



Economic Effects of the Cooperatives Development

Florina Oana VIRLANUTA*, Deniz ZUNGUN**

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ABSTRACT

Over the last years, we can observe a growing interest in co-operatives and the real economic dimensions of co-operatives worldwide are increasing. International cooperative movement represents today an incontestable force. We can see that co-operatives contribute to the economic and social dynamism, also they are key competitive players in a wide range of economic areas. Co-operatives proved their efficiency in times of economic crisis, especially by their contribution to economic and financial stability and the maintenance of employment and job creation. For this reason, the aim of this article is to present the evolution, economic dimension and economic effects for cooperatives development.

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1. Introduction

According to British teacher Fred Hall and Will Watkins, there is one principle for cooperatives that is itself cooperation. (Cooperatives, 1934). The concept of cooperation is fundamental in defining cooperative movement, which involve significant human, material and financial resources. The defining character of cooperatives stems from the collaboration between individuals, since, for them, it is advantageous to work jointly using their own means to obtain material and social benefits.

Cooperatives are about two hundred years. Although operating in all sectors of economic activity, cooperatives have greater longevity than for-profit companies. The cooperative has adapted to changing conditions and innovative forms of cooperation have emerged to respond to the new economic and social needs. Cooperatives have developed in countries characterized by political conditions, levels of economic development, cultural characteristics and historical contexts, very different. Consumer cooperatives, agricultural cooperatives, mutual societies, cooperatives and credit unions and worker cooperatives were established almost everywhere. (CIRIEC, 2009)

EU Interest cooperatives followed a slow progress, but evolutionary. Treaty of Rome (1957) refers to cooperatives in Article 58. A specific distinction is encountered first cooperatives in Regulation no. 26/1962. Once the proof offered by Mansholt project in 1968 for the need of collective action of farmers to increase their bargaining power, the European Community recognized the importance and promoted the collective activities of each legal forms, not only those of the cooperative, since 1971. Groups who were encouraged productive, starting this year, they were given the same opportunities to recognize different forms of collective action that existed in different countries, not only for cooperatives. Parliament, by decision of 13 April 1983 stressed the importance of cooperatives for Europe and invited the Commission to examine measures for development of cooperatives. By decision from 05/16/1983, the European Cooperative Unions are recognized as equal partners in community institutions.

In the UN General Assembly and in the international conferences, governments have recognized that through cooperatives, citizens exceed their economic and social problems. This is due to autonomous and democratic character of the cooperative movement, in which citizens are based on taking their responsibilities in order to eradicate poverty, ensure jobs and encouraging social integration. International Labour Conference (Geneva, June 3, 2002) established criteria for the definition and development of cooperatives, while recognizing the importance of cooperatives. According to the statement adopted by Congress in Manchester since 1995, a cooperative is an autonomous association of persons united voluntarily for common needs and aspirations, in the economic and social fields.

Cooperatives are associations of people who pursue common goals of members, especially in the economic area, but also in social and cultural field. They are jointly owned and democratically controlled by the members in accordance with cooperative principles. Today, cooperatives take various forms and operates in all sectors of the economy, but in general, a cooperative is established by a group of people who share a common need, whether consumers, producers or workers. Starting from the importance of the cooperative

* Dunarea de Jos University of Galati, Romania, ** Celal Bayar University, Manisa, Turkey, E-mail addresses: florina.virlanuta@ugal.ro (S. Stanciu), zungund@hotmail.com (D. Zungun)

movement, in what follows, we intend to realize an analysis of the cooperative movement at global, European and national level.

The analysis assumes the interpretation of data on the evolution of revenues, number of employees and the expansion areas of cooperatives activity. We will also underline the connection between cooperatives and social economy. This article will present a blueprint for cooperative development and stage of their economic performance. Analysis provided supports the idea that development of cooperatives economic effects are visible (large number of employees and the turnover achieved).

