



*Society for Co-operative
Studies in Ireland*

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SUBMISSION TO THE DEPARTMENT OF JOBS, ENTERPRISE AND
INNOVATION ON THE REVIEW OF THE INDUSTRIAL AND
PROVIDENT SOCIETIES ACTS 1893 – 2014

Society of Co-operative Studies in Ireland
SCSI | THE PLUNKETT HOUSE. 84 MERRION SQUARE. DUBLIN 2



Introduction:

The Society for Co-operative Studies in Ireland (SCSI) welcomes the opportunity to make a submission to the Department of Jobs, Enterprise and Innovation on the review of the Industrial and Provident Societies Acts 1893 – 2014.

Formed in 1981, the SCSI is a voluntary member-based organisation which aims to promote education and research about co-operatives and co-operative principles. Its membership includes practitioners and academics.

The SCSI is governed by a committee which includes the following members.

Name	Organisation
Tom Daly (Chairperson)	TSA Consultancy
Gerard Doyle (Secretary)	TSA Consultancy
Michael Ward	Centre of Co-operative Studies, UCC
Bridget Carroll (Treasurer)	Centre of Co-operative Studies, UCC
Norman Rides	Co-operator
Ray Gallagher	Co-operator
Tiziana O'Hara	Co-operative Alternatives
Siobhán Mehigan	County Wicklow Partnership
Erskine Holmes	Co-operative Forum of Northern Ireland; Northern Ireland Assembly All Party Co-operative Group

Rationale behind need for a review:

Ireland has a long and proud co-operative history with great evidence of this co-operative tradition still in existence today. The founder of the co-operative movement Sir Horace Plunkett, and his colleagues worked tirelessly to establish agricultural and credit co-operatives in Ireland and the evidence of this work is still bearing fruit in the agricultural and credit sectors.

However, the legislation dating back to 1893 does not fit growing interest in the co-operative model for a variety of reasons. It is an out of date act with many of the provisions within the legislation pre-dating the creation of the Irish state and thus no longer relevant. The 1893 Act refers to for example how to apply this law in Scotland and the Channel Islands.

There have been many amendments made to the legislation including the 2014 Act most recently and the creation of distinct legislation for the credit union movement which was signed into law in 1966.

The requirement for the act to be modernised become even more stark when we compare how a co-operative is treated vis-à-vis a company.



Co-operative societies have no facility currently to file returns or register a new co-operative electronically. The Registry of Friendly Societies carry out excellent work within their resources but the process and time required to register a new society compares unfavourably with that of the Companies Registration Office. The costs are also different with a new registering company able to pay as little as €50 to register yet a co-operative is charged €100 to register and that is only if the co-operative is using a set of pre-approved model rules.

SCSI Recommendation 1	The SCSI recommends that Industrial and Provident Societies Acts should be modernised to fit the current and future co-operative needs.
SCSI Recommendation 2	The SCSI recommends that the Registry of Friendly Societies be better resourced to give a full online service to Industrial and Provident Societies similar to the service companies are given by the CRO.

The co-operative model has been widely recognised as being a suitable model for a wide variety of enterprises in government policy. The Forfas report ‘Social Enterprise in Ireland’ published in 2013 and the Government’s White Paper on ‘Ireland’s Transition to a Low Carbon Future’ in 2015 both identified the co-operative model as being core to developing community based enterprises in each sector.

However, the take up of the co-operative model has been slow for a variety of reasons. There are limited supports to animate activity in the social enterprise and community renewable energy sectors. There is also a lack of understanding of the model by many professionals dealing with incorporating legal structures but we also believe the barriers to greater take up of the co-operative model are a result of the outdated legislation which in turn has led to Industrial and Provident Societies to be less attractive an option than the legal forms under the Companies Acts.

For example, a co-operative, which meets the same conditions as a company, is not eligible to apply for an audit exemption from the Revenue Commissioners. The cost of an audit for many small co-operatives, which are not focused on profit making but on service delivery, is a cost that makes the model very unattractive. For example, Group Water Schemes or Community Development Co-operatives understandably want to put as much of their turnover as possible into achieving the social and environmental objectives of their co-operatives but are limited in this due to the cost of carrying out an audit – a cost which we understand is only going to increase further. The audit is a necessary check and balance of power in larger, higher-earning co-operatives and should be maintained for those, as it is for larger companies, but an exemption should be allowed for smaller co-operatives provided they meet the criteria set down by the Registry of Friendly Societies.

SCSI Recommendation 3	An Audit Exemption should be allowable for co-operatives in the same way it is applied to companies.
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A distinction is also required within the legislation between different types of co-operatives that is between larger, more business –oriented co-operatives and those co-operatives who are owned and run by a group of people wishing to serve a social or environmental need.

In 2014, the United Kingdom created a ‘Community Benefit Society’ under their Industrial and Provident Societies legislation to offer a distinct set of legal provisions for those co-operatives that are serving their communities. Similarly, in the United States, the ‘B Corp’ entity, while not within the co-operative legislation framework, serves the needs of the social enterprise and other community sectors.

The current legislative system is in limbo not allowing either profit driven co-operatives or social enterprise co-operatives to thrive so the SCSi recommends the creation of a distinct entity under the Industrial and Provident Societies Act which would allow both types of co-operatives grow, flourish and maintain the co-operative principles but by developing their distinct identities and receiving equitable taxation and regulatory treatment.

SCSI Recommendation 4	The SCSi recommends the splitting of the entities allowed under the IPS Acts to distinguish between those entities where surplus is distributed among their owner-members and those where surplus is invested in meeting a social need.
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The continued success of the co-operative model in Ireland may require more explicit recognition of co-operatives in legislation. This may be achieved by defining co-operatives within the existing or new acts and/or by giving recognition to the distinct characteristics of co-operatives in Irish law. At the very least, making use of terminology that is relevant, clear and recognisable to the public, namely use of the term *co-operative*, would be a positive step.

The Co-operative principles as enshrined by the International Co-operative Alliance articulate the distinct nature of co-operatives and are as follows:

1. Voluntary and Open Membership

Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

2. Democratic Member Control

Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organised in a democratic manner.

3. Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of



membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

4. Autonomy and Independence

Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

5. Education, Training and Information

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.

6. Co-operation among Co-operatives

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

7. Concern for Community

Co-operatives work for the sustainable development of their communities through policies approved by their members.

While these principles are evident in the work being undertaken across the whole co-operative sector, societies are not compelled to implement these principles that connect the co-operative movement and ethos globally.

These principles should be included in any update in the IPS Acts undertaken by the Department of Jobs, Enterprise and Innovation.

SCSI recommendation 5	Inclusion of the Co-operative principles within the IPS legislation
SCSI recommendation 6	Adoption of the word 'Co-operative' within the legislation

It is in the interests of the government, its departments and wider society that the establishment of co-operatives is encouraged and supported. Co-operatives by virtue of their democratic and transparent decision-making systems enshrined within their legal rule book have better governance systems which have to be adhered to due to their legal nature. This open, clear and accountable system of enterprise should be encouraged and promoted rather than looser organisations which can change rules on a whim or without consulting with wider membership.

We hope the department considers the recommendations of the SCSi and our members.



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