THE STRUCTURE OF THE COOPERATIVE SYSTEM WITHIN THE CONTEMPORARY MARKET ECONOMY

DOBRE-BARON OANA,
ASSOCIATE PROFESSOR, Ph.D., UNIVERSITY OF PETROȘANI, FACULTY OF SCIENCE, ROMANIA
e-mail: oanabarong2@gmail.com

Abstract
From the historical point of view, the cooperatives have emerged as initiatives of some groups of people or some collectivities, initiatives that were based on economic and social aspects. Over time, the cooperatives have taken new forms, reaching today as their structure to include a plurality of types of cooperative entities, the list being opened to any new initiatives. Regardless of the types of cooperatives contained in an national cooperative system or another, there are countries where their contribution to overall economic and social development is very important. Globally, their contribution to the employment growth, to the welfare of the people and especially to the sustainable economic development is undeniable.

Keywords: cooperative, cooperative system, social economy, market economy.

JEL Classification: L11, P13

1. Introduction
The evolution of the market economy includes many changes that go from business expansion from national level to global, specialization in human resources, technologisation, production diversification, increase competition and rivalry etc. All these changes have not only produced positive effects on economic and social development, economic and social inequalities are deepening as a result of the unequal access to resources and of the market failures. A negative effect of these changes is also registered by the small local producers who, due to the competition of the large companies, have not the strength to survive in the economic market. A solution to respond to these problems from the part of small producers, but also from the part of socially excluded people or those at risk of exclusion was represented by their association in view of obtain economic strength required to survive in the market. (Petrescu et al., 2013, p. 16).

An important form of this association is represented by the cooperatives. Since their beginnings the cooperatives were a viable alternative to promote the legitimate interests of disadvantaged segments of the population. The rural population, refugees, immigrants, the unemployed, the elderly and people with disabilities have found in cooperatives modalities to improve their situation.

A fundamental principle is that which states that participation is free, free from any discrimination to all those who are able to contribute to the economic activity and consequently to pull the advantages from it.

All around the world the cooperation was generated by historical, economic and social reasons, the cooperative doctrine representing a set of ideas, principles, values and solutions which interprets, appreciates and directs economic and social reality in a specific way.

Cooperatives are private economic associations, not of capitals but rather of persons, with equal rights and duties, regardless of their social contribution, they are joined on the basis of free will and private initiative in order to satisfy certain needs (of production, of goods valorisation, of credit, of consumption etc.) in better conditions than they could do it separately. Cooperatives apply a special method of distribution of the social product: each one in relation to the participation in getting him, which is intended to achieve a balanced distribution of income. The profit achieved goes back to those from where it comes, being returned to both producers and consumers in the proportion in which they have collaborated on obtaining it, depending on the type of the cooperative, the distributed dividends taking the form of a premium for consumption, production or work. [5]

2. Conceptual delimitations
From historical point of view, cooperatives have been set up for the first time in Europe in the nineteenth century, extending afterwards in countries like USA and Japan.

From then until today, cooperatives have become key actors in social economy. The social economy is considered to be a dynamic and multidimensional framework, which includes nonprofit organizations, mutualities and cooperatives, entities that differ from both the public and private sectors of the economy through certain characteristics
such as the voluntary participation of their members, the concomitant existence of social and economic objectives, democratic governance and participation of members in decision-making, limited distribution of the profit but which nevertheless are part of the wider framework of the market economy. (Petrescu et al., 2013, p. 21).

Regarding the definition given to cooperatives, the most used is the one elaborated by The International Cooperative Alliance which says that a cooperative is „A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.” [6]

The International Cooperative Alliance (ICA) mentions the cooperative values and those of its members: „Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others.”

Furthermore ICA sets out seven cooperative principles that represent the values assumed by these organizations from the beginning of their existence. However, the cooperatives are free to change them according to their specific needs. The seven principles determined by ICA evolves according to the needs of cooperatives members, today they are as follows: [6]

1. Voluntary and open membership. Cooperatives 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. Cooperatives 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 cooperatives 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. Cooperatives 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 cooperative autonomy.

