

Introducing Co-operatives in Belgian Social Care

Safeguards and Comparative Advantages

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Menu

- Challenges
- Key Issues when introducing co-ops
- Safeguards
- Example
- Comparative Advantages

Challenges...

... for elderly care, care for people with disabilities, child care, social housing, ...

- Increasing needs
 - Ageing population
 - Increasing (female) labor market participation
 - Increasing fertility
 - Migration
- The trend to reorganize social care on a free-market basis
- Restrictive budgetary policy
 - Decrease of subsidies (public funding)

Challenges

- Limitations of the non-profit association...
 - ... to attract equity capital and debt capital
 - ... to perform trade activities
 - ... with regard to corporate governance
 - ... with regard to direct/indirect benefits for its members

	Classical companies	Non-profit association
Aim = profit making	YES	NO (absence of a profit making aim)
Commercial activities	YES	not designed for commercial activities, but legal doctrine and jurisprudence modified legal interpretation → is causing confusion and has proven to be inadequate

Key Issues when Introducing Co-operatives in Belgian Social Care

- How to ensure user involvement?
- How to prevent speculative investments?
- How to ensure the achievement of genuine social objectives?
- How to prevent mission drift?

Safeguards

1. Local anchoring of ownership

- Ownership and control can not be sold at a stock market
- Open and voluntary membership enables the broad public to become member (variable capital)
- Entry and exit restrictions are possible to ensure sustainable membership

Safeguard provided by the law,
to be enabled in the articles of association

Safeguards

2. Strong personal involvement of owners

- Double identity of ownership (users, beneficiaries, workers, etc.)
- Especially relevant for social care
 - Asymmetric information between provider and client
 - Inelastic demand (path dependency)

Safeguard provided by the law,
to be enabled in the articles of association

Safeguards

3. Uncoupling ownership & control

- 1 share 1 vote is default by the law
- 1 member 1 vote is made possible by the law



- Credible device: recognition by the National Council of Co-operatives: control limited to 10% of the votes

Safeguard provided by the law,
to be enabled in the articles of association

Safeguards

4. Ensuring genuine social goals

- Credible device: adapt the ‘Social Purpose Company’ label
- Some of the obligatory statements to be included in the articles of association:
 - Description of the social purpose
 - Limitation of dividend payments (up to 6%)
 - Asset lock
 - Limitation of voting rights (up to 10% or 5% in case 1 share 1 vote)

Safeguard provided by the law,
to be enabled in the articles of association

Safeguards

5. Preventing mission drift

- Credible device: possibility to create different kinds of shares, each with different rights

The broad public C-shares
Users B-shares
Founders A-shares

Safeguard provided by the law,
to be enabled in the articles of association

REASONS TO STOP TESTING

THERE ARE LOTS OF REASONS WHY
YOU MAY WANT TO STOP TESTING.
HERE ARE A FEW...



THERE ARE BUGS
EVERYWHERE



YOU NEED A BREATHER.
TAKE A COFFEE BREAK



TIMES UP!
RELEASE IT!



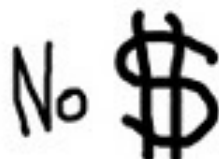
ONE BIG MAMA
OF A BUG



IT'S HOME TIME



IT'S MILLER TIME.
TIME TO PARTY!



