

With Members and For Members? A Theoretical Analysis of Mutuality in Co-operatives, its Evolution and Re-Formulation through Italian Community Co-ops

Di Michele Bianchi*****

Abstract

Since the 19th century co-operatives have operated for their members' prosperity by promoting economic activities in different fields. This paper seeks to analyse how community co-ops are modifying the traditional co-op structure in order to address new social issues. why do these co-ops also work for non-members? How does this modify mutuality? Which reasons can explain this phenomenon? Community co-operatives are renewing the co-operation model by surpassing the classic mutualistic structure to one which also pays attention to outcomes for the entire community.

Keywords: Co-operative, Community, Mutuality.

JEL classification: I39 P13

Con i soci e per i soci? Un'analisi teorica della mutualità nelle cooperative, la sua evoluzione e riformulazione attraverso le cooperative di comunità italiane

Sommario

Sin dal 19esimo secolo, le cooperative hanno operato per promuovere il benessere dei loro soci attraverso attività economiche in diversi settori. Questo lavoro s'interroga su come le cooperative di comunità ridiscutono la struttura cooperativa al fine di rispondere a questi nuovi bisogni. La cooperativa di comunità sta riformando il concetto di mutualità? In che modo? Le cooperative di comunità stanno rinnovando il modello cooperativo sorpassando il classico concetto di mutualità ampliando la platea d'interessati a tutti i residenti delle comunità.

Parole chiave: Cooperativa, Comunità, Mutualità.

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***** Dipartimento di Economia, Società e Politica, Università di Urbino Carlo Bo. E-mail: m.bianchi13@campus.uniurb.it.

Introduction

Since their appearance in the 19th century, co-ops have aggregated people who share the same needs and common interests, despite having limited resources, through democratic process; these economic organisations are radically opposite to the classical interpretation of the capitalist firm where the owner provides assets and pays the work force (Borzaga & Tortia, 2004. Casale, 2005. Zamagni, 2005). The main peculiarity of co-ops is the benefit that this aggregation generates for members; they do not maximise profit on capital invested, but rather use collective resources to foster benefit among members by means of their collective action inside a co-operative structure; creating so-called “mutuality” (Sapelli, 1998; Borzaga & Tortia, 2004; Zamagni, 2005). Investment in a co-op, in terms of work and capital, means a commitment of personal interest for all members’ benefit. Mutuality is the exchange between a co-op and its members; the latter provide the organisation with resources for business implementation, and the former rewards members with benefits, such as secure job positions, better conditions and/or goods and services at affordable prices.

Although there have been many relevant economic analyses, this distinctive feature of mutuality is often underestimated and poorly defined (Casale, 2005. Jossa, 2005. Zamagni & Zamagni, 2008). Notwithstanding this lack of clarity, co-operatives have prospered thanks to the principle of mutual exchange: a co-operative brings together people to maximise each member’s effort in a productive system capable of guaranteeing enhanced benefit in contrast to economic relations inside traditional capitalistic firms (Earle, 1986; Zangheri *et al.*, 1987; Jossa, 2008).

During recent years, the co-operative movement has been witnessing a new interpretation of the co-op model; the innovation consists of increased stakeholder participation and, consequently, the expansion of mutuality toward non-members. This key innovation, with particular regard to the Italian context, is the development of community co-operatives that aim to foster socio-economic development among all citizens of a specific community (Euricse, 2016; Irecoop, 2016).

Such evolution raises questions about the co-operative model; why do these co-ops also work for non-members? How does this modify mutuality? Which reasons can explain this phenomenon?

The paper aims to analyse the evolution of co-operatives in Italy and suggest an answer to these questions. Mutuality is changing because society requires a new commitment to the co-operative model for the improvement of local socio-economic conditions through sustainable and participatory development. The social role of co-operatives is not static; it is in continual

change and its position varies depending on social input and economic necessity. The recent years of economic crisis and the new pattern of social participation have re-shaped co-operative aims and objectives bringing about the promotion of a multi-stakeholder involvement in local development.

