

DIFFERENT TENDENCIES FOR THE CO-OPERATIVE MOVEMENT IN EUROPE

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ABSTRACT

In spite of the wealth of experience which co-operative societies now have behind them, they have not gained uniform recognition across Europe. For several years now, however, two different tendencies in the development of the European co-operative movement are becoming apparent and they are analysed in this study. On the one hand, there is a tendency towards growth via formulas which aim to group broadly incompatible capital assets whilst maintaining certain co-operative principles. And on the other hand, a tendency towards the creation of micro-companies that act in local markets and allow for territorial development by means of the mobilization of native resources, based on local allegiance of the partners and democratic participation.

INTRODUCTION

Co-operative societies have aroused increasing interest in Europe and reflect the demands of a changing society for the development of socially responsible initiatives within the field of economics. Characteristic principles of co-operative societies such as the freedom to participate in productive processes, democracy and shared responsibility for outlining general objectives, and fair profit distribution [1, p.197] have made them, together with the rest of the organizations that comprise the Social Economy, a worthy alternative to both the public and the private capitalist economy.

Since their origins, the strength of co-operative societies, and what has differentiated them from other third sector organizations, has been their commitment to co-operative principles [3]¹. These are the guidelines via which co-operative societies put into practice their values of self-help, self-responsibility, democracy, equality, equity and solidarity.

TOWARDS CO-OPERATIVE COCENTRATION: THE RISK OF DEMUTUALIZATION.

Business cocentrations have, in recent years, become a factor of considerable importance in all economic activities and have affected all legal forms of enterprise. Co-operatives too have felt the need to expand in the market through business mergers which help them to adapt their structures to the demands of the global market.

In cases where there is a need to adapt to circumstances, a large scale business merger can be a genuine survival technique even though these large corporations have inherent difficulties in integrating standard co-operative forms of management. For this reason co-operative mergers must simultaneously take into account aspects of business as well as those norms which differentiate and characterise co-operative societies: co-operative principles [2, p. 421].

¹ Available on Internet: <http://www.ica.coop/ica/es/esprinciples.html> . Last consulted [31th January 2005]

In order to prevent demutualization in concentrations it is important to avoid the risks involved in a switch from a direct to a delegated democracy. Two such risks are bureaucratization, or the falling into hands of a technostucture which is not necessarily in agreement with members' interests, and the difficulties related to the joint legal contract in such cases. The concentration must assure homogeneity among members according to their contributions to real flows as well as to finances whilst ensuring that responsibility for decisions taken depends on activities and not on capital.

The European Union, in its awareness of the new challenges faced by co-operative societies and of the problems of demutualization provoked when these reach a size comparable to a large-scale business, has encouraged the raising of capital from co-operative members from various EU states in order to develop cross-border activities through, and regulated by, the Statute for European Co-operatives (SCE)².

However, even though the statute aims to encourage transnational co-operation between physical persons or legal entities from different member states of the E.U. (SCE Statute, article 2), it has followed the tack of most national legislation in allowing for the existence of external (non-user) investors who contribute financially without participating in co-operative activity (SCE Statute, article 14.1) but limiting their voting rights to a maximum of 25 per cent of the total votes (SCE Statute, article 59.3).

The most dangerous aspect of this statute is that it does not limit the percentage of capital held by either user or non-user members. A maximum limit should have been set whereby the majority of a co-operative society's capital is held by those co-operative members who contribute financially and participate in the co-operative activity. If a limit is not set, the statute in fact goes against the eventual aims of the SCE set out in its own explanatory statement: "activities should be conducted for the mutual benefit of the members so that each member benefits from the activities of the SCE in accordance with his/her participation, members of the SCE should also be customers, employees or suppliers or should be otherwise involved in the activities of the SCE".

Moreover, the co-operative principle of economic participation states that: "members usually receive returns, when available, which are limited according to the capital submitted as a condition of membership", yet, article 67.2 of the SCE allows for a cooperative society to distribute the surplus remaining after allocations to the legal reserve and the payment of dividends as a return on "paid-up capital and quasi-equity". In this way, by not setting limits on the remuneration of member capital and being part of the profits, the return is brought into line with dividends distributed by conventional limited companies.

Two contradictory movements have occurred in the European Union with respect to this affair. On the one hand, there exist different community actions meant to encourage employee ownership; this coincides exactly with one of the genuine characteristics of co-operatives. And on the other hand, the SCE Statute, in opposition to traditional practices, allows unlimited participation to investor members who do not fulfil the double condition of member and worker.

TOWARDS CO-OPERATIVE MICRO-BUSINESS

Alongside the concentration processes we find micro-business initiatives, i.e. business initiatives taken by less than ten members. They are distinct processes but both aim to respond, in different ways, to

² Council Regulation (EC) No 1435/2003 of 22nd July 2003 on the Statute for a European Cooperative Society (SCE). Official Journal of the European Union, L 207/1 of 18.8.2003.

common factors. In the case of micro-businesses, this means developing economic activities which aim to encourage a local, rather than a global, identity. Micro-business in its various forms is a phenomenon which aims to promote not only identity, as mentioned above, but also development on a more local scale as a strategy for adaptation which is both dynamic and flexible but which is also firmly rooted in a particular territory. Also, it is a response to new business initiatives and to the abandonment, on the part of large businesses, community and national institutions, of the disadvantaged.

In this sense the European Union has underlined the important role played by co-operatives in regional development as well as their contribution to the generation and maintenance of employment in less developed economic areas³. For this reason co-operative societies can be classified as excellent examples of local, small scale micro-businesses. The fact that they are a growing phenomenon only serves to highlight, above all, their capacity for business initiative [4].

Although the co-operative movement in Europe has two centuries of experience behind it, it still receives mixed recognition from certain European countries. In spite of this, the co-operative model continues to present a series of advantages. According to Spear [5, p. 521-522]: “[the co-operative model] is effective in responding to market failures and state crises; provides a trust dimension in the provision of goods and services; builds upon self-help and solidarity within the community and enhances social capital; is participatory and they empower people and thereby make a more effective use of the resources; and has a greater social efficiency by generating positive externalities”.

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³ European Community. Resolution on the contribution of cooperatives to regional development. Official Journal of the European Union, n.º C 246, 14th September 1987.