NO ONE IS PAYING
YOU TO TEST



EVERYTHING YOU
PLANNED IS COMPLETE



YOU CAN'T FIND
ANY MORE BUGS

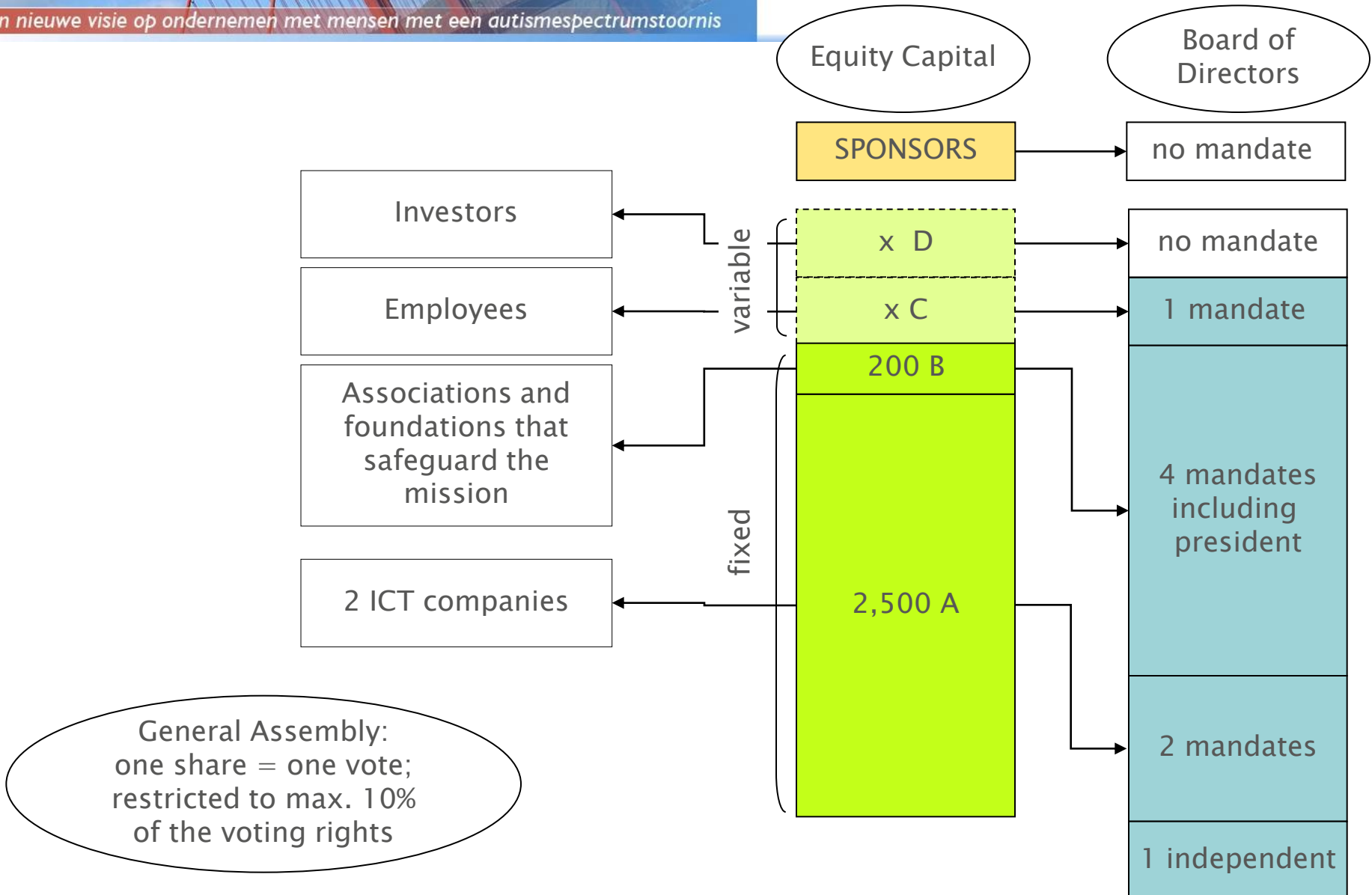


THERE'S A NEW
FAMILY MEMBER



Of course, your plan might be
rubbish, but that's not my problem.

Example



Comparative Advantages

- Compared to traditional companies
 - More possibilities to safeguard genuine social objectives by the law
 - Credible commitment devices provided by
 - Recognition by the National Council of Co-operatives
 - Adaptation of the Social Purpose Company label
 - Compared to non-profit associations
 - Expanded possibilities to attract equity capital
 - Stronger incentive for democratic participation
- ⇒ The Belgian co-operative law inhibits strong and credible devices that allow for a tailor-made organizational design in social care

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