In order to debate this interpretation, the paper provides an analytic framework concerning the position of co-operatives in relation to the macroeconomic system, which tends towards either a “*reactive*” or “*integrated*” model. In the second part, the framework is used to interpret the historical evolution of the Italian co-operative movement as well as social and economic reasons behind the expansion of mutuality in recent years. The third part presents the emerging ‘community co-op’ phenomenon with explanations as to why it is renewing the social function of cooperatives and re-shaping of mutuality in response to new socio-economic needs. In conclusion, the analysis points out available literature surrounding this phenomenon which provides a theory that interrelates solidarity issues, the nature of assets and a renovated social role of mutuality in co-operatives.

1. Definition of Co-ops: Mutuality and tensions between reaction and integration to capitalist system

«Co-operatives are businesses owned and run by and for their members. Whether the members are the customers, employees or residents they have an equal say in what the business does and a share in the profits.» (ICA, 1995)

In 1995, the Co-operative Alliance provided the above definition of the co-op model, completing it with a set of principles that guide co-ops’ activities and delineate the structure of cooperative organisations. The multi-ownership model is the basic element of a co-op; the decision-making process mainly expresses the democratic nature of a cooperative: members elect managers and take key decisions about the organisation through the system “*one member one vote*”. This structure embeds values such as reciprocal trust and collaboration. People come together either for the same scope, for new job creation, for the purchase of affordable goods and services, or for shared values such as collaboration and reciprocity rather than exploitation among agents (Ostrom, 2012. Sacconi & Ottone, 2015). These relations between members and co-ops are the essence of co-operation and recognize the concept of mutuality.

Mutuality is defined as an exchange of material resources and benefits that allow further improvement of socio-economic conditions (Casale,

2005). As Sapelli (1998) points out, in traditional firms capital-owners control management and have the right to decide on business strategic choices. Co-operatives reform this idea by introducing collective ownership: members, who in most cases are both owners and workers are not motivated by profit maximization on capital invested but rather by their interest to participate in enterprise for other reasons such as better job positions compared with traditional markets. Table 1 shows various examples of different mutual forms where members work in their own interest instead of for a third-party.

Tab. 1 - Co-op Forms and Mutuality Benefits

<i>Co-op Forms</i>	<i>Mutuality Benefits</i>
Worker Co-op	Better Job Conditions
Consumer Co-op	Quality Goods for Affordable Prices
Producer Co-op	Economies of Scale & Higher Earnings
Energy Co-op	Sustainable Production & Lower Costs

A further advantage is the possibility to utilize co-operatives for producing goods and services with affordable prices. In many cases, if products are sold at market price they probably won't allow the firm to remain viable according to traditional market laws; co-operatives are able to produce goods and services at lower prices than other firms because they do not pursue profit but rather members' interest which is an additional aspect of mutuality (Borzaga & Tortia, 2009; Vieta & Lionais, 2015)

Mutuality happens when all members work together for their own interest and the opportunity to collaborate with others, because in certain situations a sole individual cannot start-up an enterprise by himself due to either scarcity of resources or a non-profitable market. The union of interests with the interrelated productivity of collaboration creates benefit for all participants (Zamagni, 2005).

Thus, mutuality represents the amount of beneficial exchanges that occur between a co-op and its members which are only made possible inside a formal productive structure with all members participating towards common objectives. Members make their resources available not for profit maximisation, but to derive the various benefits ensuing from co-operative activities.

This explains why co-ops were largely diffused in the 19th century; despite the poor resources of masses of workers, co-operatives improved their conditions. At that time, a co-operative firm was intended as a means to reform and overturn capitalist society; social forces, which would serve as a background for Marxist parties, saw co-operatives as a way to positively react to exploitation and fight back against the dominant bourgeoisie. Furthermore, conservative and liberal theorists were also interested in this new productive model which they hypothesized as a possible peaceful way of integrating bottom-up forces into a more reformist movement thereby attenuating capitalism's negative effects without destroying it. It is possible to interpret these positions as being part of a “*reactive*” and “*integrative*” model. These constitute the framework by which it is possible to analyse the evolution of co-operatives and can explain why mutualism is currently changing.