5. Education, training and information. Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of cooperation.

6. Cooperation among cooperatives. Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

7. Concern for community. Cooperatives work for the sustainable development of their communities through policies approved by their members.

This is not the only point of view met at the level of various organisms or in specialty literature (Petrescu et al., 2013, p. 25). Thus, the activity organization of a cooperative can be based on the following principles:

1. In the center of the cooperative activity must be the mutuality principle and the benefits granted to the members should be proportional with the work performed by them within the organization.

2. Members are actively involved in the cooperative activities, they may be employees, customers or suppliers.

3. At the basis of exercising control by members of the organization must stand the principle "one man, one vote". This principle makes that no member cannot exercise total control and cannot dispose of the assets of the cooperative.

4. If there are investors members, their right to vote should be limited, if allowed, so that the control should be granted to the users members.

5. The profit is distributed to the members in a limited way, according to the transactions with the cooperative or is retained for meeting the needs of the members.

6. As for the members, there should be no discrimination for their admission within the cooperative; but there should be specific rules on membership, resignation and exclusion.

7. In case of liquidation, the assets and reserves of the cooperative must be distributed to another cooperative with similar objectives according to the principle of disinterested distribution.

From the economic point of view the cooperatives are considered small and medium economic enterprises which presents three important features (Petrescu et al., 2013, p. 33):

– they are constituted from a group of people who share an economic interest;

– their goal is meeting the needs of members through joint action and mutual assistance;

– the main objective is the production of goods and services that will financially support the members and their families.

The characteristics that differentiate cooperatives from commercial companies are:

✓ the existence of some social objectives alongside the economic ones;
3. The structure of cooperative systems

The presentation of the cooperative systems structure and therefore of the main types of cooperatives encountered worldwide needs to consider a series of criteria such as: type of activity, members, geographical spread of activity or the nature of the benefits granted to the members. (Petrescu et al., 2013, pp. 29-32). From this perspective there are:

**Consumer Cooperatives**

The purpose of establishing this type of cooperative consists in providing goods and services to members at the best possible prices. Their members are the consumers, which associate to could have access to products at the lowest possible price. Initially, these cooperatives have emerged in rural or hard to reach areas, thus responding to the need of citizens to be able to procure the necessary products. Through consumer cooperatives, members of these communities were well supplied with quality goods at affordable prices. Obtaining a price as low as possible is achieved by eliminating fees charged by intermediaries, this being accomplished by setting some direct commercial relationships with manufacturers or wholesalers that sell these products. The control over the activity of the cooperative that the clients have, allows them to enjoy a constant supply of goods and services at a reasonable price without compromising the quality. The membership of such a cooperatives brings certain financial benefits, such as rebates in the prices of goods or services.

**Worker Cooperatives**

These cooperatives are owned and controlled by workers, respecting the principle of democratic governance. The worker cooperatives are organizations where workers are also members, the purpose being to meet their needs, particularly in the job security, working conditions and income levels. For this reason, they are perceived as a solution to unemployment, specific features related to ownership and control allowing that workers be particularly interested in job security and to remain competitive in the market, and not for financial gain. In this type of cooperative profit is divided, usually depending on the individual contribution of each worker. These are the cooperatives that are closest to private enterprises, but without having a rigid hierarchical management structure, but a democratic government based on the principle "one man, one vote".

**Producers Cooperatives**

This type of cooperative is constituted with the aim of helping producers in order to open production units, production or marketing of goods and services. Their members are individual producers or firms that give their products obtained to the cooperative in exchange for goods or services necessary for carrying out the activity. The producers cooperatives provide support to the members for the purchase of machinery and equipment, raw materials and other production factors necessary to carry out their activity. The cooperatives are dealing with commercialization of the manufactured products, the cooperative members having the only task of producing goods and services. The small producers are the main beneficiaries of this process, managing to concentrate only on the production side.