2. Cooperatives worldwide

Cooperatives is an important component of the modern market economy. Currently, based on the total active population of the world, the number of cooperative members is 28%, and taking into account the number of family members obtain a rate of over 45% (CICOPA, 2014). In many countries the number of cooperative members represent a high percentage of the total active population.

Although cooperatives focus to respond to local needs, they are related and cooperate on a global scale. They share a set of internationally agreed principles and values. Due to democratic principles and the unique way that combines social and economic objectives, have a unique position for playing an important role in making globalization more equitable, and the role that it takes generations. In many ways, cooperatives presents a more human face and fairer globalization.

Cooperatives are increasingly themselves by complying with local communities and are, economically speaking, competitive with multinationals. Fair Trade initiatives encompasses the vast majority of co-operative component either at the producers or retailers at enabling small producer's access to the global market. Globalization is not bad in itself. The challenge is to make it fairer and to distribute benefits widely as possible. For this, the cooperative movement is ready to assume the role that lies.

The role of cooperatives for economic development:

- Increasing the economic capacity - cooperatives are market leaders in many industries in the world, providing viable solutions in the event of market crises, thus ensuring a better functioning of the economy
- building a local economic environment - cooperatives appear to meet to local needs and continues to meet the community needs
- Increasing the corporate social responsibility - cooperatives are much pioneers of joint economic values and social practices. Cooperatives means, in fact, business oriented to people. Co-operatives create opportunities for people to help themselves.

More than 800 million people worldwide are already members of cooperatives. In cooperative working more men and women than in many multinational corporations as the very symbol of globalization and its benefits. In developed economies, cooperative societies runs extensive activities contributing to the development and support of modern economies. In the following we present the typology of cooperative members, emphasizing the particularities of their activity. Thus, we have worker cooperatives and social cooperatives who are both owners and staff members, user's cooperatives, producers' cooperatives and multi-stakeholder cooperatives.

Table no 1 Types members of cooperatives

| | |
|---|---|
| Worker cooperatives and social cooperatives | -worker- members, who are both owners and staff members, except for multi-stakeholders' social cooperatives -where the worker-member can be a minority; Worker cooperatives have the main mission to create and maintain sustainable jobs; |
| Users' cooperatives | - users, such as consumers , - account holders (cooperative banks and credit unions), - users of electricity or water distribution services (utility cooperatives) |
| Producers' cooperatives | -individual producers of goods or services (such as farmers, fishermen, taxi drivers, artisans etc.) organize themselves entrepreneurially |
| Multi-stakeholder cooperatives | -various types of members who take part in the governance of the cooperative |

Source: Performed by the author

Worldwide, cooperatives are proving to be important actors on the labor market, absorbing a large part of the available workforce. In the table below, we see the magnitude of cooperatives in terms of number of people involved in cooperative activities, from employees to producer-members. Asia holds first place in the rankings regarding all categories – employees, worker-members, producer-members, followed by Europe.

Table no 2 Cooperative employment numbers worldwide by continent and category

| CONTINENT | EMPLOYEES | WORKER-MEMBERS | PRODUCER-MEMBERS | TOTAL |
|-----------|------------|----------------|------------------|-------------|
| EUROPE | 4,627,853 | 1,231,102 | 10,132,252 | 15,991,207 |
| AFRICA | 1,467,914 | 237 | 5,715,212 | 7,183,363 |
| ASIA | 7,734,113 | 8,200,505 | 204,749,940 | 220,684,558 |
| AMERICA | 1,762,797 | 1,409,608 | 3,048,249 | 6,220,654 |
| TOTAL | 15,618,715 | 10,841,452 | 223,680,245 | 250,140,412 |

Source: *Cooperatives and Employment: a Global Report*, Bruno Roelants, Eum Hyungsik, Elisa Terrasi, CICOPA, 2014

The total estimate for cooperative employment in the G20 is almost 234 million, or in other words the vast majority of the above estimate for the whole world. Employment in cooperatives is almost 20 million, including 10.7 million employees and 9.2 million worker-members. Employment within the scope of cooperatives involves close to 214 million persons.

