
<b>hybrid primary/secondary:</b>	some members are persons, some are primary organisations
<b>hybrid secondary/tertiary:</b>	some members are primary organisations, some are secondary
<b>hybrid primary/tertiary:</b>	[theoretically possible, but unlikely]
<b>hybrid primary/secondary/tertiary:</b>	some members are persons, some are primary organisations, some are secondary organisations

Exercise: What is P5's structural composition, and therefore what sort of co-op is it?

Looking above, there are 6 categories by participation role(s), and 7 categories by structural composition, giving a total of 42 possibilities in all. However, there is a reason to change this to 56.....