

## Impact case study (REF3b)

<b>Institution:</b> University of Stirling
<b>Unit of Assessment:</b> C22 Social Work and Social Policy
<b>Title of case study:</b> The comparative advantages of co-operative businesses in poverty reduction and local economic development
<p><b>1. Summary of the impact</b></p> <p>The work of Birchall and Simmons on the potential of co-operatives, and their comparative advantage when compared to other organisational types, has had a strong impact on the attitudes and policies of all the major international agencies concerned with poverty reduction in low-income countries. It has helped shape new programmes of work in promoting and strengthening co-operative businesses worldwide. It led directly to the UN's declaration of 2012 as the International Year of Co-operatives. The Year was regarded as an outstanding success, with almost all the member countries contributing programmes of events and reviewing and developing policies towards co-operatives.</p>
<p><b>2. Underpinning research</b></p> <p>Co-operatives are member-owned businesses, run for the benefit not of investors but of the 'users' of the business, either end-consumers or producers such as farmers and small businesses. When we started our research in 2000, the dominant assumption among economists was that they were flawed because their members were 'rational actors' who had no incentive to participate in governance. Through four research projects (three of which were ESRC-funded with Johnston Birchall as principal and Richard Simmons as co-investigator), we developed a theoretical model that, when tested on members of co-operatives in the UK, showed that they <i>would</i> participate, from collectivistic as well as from individualistic motives (Birchall, and Simmons, 2004a). The research provided a detailed understanding of the circumstances in which the internal governance of co-operatives is successful. With the UK Co-operative College, we published a 'toolkit' and two reports (2003a, 2003b, 2004b), and in partnership with a training company (Rod Laird Associates) devised a set of training courses that communicated the findings to practitioners and helped them to devise realistic participation strategies. In parallel with this, the International Labour Organisation (ILO) commissioned further reports using a combination of desk research and case studies. The first showed that co-operatives could meet the needs of entrepreneurs in the informal economy, and led directly to a \$1m development project in which the ILO set up shared service cooperatives in three African cities (Birchall, 2001); this led to the method being adopted by development agencies more generally. The second report showed how co-operatives could meet the stated goals of the World Bank and UN agencies (2003), while the third applied these insights to the Millennium Development Goals (2004). Dissemination of the research was enabled by invitations to give keynotes to co-operative business federations and development agencies in Japan (2000, 2012), Sweden (2003), Colombia (2005) Italy (2004, 2008, 2012), Washington (2006) Vietnam (2006), New York (UN, 2008, 2009), Korea (twice in 2011).</p> <p>By 2006 the World Bank, FAO, ILO, and other agencies had all begun promoting and working with co-operatives; Birchall's work was generally recognised as having contributed directly to this change of attitude and policy. We had to cancel a proposed project asking why there was resistance to the idea, as several experts recruited to our advisory group agreed that, due to these two reports it was no longer an issue (see 'sources to corroborate the impact' below). However, it was recognised that the empirical evidence for effectiveness was mainly based on case studies, and DfID asked us to provide more robust survey-based evidence. To do this, we carried out a 2.5 year study (in the ESRC's Non-governmental Action Programme), with a large-scale survey of co-operatives in Sri Lanka and Tanzania (Birchall and Simmons, 2009). Simmons then replicated this</p>

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in Serbia (Simmons, 2011). This research provided empirical evidence for the effectiveness of co-operative businesses, specifying more exactly their comparative advantages and disadvantages (Birchall, 2010, 2011). It also led to our providing a theoretical framework for a 'co-operative reform process' that development agencies could adapt to circumstances in each country (Birchall and Simmons, 2010). This research and dissemination has resulted in substantial impact in the period since 2008, as set out in section 4 below.

### 3. References to the research

Birchall, J (2001) *Organising Workers in the Informal Sector: a Strategy for Joint Co-operative-Trade Union Action*, Geneva: International Labour Organisation

(2003) *Rediscovering the Cooperative Advantage: Poverty Reduction Through Self-help*, Geneva: International Labour Organisation

(2004) *Co-operatives and the Millennium Development Goals*, Geneva: International Labour Organisation (also in Spanish, Indonesian)

(2010) *People-centred Businesses: Co-operatives, Mutuals and the Idea of Membership*, London: Palgrave Macmillan (also in Korean, Japanese)

(2011) 'The comparative advantages of member-owned businesses', *Review of Social Economy* 50.3, 263-294

Birchall and Simmons, R (2003a) *Motivating members: member participation on governance: a study of the Co-operative Group*, Manchester: Co-operative College Paper 3

(2003b) *Getting involved: studies of member participation in co-operatives across the West Midlands* Manchester: Co-operative College Paper 2

(2004a) 'What motivates members to participate in co-operative and mutual businesses: a theoretical model and some findings', *Annals of Public and Co-operative Economics*, 75.3, 465-497

(2004b) *Participation overview and Participatory stocktaking in Governance and Participation Project Development Toolkit*, Manchester, Co-operatives UK

Birchall, J and Simmons, R (2009) *Co-operatives and Poverty Reduction: evidence from Sri Lanka and Tanzania*, Manchester: UK Co-operative College

(2010) 'The co-operative reform process in Tanzania and Sri Lanka', *Annals of Public and Co-operative Economics*, 81.3, 467-500

Simmons, R. (2011) *Economic and Social Development in Rural Serbia: The Role of Agricultural Co-operatives*, Background Report for Serbian Ministry of Agriculture National Strategy for Agricultural Co-operatives

#### Details of research projects

2000 Birchall and Simmons, ESRC funded project 'A theoretical model of what motivates public service users to participate', in the *Democracy and Participation Programme*, two years (£126,000).