Along with the the magnitude of cooperative movement in needles of the number of people involved, it must be analyzed and turnover of these entities. In what follows, we present a ranking of countries where cooperatives obtained a turnover exceeding 100 million dollars.

Table no 3 Countries by total turnover of co-operatives over 100 million USD

| COUNTRIES | TURNOVER (billion USD) |
|-------------|------------------------|
| USA | 662.23 |
| FRANCE | 363.63 |
| JAPAN | 358.81 |
| GERMANY | 284.08 |
| NETHERLANDS | 116.23 |
| ITALY | 95.06 |
| SPAIN | 85.61 |
| SWITZERLAND | 85.51 |
| UK | 84.15 |
| FINLAND | 64.11 |
| CANADA | 52.33 |
| DENMARK | 51.64 |
| SOUTH KOREA | 39.35 |
| AUSTRIA | 31.39 |
| BRAZIL | 30.30 |

Source: *Exploring the cooperative economy, Report 2013*, EURICSE

From the presented data, we see the scale of the phenomenon cooperative in the countries mentioned. US holds first place in the ranking with a cooperatives turnover of 662.23 billion USD, followed by France with US \$ 363.63 billion and 358.81 billion USD Japan. The potential of cooperatives to create stable jobs is recognized. Besides creating jobs, these entities creates a considerable added value. The success of cooperatives can be evaluated in terms of profits and market share.

3. Cooperatives in Europe

In almost all European countries exist a cooperative law. In some countries there is a general cooperative law that is applied to all business sectors, in others each economic sector can rely on a dedicated cooperative legislation. National cooperative laws share the principles and value of cooperatives, which is what makes cooperative enterprises different.

With the creation of the European Union, the cooperative movement was forced to adapt to the economic environment changing and the evolution of national and European regulations in the context of trade liberalization, free movement of goods and people.

Given the range and complexity of the challenges facing European society and the business environment, co-operatives are uniquely placed to provide a counter-balance to shareholder-driven business activity. Co-operatives proved their efficiency in times of crisis, especially given their contribution to economic and financial stability and the maintenance of employment and job creation. Many co-operatives have provided women with opportunities to become entrepreneurs and access to decent work: they have improved access to credit, product and market information, technology and training in management skills and enterprise development.

Figure no 1 Cooperatives in Europe

| | |
|---------|--|
| Finland | <ul style="list-style-type: none"> • 75% of the population are members of a co-operative enterprise |
| Poland | <ul style="list-style-type: none"> • 1 out of 3 people live in houses owned by co-operatives |
| France | <ul style="list-style-type: none"> • co-operative enterprises provide nearly 1 million jobs, representing 3.5% of total employment in the country |
| Germany | <ul style="list-style-type: none"> • co-operative banks have more than 16 million members |
| Italy | <ul style="list-style-type: none"> • 50% of the agro-food sector is managed by co-operatives and there are almost 34.000 service co-operatives |
| UK | <ul style="list-style-type: none"> • co-operatives have the largest assortment of Fair Trade products compared to any other retailer |

Source: Performed by the author

In Europe, co-operatives provide local alternatives for global businesses. Co-operatives support and develop sustainable employment. In Europe, they provide 5.4 million jobs and over 100 million jobs around the world - 20% more than multinational enterprises. (EURICSE, 2013)

Working principle is equal pay for equal work, fair balance of genders in managerial positions, promotion of diversity, inclusion programs for disabled employees, as well as for the youngest and seniors. In Europe 160.000 businesses are cooperatives. They work in all economic sectors and range in size from micro enterprises to large companies working at the international level. Together with mutual, associations and foundations, cooperative enterprises are part of the social economy.

The EU2020 strategy promotes “a sustainable economy, putting people and responsibility first with a sustained fight against exclusion and a transition to a green economy”. Regarding this, cooperatives prove their importance in times of crisis, especially given their contribution to economic and financial stability and the maintenance of employment and job creation. Also, many co-operatives support women to become entrepreneurs and access decent work; they have improved access to credit, product and market information, technology and training in management skills and enterprise development.