**Marketing Cooperatives**

These have as main purpose the capitalization of the members' production so that this allow them a concentration on the production activity and obtaining higher profits by eliminating intermediaries. The need to which respond these cooperatives is the access ability of the producers to markets, enabling them to develop business or in some cases even survival. The association of these producers in such cooperatives promotes the attainment of some storage, processing and packaging capacities, which allow the producers to obtain economic advantages that are competitive on the market. These cooperative societies acquires in small lots, all goods made by small producers, storing them together in their own warehouse, from where they will sell them when they can get the best price on the market or in locations where there is demand for these products.

**Housing Cooperatives**

Housing cooperatives are aimed at supporting the people with low and middle-income who want to own their own home. These societies are involved in the purchase of land on which the houses are built at the request of the members, then transferring them to the people. The price of these houses is paid by members in easy payable installments over a long period of time. The funding of housing construction is provided by cooperatives, thus attracting funds or loans from various financial institutions. Some of these cooperatives sell land for their members so that they can build on their own the homes that they want.

**Credit Cooperatives**

The purpose of this cooperatives is to give members certain financings with low interest. Are among the first cooperatives in the world, established to meet the need of financing of the small farmers who did not have access to credit provided by banking institutions. The cooperative collects funds from its members in the form of social capital,
Agricultural Cooperatives
They are a form of cooperative which has as members some farmers who associate to obtain a higher rate of earnings from mass production, thus being able to maximize their profits by cultivating large areas of land with lower costs. Members of such a cooperative jointly make capital, land and labor. This is beneficial for cooperative members in several respects, such as: mass production; maximizing production; the use of the latest technologies and fertilizers; shared use of the resources, land and labor; proper irrigation of land; sufficient financial resources to cover daily expenses etc.

New Generation Cooperatives
Includes cooperatives which shows two distinct characteristics compared to the traditional ones: membership gives the right, but also obliges to the commercialization of some part of their production through cooperative and the participation in the cooperative is open only to those who have the means and desire to invest a substantial capital.

Social Cooperative
They bring together providers and users of social services (home care, medical care, vocational training, labor market integration, education). They provide the social services who cannot be obtained on the market at a reasonable price. Many of these are supported by public funds because they compensate a part of the mission of public institutions to provide welfare to the society members. They constitute the newest type of cooperative being established for the first time in Italy. They are considered to be hybrid forms of cooperatives due to the adoption of a governance structure characterized by the presence of different categories of members (multi-stakeholder governance) and the use of resources that come both from the public as well as from the private sector or from the civil society.

Cooperatives with various categories of members (multi-stakeholder)
The specifics of this type of cooperative is the existence of a variety of members from diverse social groups (workers, consumers, investors, community, public authorities), whose interests may be aggregated so as to bring benefits to them. The main objective of this cooperatives consists mainly in providing economic services to members and often by non-members. In this type of cooperative is much easier to solve problems related to social exclusion or unemployment and provision of social, medical and insurance services, because they facilitate the mobilization of local resources for local development, the activation of the potential of mutual aid and amplifies the trends of cooperation and the practices of mutual aid between all those interested in solving a problem, regardless of its nature. These cooperatives are organizations that provide economic activity pursuing social objectives, a fact that brings these types of cooperatives close, from legal point of view, to the non-profit associations that have economic purposes additional to their core activities, and organizations that have a special attitude towards capital and profit in the sense that they do not practice a total constraint of the profit distribution, but can provide a limited reimbursement of the share capital and can distribute a part of the surplus among the members in proportion to their activities, if the statute of the organization permits or the members decide so.

In Romania, there are and may be established under Law no. 1/2005 two forms of cooperative societies: [7]
- Cooperative society of 1st degree defined as a legal entity established by individuals and registered in accordance with Law no. 1/2005;
- Cooperative society of 2nd degree defined as a legal entity constituted from cooperatives of 1st degree, mostly, and other natural or legal persons, in order to integrate horizontally or vertically the economic activity carried out by them, and recorded in accordance with the law.