The reactive model assumes that co-operatives are the answer to multiple failures of traditional markets by compensating what the latter cannot achieve; many authors have indeed debated the function of co-operatives in this sense. Marx (1868) theorises an economic system based on co-operative firms where workers manage and empower themselves, rather than be exploited by capitalistic classes. Robert Owen (1771-1858) theorised a new and more communitarian society and saw cooperatives as a way to reform it. Pierre-Joseph Proudhon (1809-1865), one of the main fathers of the cooperative movement, points out the expression “*destruam et aedificabo*” concerning the destruction of private property in order to build a socialist society which is more accessible to all. Private means of production only generate conflict between the bourgeois and working classes. Cooperatives can realise a “*mutual society*” which is a mediation between economic liberalism and the socialist state. During the second half of the 19th century, the nascent Italian socialist movement influenced the development of co-op's by adopting the collective firm model into the general political movement for better working conditions. The Italian Socialist Andrea Costa made a huge commitment to support new worker and consumer co-ops in order to imprint a strong socialist spirit on these new initiatives. According to his idea, co-operatives can emancipate workers from capitalist exploitation, foster solidarity and educate new generations to resist capitalist power (Zangheri *et al.*, 1987). This position constitutes the main ideological link between Marxist parties and co-ops in Italian history, even if during the second half of the 20th century political forces modified their approach.

The reactive model sees co-operatives as firms which operate in an economic niche instead of being major market players and can also be a

solution to market failure (Hansmann, 1996) because they are “*different and inferior*” enterprises. Co-operatives are different from traditional businesses because they pursue the maximisation of members’ average incomes as opposed to maximum profit on capital. Two elements determine the maximization of members’ average incomes: the “*smaller dimensions*” of co-ops which permit a larger sharing of profits, and under-investment in the firm due to the “*shorter economic horizon*” of each member. If the median member permanence in the firm is less than the time required to earn profit on the investment, the worker will not put more money in the co-op. In a capitalist firm, the median member can sell their shares which provide an immediate financial reward (Ward, 1958). In addition, Spear (2000) identifies co-ops as a “*reactive*” model owing to their capacity to respond to market failure thanks to their social values. Co-ops are non-profit organisations that respond to social needs and such a structure prevents profit redistribution among its members and demonstrates primary concern for members’ issues rather than profits. Co-ops can boast advantages in terms of health, education and welfare markets compared to traditional enterprises because they are able to propose lower prices on account of their mission, their members values, and the lower costs generated by their structure.

Tab. 2 - “*Reactive*” & “*Integrate*” model.

<i>Model</i>	<i>Reactive</i>	<i>Integrate</i>
Authors	Marx, Costa, Ward, Hansmann & Spear	J.S. Mill, Luzzatti, Mazzini, Bonfanti & Sapelli
Period	Middle 19 th & Recent Years	20 th Century
Co-op’s role	Marginal in economic niches	Central as other traditional firms
Social Class	Working class	Middle class
Aim	Produce goods and services for needs’ satisfaction, not for profit maximisation	Mitigate competition with big firms, industrial growth

The second approach termed “*integrative*”, looks at the cooperative as being at the forefront of production models. Such theories view co-ops as being integrated in the capitalist system for the self-realisation of members, as opposed to the sole production of goods and services. Co-ops can operate as traditional firms, produce relevant outputs and stay in the market. J.S. Mill in *Principles of Political Economy* (1852) maintains that a society where a superior commands and employees silently submit should no longer exist.

This new production model promotes collective worker ownership and the election of managers. It is possible to consider Mazzini's theories on cooperation in this respect, as he believed in collaboration between classes and the coexistence of labour and capital. According to Mazzini, the creation of cooperatives was part of a broader reform of society where people collaborate in a non-antagonistic spirit (Earle, 1986). At the end of the 19th century, Luigi Luzzatti, who was considered by Mazzini as one of the fathers of the Italian co-operatives, pointed out the role of social mitigation performed by co-op firms. He did not agree with the vision of co-ops representing means for social class struggles; on the contrary, he considered co-ops as being the perfect instrument to maximise the scarce resources of small bourgeois pockets to create an alliance between workforce and capital with the objective of fostering social peace (Luzzatti, ed. 1957). In 1844, the Rochdale Society of Equitable Pioneers, which was the first model of a consumers' cooperative, conciliated cooperative principles with market dynamics. The main innovations were the redistribution of profits among the members and democratic management based on the principle of "*one member one vote*". Bonfanti & Sapelli (1981) considered "*integrative*" cooperation as a way for the middle bourgeoisie to mitigate competition with big firms and integrate their small businesses into the system.

