The Industrial and Provident Societies Act 1893 requires that a new industrial provident society (Co-operative) cannot be registered unless it has at least seven members. Furthermore the Industrial and Provident Societies regulations of 1986 does not provide for the electronic or on-line submission of registration of a new society. Unlike other companies co-operative enterprises do not have a facility to file annual returns electronically. Under the Companies Act 2014 an audit exemption exists for small companies but does not include small co-operatives.

The purpose of this bill is modernise the process of registering and managing co-operative enterprises in line with provisions that exist in other jurisdictions. This requires amendments to the current legislative framework relating to industrial and provident societies and for that purpose to amend the Industrial and Provident Societies Act 1893.

The bill proposes amendments to section 5, section 9 and section 14 of the Principal Act which deals with conditions of registration, cancelling suspension of registry and annual returns. It also provides for the introduction of an exemption to the audit requirement for certain categories of cooperative societies and provides new provisions to cater for electronic registration and communication.

The main provisions of the bill are:

- To reduce membership criteria from seven members to three members
- To allow for electronic filing and registration
- To allow for audit exemptions

These changes are recommended by the Society for co-operative Studies and the Centre for Co-operative Studies at UCC. Both groups provided submissions to the department’s review in 2017 and point out that the current legislation dates to 1893 and does not fit growing interest in the co-
operative model; the Act is out of date with many of its provisions pre-dating the establishment of the Irish state.

The Co-operative model is resilient, democratic and generally based on values to provide good jobs and services that are beneficial to communities. They can range in size from small food companies or a crèches to larger concerns such as housing, waste, energy supply and sports clubs. As a model they are much more likely to re-invest profit into resources, training and education rather than bending to shareholder demands and are far less likely to contribute to environmental damage in their locality. They are a sustainable business model that currently provides over 100 million jobs around the world.

Cooperative businesses have lower failure rates than traditional SME’s. About 10% of cooperatives fail after the first year while 60-80% of traditional businesses are out of business within the first 12 months. After five years the picture is even starker with 90% of cooperatives still in business, compared to only 3-5% of traditional SME’s.

Europe, including the UK, witnessed significant growth in co-operative business during the last economic down turn as people pulled together to salvage jobs and local services through a co-operative model.

Between 2009 and 2016 the UK saw a growth in this sector with over €100,000 million in investment and the establishment of 350 consumer co-ops alone. The UK as a whole has 7,226 independent cooperative businesses covering a wide range of business types from the well-known John Lewis chain with a €10 billion turn over right down to local crèche providers.

An examination of the legislative structure in other states where cooperative enterprise has seen significant growth reveals supportive public policies which enable this model to grow.

For example:

In 2005, the Scottish government established the state agency ‘Co-operative Development Scotland’ tasked with the responsibility of developing Scotland’s co-operative sector.
It was created as a subsidiary of Scottish Enterprise, with an annual fund of £1m. Scotland has now emerged as a prominent leader in co-operative development alongside France, Italy and the Basque Region.

Between 2005 and 2012, there was modest growth in the sector which was followed by a substantial increase in the period 2014 - 2017 when the number of cooperatives increased by 300%; from 30 businesses to 100.

In 2012, the Nuttall Review of Employee Ownership, commissioned by the British Government, was published. This report provided a substantial body of evidence that demonstrated how the cooperative model drives economic benefits for society. It strongly advocated for the development of this sector and recommended that in order to achieve this greater public policy support and legislative changes are required.

The resilience of the co-operative model is exemplified in countries like Spain where 275,000 people are members of cooperatives. During the last economic crisis 24% of Spanish companies were forced into closure but only 6% of cooperatives met the same fate.

The growth of Spain’s worker co-operative sector has been aided by strong supportive legislation and public policies; The Spanish state has a policy entitled the ‘Pago Unico’ which allows for lump sum distributions of unemployment compensation and severance pay to be used to finance a worker buyouts. Supportive legislation and public policy which creates an environment conducive to the development of cooperative business has also been a major factor in the success of the cooperative sector in Italy where the Basevi and Marcora Laws, have been effective in supporting local economies, in combatting business closures and reducing unemployment.

In contrast to the European trend, the Co-operative sector in Ireland has not experienced similar growth in the recent period. Between 2008 and 2015 the cooperative model in Europe experienced an overall increase of approximately 12% compared with an actual decline in Ireland. The introduction of supportive policies and legislative structures in other European countries has played a positive role to encourage successful growth in the cooperative sector.
This bill addresses small and immediate changes that will lift some of the barriers for smaller cooperative enterprises and create a level playing field with other small business models. The incorporation of these changes will not hamper further more comprehensive changes that may be recommended by the government’s proposed review.

The changes proposed to the legislative framework included in this bill intend to facilitate more people with an opportunity to establish and invest in the cooperative business model.

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