In its turn the cooperative society of 1st degree may be set up in one of the following types of cooperatives:
- handicraft cooperative societies - association of individuals engaged in joint production activities, commercialization of goods, performance of works and supplies of services that contribute directly or indirectly to the developing of the handicraft activities for their members;
- consumer cooperative societies - association of individuals who carry out jointly supply activities for cooperative members and third-party with products that they buy or produce and providing services activities to their members and cooperators and to third parties;
- capitalizing cooperative societies - associations of individuals who are constituted in order to harness its products or purchase through direct distribution or direct processing and distribution;
- agricultural cooperative societies - association of individuals which are constituted in order to jointly exploit agricultural land owned by the cooperative members, to conduct jointly land improvement works, to jointly use the machines and installations and capitalize agricultural products;
- housing cooperative societies - associations of individuals who are constituted in order to build, buy, preserve, renovate and manage housing for their cooperative members;
- fishery cooperative societies - association of individuals which are constituted in order to establish fish and aquaculture farms, to produce, repair, maintain and purchase equipment, machinery, installations, fishing boats as well as fishing, processing and distribute fishery products;
- transport cooperative societies - association of individuals which are constituted in order to achieve transport activities and related activities for the cooperative members and third parties, for improving the technical and economic transport activities carried out by members of cooperatives;
4. Economic contribution of the cooperatives to the national economy

The International Cooperative Alliance, with the support of the European Research Institute on Cooperative and Social Enterprises (EURICSE) annually collects and interprets data on cooperative global economy. The data refer to the description of cooperative organizations, their financial performance and the impact of the activities they carry.

The measurement of the economic performance of the cooperatives is based on finding some indicators that can be used to assess the actual economic efficiency of these entities and, above all, to be compared globally, and secondly to take into account that in case of cooperatives, traditional economic and financial indicators used in case of enterprises focused on getting profit cannot be used. In this case it must be considered that the objective of the cooperatives cannot be reduced only to the profit maximization or to the economic and financial wealth, but to the maximization of the benefits for their members, or in the case of social cooperatives for the community.

Based on these assumptions, data collected refer to: turnover, operating costs, total assets, equity etc., which are considered useful for measuring economic size, efficiency and the level of capitalization of cooperatives.

The data provided currently by ICA are found in the third edition of the 2014 World Cooperative Monitor, which presents for 2012 a total turnover of 2623.1 billion $ recorded from a number of 1926 cooperatives in 65 countries. From ICA’s point of view, cooperatives are structured having as criterion the sector in which operates. Thus, the share of cooperatives from each sector in the total turnover is shown in Fig. no. 1. It is noted that the largest share, 27%, is held on par by cooperatives from the agriculture and food industry and those from insurance domain. At the opposite end with only 3% are cooperatives in health and social assistance. [2]

![Diagram](image-url)

*Figure no. 1*

*The share of turnover by cooperatives sector of activity in 2012*

From the total of cooperatives mentioned above, 1313 cooperatives distributed in 50 countries, namely 68.17%, have each registered a turnover of over 100 million $. These have obtained together a total turnover of 2603.02 billion $, representing 99.23% of the turnover of all cooperatives. In the case of these 1313 entities most of them, 24% respectively, operate in the insurance sector and the fewest, only 1% in the health and social care. (figure no. 2)
Regarding the structure of cooperatives by sector of activity, these include the following types of cooperatives:

**Agriculture and food industry** group together all cooperatives operating in the agricultural chain, from cultivation of agricultural products and livestock and down to industrial processing of agricultural products and livestock. This sector includes both agricultural producers cooperatives as well as consortia of cooperatives or similar entities that perform processing and marketing of agricultural products to the members.

**Wholesale and retail trade** includes, as sector, cooperatives established to acquire and provide goods and services on competitive terms and in the interests of their members.

**Industry and utilities** includes cooperatives that are active in management of the infrastructure for public services such as electricity, gas and water. The industrial sector also includes cooperatives of workers in the construction sector.