This theoretical framework, which indicates the position and role of co-operative in the social and economic system, can explain how co-operatives have evolved over the decades. This analysis is relevant because it shows how mutuality was fundamental at the beginning of the co-operative movement but then gave way to gradual changes which led the movement to abandon a reactive position in favour of a more integrated approach, which allowed for further economic stability at the expense of internal mutuality. Next paragraph explains how and why co-operatives have evolved before demutualisation and then they have reacted to recent economic crisis.

2. Roots and History of Italian Co-operative Movement

The co-operative movement in this country is one of the most important in Europe and the work of Italian co-operators is appreciated worldwide (Earle, 1986. Michie *et al.*, 2017). The appearance of community co-ops in this country is not casual; a brief historical analysis of the Italian cooperation movement highlights the cultural elements that constitute the backdrop of community co-ops in Italy. Moreover, available literature on the history of Italian co-operatives highlights a return to many original features which are more directed towards community satisfaction rather than profit

maximisation. This evolution demonstrates a return to the “*reactive*” model in order to face the dramatic socio-economic changes affecting local communities. The about turn is a reaction to economic system failures and the necessity for new social and economic resources which explain the expansion of mutuality.

At the beginning, co-operatives arose in economic niches as a way to elevate tragic conditions of lower classes. The birth of co-operatives was an attempt to create organisations for the achievement of economic objectives (affordable goods prices or better job positions) and not only for social assistance as was the case in mutual societies. In the 19th century, in Turin, the first co-operatives were an attempt to evolve mutual society schemes. Moreover, the political conditions in the Kingdom of Italy shaped the breeding ground for self-help worker societies and subsequently for co-operatives (Zangheri *et al.*, 1979. Earle, 1986. Ianes, 2013). The Rochdale formula was greatly diffused in this area for the management of food stores. Other European experiences also influenced the Italian co-operative movement; nevertheless, the Italian co-operators contributed to the implementation of different co-operative models.

A well-known experience occurred in the Emilia-Romagna region, one of the most cooperative areas in Italy. During the 1880s, an economic crisis due to the lower prices of American wheat caused high rates of unemployment and subsequent social problems. It was during this period that the co-operative movement formulated an innovative solution known as agricultural day labourers’ cooperatives. In 1883 in Ravenna, Nullo Baldini, one of the socialist fathers of the cooperative movement, founded the *Associazione Generale degli Operai Braccianti* (General Association of Day Labourers) that employed 303 people. The main difference with producers’ co-operatives was the members’ social status who were neither small farmers nor employees, but day labourers representing the most fragile category in the job market. These cooperatives operated land reclamation schemes and built infrastructure, labour that requires thousands of workers. This innovative formulation allowed for the employment of huge numbers of workers who were rescued from miserable conditions as day labourers in the farming sector. They became worker-members of these co-ops which ensured permanent employment, safe conditions and better wages.

After the Second World War, the “*euphoria for cooperatives*” spread cooperative values throughout the whole country. In 1951, the first general census counted 13,658 cooperatives (Degl’Innocenti, 1981). In the following decades, the Italian co-operative movement acquired more relevance in the political-economic landscape. A key watershed was the 1960s and 1970s when the movement took consciousness of its potentiality; this corresponded

to a drastic change in the cooperative approach to economic development. A terrific shift from the “*reactive*” to the “*integrative*” economic model, in other words, from a residual role in the economic system to compensate market failure to a role of strong integration in the economic system (Zangheri *et al.*, 1987).

Greater involvement between the co-op movement and political parties is the reason for this shift; there have always been strong bonds between the co-operative world and political parties, especially with the right wing Christian Democracy (CD), and left wing Communist and Socialist parties. These connections can be traced back to the 1880s and have always influenced the role of co-operation in society. Political forces sustained co-ops in order to expand their voter pool and have maintained a stable connection with this growing economic sector; in this way, co-ops have ensured a profitable collaboration with political power which has supported co-ops through legal recognition, favourable public contracts and representation in parliament.