At European level, cooperatives are proving to be a balancing factor of development, they avoid the appearance of large discrepancies in local and regional development. As support for the social economy, cooperatives plays a crucial role in building and improving human capital in society. In the European space, cooperatives sector represent an important economic potential. In many EU Member States co-operatives hold an important market share in economic sectors, especially in primary and tertiary sectors. As a whole, agriculture is one of the most important cooperative societies representing 42% of existing businesses in this field.

4. Cooperatives in Romania

In Romania, we can now speak by a rediscovery of the cooperative sector, still under the impact of psychological barriers due to the communist era. Cooperative history in Romania dates back to 1800. Currently, the most popular forms of cooperatives are cooperatives handicraft, consumer credit, agricultural. Cooperatives housing, utilities, social services, expanding on European models, are less present or nonexistent in Romania.

The principles underlying the organization and activities of cooperatives are voluntary participation and free democratic government members, the financial participation of members, autonomy and independence, education, training and practice information, cooperation between cooperatives and community interest.

In Romania, the most common forms of cooperatives are handicraft cooperatives, consumer, agricultural and credit. Cooperatives income from product sales and marketing services, therefore falls within the market sub-sector of social economy. Unlike associations, cooperatives may distribute part of the profit in proportion to the capital contribution of cooperative members. The principle of economic participation of cooperative members, members contribute fairly to the establishment of cooperative ownership of the company.

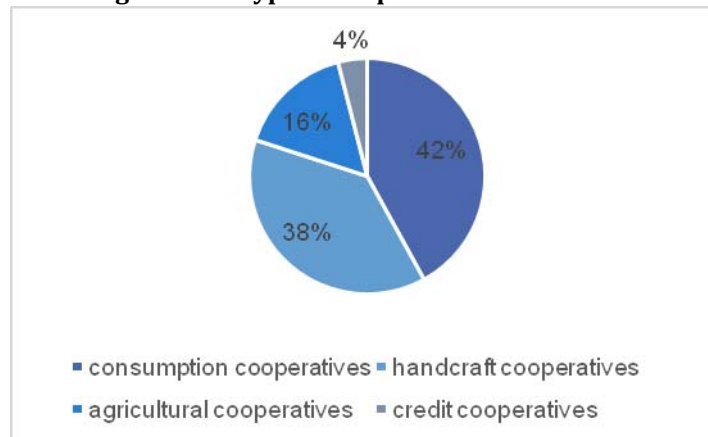
A cooperative member may own shares within the limits and under the terms of the agreement, but may not exceed 20% of the share capital. Co-operative members normally receive a limited compensation in cash or in kind, from the profit based on the annual financial statement and profit and loss account in proportion to the share capital participation.

Members of the cooperative allocates the net profit of the cooperative amounts needed for the following purposes: developing the cooperative, rewarding cooperative members in relation to participation in the cooperative society or supporting other activities approved by cooperative members. Although their operating model as commercial companies, democratic governance mechanism - the principle of one man-one vote decision making rights are not commensurate with equity participation, as in the case of

companies, the mission to serve the common interest of members, make them be part of the social economy. Moreover, the operating principles of social economy find the origin of the historical tradition of the cooperative movement.

In 2013 cooperatives in Romania was represented by a number of cooperatives 2228, which totaled assets of 1,222,805 thousand, 31,428 employees and achieved cumulative revenue 1,764,363 thousand. Of the 2,228 cooperatives, 42% were consumer cooperatives, cooperative handicraft 38%, 16% agricultural cooperatives, and only 4% credit cooperatives. (Barna C., 2014)

Figure no 2 Type of cooperatives in Romania



Source: Performed by the author

Assets and income return most important consumer and handicraft cooperatives: handicraft cooperatives incumbent cooperation 53% of total assets and 41% of total revenues and consumer cooperatives incumbent cooperative 24% of total assets and 32% of total revenues. Regarding the number of employees, handicraft cooperatives stand out from the other forms of cooperative, totaling in 2012, 70.26% of total employees in the cooperative sector.