2002 Birchall and Simmons, ESRC funded project 'The participation of members in the governance of mutual businesses' (£33,500).

2002 Simmons and Birchall, West Midlands Social Enterprise funded project 'Creating and supporting stakeholder members in social enterprises' (£37,849).

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2006-8 Birchall and Simmons, ESRC funded project 'The role and potential of co-operatives in the poverty reduction process' in the ESRC's *Non-Governmental Public Action Programme*, (£170,000).

2008 Simmons, ESRC extension to the above project to take in a case study of Serbia (£9700)

2011 Birchall, Leverhulme Fellowship to study 'Risk, regulation and the banking crisis: the potential of customer-owned banks' (£42,000)

**4. Details of the impact**

This research has achieved global reach and significance. The results of Birchall and Simmons' third ESRC-funded project began to be disseminated in 2008, and these confirmed their earlier work that had argued that the co-operative form of business should be taken seriously as a vehicle for poverty reduction in low-income countries. Through a report for the UK Co-operative College, the evidence presented helped promote a change of policy in DfID towards working with co-operatives; support for the College's work in Africa followed through a rolling programme of financial support (evaluated by Simmons). Our framework for understanding the 'co-operative reform process' informed the work of the International Co-operative Alliance and Co-operatives UK in developing a kite marque for co-operatives, promoting the updating of co-operative laws, and providing advice to governments on appropriate forms of regulation. In Serbia, Simmons helped develop a national strategy for agricultural co-operatives and gave evidence to government ministries (Office of the Deputy Prime Minister, Ministry of Finance, Ministry of Agriculture), a formal working group on the new draft co-operative law, aid agencies (such as USAID and UNDP) and local NGOs.

In 2008, Birchall was invited to speak to the UN Commission for Social Development annual conference on 'Reducing poverty through employment generation: the role of co-operatives' in New York. He was invited to give a keynote speech at the award of the Sigillum Magnum (great seal) of Bologna University to Ivano Barberini, President of the International Co-operative Alliance. This honour is usually reserved for popes and prime ministers, and the award to the leader of the co-operative movement was a further sign of the growing appreciation of the significance of cooperatives. Barberini asked Birchall to give the speech in recognition that his research was having a direct and continuing impact on the policies and practices of the International Co-operative Alliance. In 2009, Birchall was invited by the ILO to write a report on the resilience of co-operatives in the aftermath of the 2008 financial crisis. The *Resilience of the Co-operative Business Model in times of crisis* (2009, with Lou Hammond Ketilson) was also published in Italian, Mizo and Greek.

Such was the impact of this report worldwide that the ILO commissioned a follow-up report on financial co-operatives entitled *Resilience in a Downturn: the power of financial co-operatives*. Since launch in April 2013, such is the demand for access to its analysis of the financial crisis and its aftermath that it has already been translated into Spanish, Korean, French and Greek.

In 2009, Birchall was invited to be a member of an expert group that met at the UN in New York to discuss the idea of an International Year of Co-operatives. The experts agreed that it was Birchall and Simmons' work that had made the proposal possible by raising the profile of co-operatives and showing their potential. Birchall wrote the Group's report that became part of the Director-General's annual report to the UN, and led directly to the decision to declare 2012 the International Year of Co-operatives. The year was an outstanding success. It included international conferences in Manchester and Quebec, each attended by around 10,000 co-operative members and supporters. 90 member governments prepared a plan for the Year, including events, conferences, and the

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development of new policies and national legislation to support co-operatives. The Year has, in turn, led to a 10-year 'Co-operative Blueprint' for further work by the International Co-operative Alliance (which cites Birchall and Simmons).

**5. Sources to corroborate the impact**

Some of the **reports** that have referred to our work:

1. International Co-operative Alliance (2013) *Blueprint for a Co-operative Decade*, Brussels 'Consumer and credit co-operatives reduce poverty and make a positive contribution in skill development, education and gender equality' (citing Birchall and Simmons, 2009).
2. International Year of Co-operatives website (<http://social.un.org/coopsyear/resources.html>) cites the report 'Resilience of the Co-operative Business Model' as a key resource for the Year.
3. The International Labour Organisation's *Guidelines for Co-operative Legislation* (2013) cites Birchall's taxonomy of co-operatives from his 2010 book.
4. Dept for International Development (2010) *Working with Co-operatives for Poverty Reduction* Briefing Note draws on the findings from our project on 'Co-operatives and Poverty Reduction' and cites Birchall and Hammond Ketilson (2009).