Clearly, the CD promoted a more integrative idea of co-ops in the economic system, whereas Marxist parties supported the idea of co-ops being reactive organisations against capitalism. From the 1960s, the two Marxist parties were more open to the integrative approach. They theorised a new role for cooperatives, from collectivism to the development of small entrepreneurship. The aim was to support the working class and the small bourgeoisie against the power of big monopolies and provide them with adequate support to develop their own means of production and consumer strength. (Zangheri *et al.*, 1987. Earle, 1986. Fabbri, 1995. Ianes, 2013).

From that moment on, the cooperative movement began a steady growth in terms of incomes, organisations, job positions and political-economic relevance. The occasion for significant growth and consolidation of the position of co-operatives in the national economic system led leaders to consider an improved managerial approach to business planning and the expansion of a co-operative presence in other sectors. Life-style modernisation and general economic growth imposed the necessary renovation of co-ops to avoid inevitable marginalization (Sapelli, 1998; Zamagni *et al.*, 2004). The steady increase of members and clients led to the de-mutualisation of co-operatives which became more focused on ensuring higher volumes of revenue and income through new managerial approaches adopted from traditional capitalist firms, and a decrease in members’ participation and democratic process (Battilani & Schröter, 2013).

Table 3 presents the main figure of this growth; the column labelled “*Social Co-operatives*” reports statistics from the first national census. Social co-ops only appeared in the late 1980s and were officially recognised in

1991; the 2011 census was the first to acknowledge this format. Nowadays, the co-operative movement has a massive share in the Italian economy representing 8% of GDP and acting as an ordinary economic stakeholder able to ask for better prospects from the government.

Tab. 3 - Evolution of cooperation in Italy.

	<i>Agriculture</i>	<i>Building</i>	<i>Manufacture</i>	<i>Commerce</i>	<i>Third Sector Activities</i>	<i>Social Co-operative</i>	<i>Total</i>
Co-ops 1971	994	768	3,558	2,718	2,706	/	10,744
Workers 1971	32,660	32,168	44,213	25,386	73,050	/	207,477
Co-ops 1981	1,662	2,138	6,170	3,475	6,455	/	19,900
Workers 1981	33,795	58,811	90,355	44,078	135,396	/	362,435
Co-ops 1991	3,411	10,878	6,183	3,553	25,874	/	49,899
Workers 1991	36,136	67,798	85,369	74,047	604,117	/	867,467
Co-ops 2001	3,116	10,878	5,319	3,553	25,853	5,511	47,719
Workers 2001	36,917	57,796	85,815	74,047	531,517	173,012	959,104
Co-ops 2011	3,932	9,245	3,809	3,369	26,464	11,264	58,083
Workers 2011	22,956	39,088	57,796	88,173	220,221	320,513	1,123,762

Source: Italian Institute for Statistics (Istat).

The recent economic crisis has not disturbed the cooperative sector; indeed, the Third Report on Italian Cooperation, edited by the European Research Institute on Cooperative and Social Enterprise (Euricse) analysed the economic trends of 28,000 co-ops during the crisis years and reported that between 2008 and 2013, the sample showed a countertrend growth rate compared to the rest of the Italian economy increasing by more than 14% in terms of production. Co-ops chose an opposite strategy compared to traditional business, meaning that they invested the majority of income generated in the workforce which not only saved jobs but also increased wages with a consequent reduction in annual financial results. Co-ops increased income distribution to workers from 18.8% in 2008 to 20% in 2013 and decreased savings on company assets from 0.6% to 0.1%. This implied a significant strategic choice of protecting the workforce and improving productivity rather than firing workers to make savings. In the period 2009-2013, the employment of stable workers witnessed a 10% rise for co-ops compared to a 5% drop in the traditional business sample.

Depedri & Turri (2015) consider these results to be the proof of resilience concerning the cooperative model, demonstrating that it can face social problems thanks to its capability to adsorb these social demands. As showed in the analysis, the co-op model does not respond to an owner's interest in profit maximisation; on the contrary, it works for its members' benefit. Despite this preamble, recent growth is due to the de-mutualisation and strong industrialization of co-operatives. However, the social and political background has exited the co-operative movement in place of a model which supports local groups in sustainable development projects.