Analyzing the main indicators of cooperatives in the range 2010 - 2013, we can easily see that the dynamic had a positive development of agricultural cooperatives. The number of agricultural cooperatives increased by 29.45% in 2013 compared to 2012, while overall interval from 2010 to 2013 by 180%, while other types of cooperatives registered a stagnation in terms of number of organizations.

The same positive dynamic is characteristic for agricultural cooperatives and active (increased by 152.62% in 2012 compared to 2010), income (increased by 164%, 39% in 2012 compared to 2010), and, to a lesser extent for employees (increased by 10.26% in 2012 compared to 2011, returning approximately to the number of employees in 2010). Other types of cooperatives were mixed (either very low growth rates or declines very slight) of the main indicators for the period 2010-2013. (Barna C., 2014)

The number of agricultural cooperatives increased by 29.45% in 2012 compared to 2011, while other types of cooperatives have fared relatively constant in terms of the number of organizations. The same positive dynamic for agricultural cooperatives trend is characteristic for their actives (increased by 152.62% in 2012 compared to 2010), income (increased by 164%, 39% in 2012 compared to 2010). We see positive evolutions on the development of agricultural cooperatives as a strategic opportunity for economic development in connection to the modernization of agriculture in Romania.

In Romania, agricultural cooperatives are governed by two laws, Law 566/2004 - Agricultural cooperatives law, agricultural cooperatives sector governing only, and Law 1/2005 - Law of Cooperatives, which in turn provides the possibility of building cooperative societies recovery and agricultural cooperatives - association of individuals which is aiming to jointly exploit agricultural areas owned by cooperative members, conduct joint land improvement works, to jointly use machines and plants and capitalize on agricultural products.

By developing of agricultural cooperatives, farmers can have clear economic advantages: they can influence the pricing of the sale, may have access to large and competitive markets, can reduce supply chain intermediaries may tech agricultural production process.

In Romania were registered following specific forms of social economy organization: mutual cooperatives 2179, 2128 cooperative societies (of which 1061 consumer cooperatives, cooperative handicraft 885170 agricultural cooperatives and 12 cooperative housing societies and recovery), and 51 bank cooperative, and 419 credit cooperative. (Barna C.,2014) So the most common social economy forms of organization are mutual entities, followed by cooperatives. Of the types of cooperative society, best represented are consumer cooperatives and craft cooperatives.

From the data presented we can conclude that the cooperative movement in Romania is in a continuous development, registering a positive evolution in terms of the number of newly established

cooperatives, expanding business areas and their economic performance. Also, we can observe, at the European and national level a positive trend on the social economy, especially social cooperatives.

5. Conclusions

Along with associations, foundations and unions, cooperatives are one of the leading organizations in the social economy. However, cooperatives are the only form of social economy which enjoys official recognition in the European Union, based on the "European Statute of Cooperatives", which was adopted in 2003.

Cooperative entity is a traditional form of economic and social organization on established principles and accepted by all associate members. Freely consented association members and the democratic nature of the organization and management of cooperative society gives this system integrity and autonomy. History and timeliness of this system demonstrates its viability and competitiveness, representing a recommended and efficient solution for economic and social development of any country.

This constitutes a gap that leads to a slackening of the acknowledgment process that would be strengthened if upheld by a more nuanced view of co-operatives' actual contributions to the socio-economic welfare of different countries. In the absence of data, a realistic estimate of the economic impact of co-operatives is required to demonstrate that co-operatives are neither small nor marginal organizations, showing that a valid model exists that is different from the for-profit model dominant in today's world.

The importance of cooperatives in the jobs creation, mobilization of financial resources and stimulate investments, in terms of their contribution to economic life, is visible. Various cooperative promotes the most complete form of participation of the entire population to economic and social development.

Globalization is a source of problems for cooperatives, pressure factors but also new opportunities and diverse. Cooperatives, stronger forms of human solidarity are required at national and international thus fostering a more equitable distribution of globalization benefits.

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