The next paragraph focuses on community co-ops and their features, explaining how external mutuality that even serves non-members' benefit, is modifying the co-op's structure along with a new approach by public administration. Bottom-up experiences in many regions are requesting reduced focus on high volume income for co-ops and more focus on local issues and bonds with local regions.

3. Reasons for the emergence of Community Co-ops and the alteration of mutuality

The recent financial crisis and the international recession has encouraged people and social movements to pay more attention to tangible economic activities, sustainable production methods and people's needs as opposed to financial speculation. During these years of crisis, cooperatives have shown their potential as a key economic sector able to respond to challenges with resilience and growth. Notwithstanding this great potential, the cooperative movement needs additional implementation to satisfy the socio-economic necessities of local regions. Community co-operatives are garnering great attention in the academic debate (Demoszi & Zandonai 2007. Legacoop 2011. Bartocci & Picciaia, 2013. Giaccari & Fasiello, 2013. Bandini *et al.*, 2014. Mori, 2014, 2015, 2017. Borzaga & Zandonai 2015. Depedri & Turri 2015. Euricse, 2016. Irecoop, 2016. Tricarico & Zandonai 2018). Nowadays in Italy, no national legislation exists for the regulation of community co-ops, therefore the provision of a general definition is not simple.

Despite the legal vagueness, many common elements are emerging from practices of these new co-operatives. First, it is possible to consider these co-operatives as community-based enterprises (Peredo & Chrismann, 2006; Somerville & McElwee, 2011) because they work with a clear mission toward local communities, involve local stakeholders, and take advantage of local resources and assets (Mori 2014, 2017; Euricse 2016; Irecoop, 2016).

Borzaga & Zandonai (2015) recognise the nature of collective action in these entrepreneurial projects; when contemplating the process that structures community co-ops, many local agents are implicated because the promotion of wellbeing must encompass the widest plethora of citizens.

Community co-operatives are potential key developers of new possibilities in regions affected by low levels of services and economic opportunities. They search connections with the framework around them in order to strengthen business and receive social support (Euricse, 2016; Irecoop, 2016). This wide network with the surrounding environment determines its multi-stakeholdership nature (Borzaga & Sacchetti, 2015; Sacchetti & Tortia, 2015) of community co-operatives, which are ideated and created with local community support. In the case of a community co-op that works in the sector of sustainable tourism, many stakeholders are involved in the renewal of buildings which will serve as future accommodation for visitors to small villages whilst at the same time protecting the environment and promoting local products. People benefit from new job positions, landlords can rent previously derelict properties, and local businesses can sell products to both tourists and the community for the preservation of the environment in and around the village. Other examples are cultural heritage or public nature area preservation; community co-ops can substitute under-financed public authorities that encounter criticism in the context of spending review policies. Community participation can oversee the functioning of the co-operative and implement actions that could improve economic opportunities for people through commons tutelage (Peredo & Chrismann, 2006; Borzaga & Zandonia, 2015). Moreover, community co-operatives operate in those territories where economic interest is lower yet community concerns need answers; these co-operatives promote services at a lower price than the traditional market and with a not for profit objective (Mori, 2014, 2017).

Community co-ops do not define themselves by the nature of their services and are an atypical form of co-operation because they serve the community in multiple ways. Present in agriculture, environmental protection, tourism, food services, cultural events, energy production, community co-ops do not operate in a given specific field. They use different economic activities either for the provision of direct benefit to the community (preserving the local environment as main element of the livelihood) or to generate income for community projects (tourism). This business diversity can determine the community co-ops' success because it allows them to have different sources of income. Bartocci & Picciaia (2013) analyse how a community co-op for energy production in southern Italy, the "*Cooperative di Comunità Melpignano*" involves citizens into a

participatory process for the co-production of services (Pestoff, 2012). This work with the community activates local resources and generates positive effects in terms of job positions, green energy and income to finance community empowerment projects.

As any other firm, community co-ops base their business on purchasing assets for the production of goods and services. In this case, the nature of such assets and the acquisition process constitute another innovation that community co-ops are bringing to the debate. Irecoop (2016) highlights the relevance of asset acquisition through agreements with local authorities, private owners or other organisations. The transfer of assets to community co-ops is a vital step in the generative process of these new businesses and normally consist of buildings, cultural patrimonies or services (Bandini *et al.*, 2014. Borzaga & Zandonai, 2015. Irecoop, 2016. Bianchi, 2016. Tricarico & Zandonai, 2018). This marks another difference from the traditional cooperative model whereby community co-ops members invest money to start up an activity as here the major asset contribution is a transfer from either public, in most cases, or the private sector.

Discussion

The historical evolution of the Italian movement can explain the huge reform in the role of co-operatives and its mutuality features. It is possible to perceive eventual tension between the internal aim of member involvement and the development of useful local services versus economic growth possibilities in order to enhance stability and enlarge membership. At certain times, the influence of political decision brings about strategical choices which promote one model over another and govern the role of co-operatives in society. This work shows how this role has a double interpretation and explains the recent emergence of community co-ops in Italy.

Community co-ops mainly operate in market niches and in addition their services are not set up to generate a consistent income stream. Traditional co-operatives still work for members' satisfaction being the main investors in the organisation; however, members have lost momentum of participation and social spirit in their work. Community co-ops are demonstrating that the cooperative model can improve work for people and empower the community. They involve new categories of membership and the acquisition of local assets that are not definable as the sole private property of the co-op.

This aspect supports the thesis that community co-ops are real community enterprises; they base business on external contributions, which

involve other stakeholders, and enlarge internal mutuality to others because assets are not a strict outcome of the collaboration between official members. Traditional co-ops are an aggregation of resources mainly from internal members for their own benefit and use, whereas community co-ops operate more loosely employing local assets characterised by strong community value. The nature of such assets can be either private or public, however the inherent value awarded by the community determines its new status of “community asset” or “local common” (Arena & Iaione, 2012). Citizens then decide to use these assets to generate new income for local projects, and a co-operative represents the best choice in terms of legal structure as it incorporates social values and economic efficiency. The collective process for general wellbeing involves many local agents; this network of collaboration allows for monitoring of co-operators’ work and spreads direct benefit inside the community. The utilisation of community assets empowers the community co-op with an important mission as the particular nature of these assets require the business to be structured in such a way as to be devoted to local common issues.

Community co-op founders identified community requirements which marked a clear difference from traditional co-op projects. Historically, co-op members aggregate themselves in support of common needs that are derived from similar social conditions such as under-paid work, weak purchasing power or small production capacity. Community co-ops enlarge this perspective to the social category of citizenship because they respond to needs for self-organised initiatives with socio-economic development. Their degeneration into a massive production model has led co-ops to lose their original spirit of “*reactive*” organisation in favour of a more structured and vertical system that has decreased not only member affiliation but also connection with regions and, in many cases, even internal mutuality. The more complex structure due to massive industrialisation has enlarged membership at the expense of weakened loyalty to co-ops consenting more free-riding behaviour (Svendsen & Svendsen 2000. Diamantopoulos, 2012, 2013. Lang & Novy 2011. Nilsson *et al.*, 2009, 2012. Vieta, 2014. Vieta & Lionais 2014. Feng *et al.*, 2016).

Community co-op analysis evidences a wider reform in relationships between public and private spheres. Both the tertiary sector and civil society are now strongly involved in the provision of services and new solutions for socio-economic regional development. The recognition of a new partner in the management of public assets requires the enactment of mutuality. Traditional cooperatives have had a key role in the improvement of social conditions through the principle of strong internal mutuality; nevertheless, as Mori (2014) points out, traditional co-ops have always intended that

community benefit would be a secondary and unintentional consequence of the main objective. The Community Co-op expressly declares the local community as the main beneficiary of its work.

The Community Co-op model is seen as the output of different factors, namely the return to a “*reactive*” co-operative approach with innovative public administration features. Communities set up co-ops to combine the direct management of local assets with the efficiency of a company model; public councils are, in this sense, in a difficult situation when it comes to operating directly in their territory. Thus, citizens can self-organise their response to economic crisis and market failure for example the issue of under-investment in marginal areas. Local authorities contribute to these initiatives with local assets that they can no longer administer. The devolution reform is shifting responsibility and assets from public institutions to private organisations with co-ops playing a strategic role in this process as they pursue social and not-for-profit objectives to achieve sustainable development clearly focused on communities. Over the centuries, co-ops have levelled off many social inequalities thus proving the value of the mutuality system (Zangheri *et al.*, 1987. Zamagni *et al.*, 2004. Bagnoli, 2011).

Van Vugt *et al.* (2000) argue, in their social – psychological study on cooperation, that the reason why people collaborate is reciprocal interdependency defined as a mutual exchange that allows members to help each other. The co-op model equally works for the maximisation of each member’s effort and for common benefit made possible through collaboration, which in turn bases its strength on joint efforts for common results. Community co-ops are a key evolution in the co-op model, sharing mutual benefits with non-members based on a common feeling of belonging to a specific community. This innovation definitely proves how the re-modulation of the co-op model strengthens its social role in society and spreads a sense of solidarity among citizens.

This new structure could compromise a co-op’s operations because the traditional structure operates on the principle of internal mutuality, which fulfils the general scope; therefore, official members would not necessarily be predisposed to sharing organisational benefits with non-members. Community cooperatives totally reform this approach as they provide people with services and goods just because they are local citizens. This means that official members need to allow the sharing of benefits deriving from the organisation with others who are not directly involved in the co-op. Though this sense of solidarity can promote the enlargement of mutuality, this element alone cannot explain the entire renovation. Solidarity among co-op members and other citizens can be expressed in other ways such as support

to a specific local project, albeit not representing a common element in all community co-ops. There must be a stronger component that provides a clear affirmation of community mission as the primary objective. I maintain here the idea that asset transfer can be considered the main defining element in the re-formulation of mutuality in Community Co-ops.

The devolution reform is moving responsibilities, services and assets from public institutions to the private sector. The transfer of strategic assets represents the core of the agreement between public institutions and private community sector. The public sphere does not limit its action to the recognition of community co-ops as it goes further in supporting these initiatives by the provision of public assets. This transfer is able to guarantee strategic resources to co-ops and bind them to the renewal of these assets and the provision of common benefits for the community. The co-op model can pursue this mission because its economic nature is oriented toward members' wellness, solidarity and the community as opposed to profits; for these reasons, co-ops provide people with services even if these can be out of their market possibilities (Borzaga & Tortia, 2004). The social agreement that is taking place in the community project is first of all between public institutions and community co-ops. The public authorities devolve assets to the co-ops, but only if they are able to convert their mission into a real commitment toward the community and the main way to generate this impact is through the enlargement of mutuality benefits to non-members. Community co-ops accept this agreement because they can acquire strategic assets for their objectives. Mayors and local authorities involvement during the structuration processes of community co-operative demonstrate this agreement (Euricse, 2016; Irecoop, 2016). Moreover, the social mission indicated by the public sphere can be affordable because the definition of a specific geographical area of competence restricts the pool of beneficiaries.

In conclusion, the analysis presented here points out a relevant change in the traditional structure of the cooperative. The historical and economic examination of the Italian context provides a remarkable case study for the assessment of community co-ops. The re-definition of the mutuality system in these new co-operatives can have future implications in the planning of social and economic policies. This analysis can contribute in the wider debate on the contemporary nature of the co-operative.

An interesting line for future research can investigate the impact of this new formulation of mutuality into the community co-ops in Italy. Is this perceived or not? As explained above this radical change in the mutual benefit might not be welcomed by co-op members. If the community co-operative wants to prosper and have a great influence, it must be able to clarify from inception the new nature of mutuality. For official members it

means the acceptance of benefit sharing also with people who will probably never spend any effort on the co-op but may be entitled to benefit based on community belonging. If co-operators do not have this idea in mind, there could be the risk of future community co-ops that acquire public assets only to serve restricted groups linked with the co-op's founders. This can be a danger for the community sector and keeping in mind this idea from the outset of the Community Co-ops sector can be very useful.

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