**Health and social care** is the sector where can be found cooperatives that manage health services, social and educational ones.

**Other services** is a category covering all cooperatives providing services other than health and social assistance, such as business services and transport cooperatives.

**Banking and financial services** include cooperative banks and credit unions, which provide banking and financial intermediation services, which are democratically controlled by the members with the quality of clients (borrowers and savers). Also here are included credit cooperatives and banks whose capital owners are individuals without rights regarding the entities management.

**Insurance cooperatives** are owned and democratically controlled by their insured clients. These entities offer their customers the possibility to benefit from insurance policies on terms more favorable than those found on the open market.

The situation of the indicators at the level of 2012 per sector of activity is presented in table no. 1:

**Table no. 1**

<table>
<thead>
<tr>
<th>Sector</th>
<th>No. of cooperatives</th>
<th>No. of countries</th>
<th>Turnover (billion $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture and food industry</td>
<td>523</td>
<td>30</td>
<td>598.90</td>
</tr>
<tr>
<td>Wholesale and retail trade</td>
<td>405</td>
<td>37</td>
<td>563.86</td>
</tr>
<tr>
<td>Industry and utilities</td>
<td>154</td>
<td>18</td>
<td>85.01</td>
</tr>
<tr>
<td>Health and social care</td>
<td>65</td>
<td>14</td>
<td>15.11</td>
</tr>
<tr>
<td>Other services</td>
<td>130</td>
<td>23</td>
<td>22.96</td>
</tr>
<tr>
<td>Banking and financial services</td>
<td>90</td>
<td>33</td>
<td>164.96</td>
</tr>
<tr>
<td>Insurance</td>
<td>518</td>
<td>43</td>
<td>1156.48</td>
</tr>
</tbody>
</table>

*Source: ICA & Euricse, The 2014 World Co-Operative Monitor*
Cooperatives are important economic factors in the national economies of various countries. Thus, the data provided by ICA shows that at the level of 2012 the turnover achieved by the largest 300 cooperatives increased by 11.6% compared to 2011, reaching 2200 billion $, amount equivalent to the GDP of Brazil. [8] Other relevant figures in this regard indicates:

- In Denmark, consumer cooperatives in 2007 held 36.4% of consumer retail market.
- In Japan, the agricultural cooperatives report outputs of 90 billion $ with 91% of all Japanese farmers in membership. In 2007 consumer cooperatives reported a total turnover of 34.048 billion $ with 5.9% of the food market share.
- In Mauritius, in the agricultural sector, cooperators play an important role in the production of sugar, vegetable, fruit and flower, milk, meat and fish. Nearly 50% of sugar-cane planters are grouped in cooperatives.
- In The Ivory Coast, cooperatives invested 26 million $ into setting up schools, building rural roads and establishing maternal clinics in 2002.
- In New Zealand, 3% of the gross domestic product (GDP) is generated by cooperative enterprise. Cooperatives are responsible for 95% of the dairy market and 95% of the export dairy market.
- In Uruguay, cooperatives are responsible for 3% of the GDP. They produce 90% of the total milk production, 34% of honey and 30% of wheat. 60% of cooperative production is exported to over 40 countries around the world.

Another important aspect is the fact that a large number of people from different countries are members of cooperatives: [8]

- In Canada, four of every ten Canadians are members of at least one cooperative. In Quebec, approximately 70% of the population are coop members, while in Saskatchewan 56% are members.
- In Malaysia, 6.78 million people or 27% of the total population are members of cooperatives.
- In Norway out of a population of 4.8 million people, 2 million are members of cooperatives.
- In Paraguay, 783000 people or 18% of the population are members of 1047 cooperatives. These have a direct impact on the livelihoods of over 6 million people.
- In Spain, in 2008 15% of the population or 6.7 million people are members of a cooperative.

In terms of the labor market, the data collected by ICA shows that the cooperative enterprises generate partial or full-time jobs involving at least 250 people worldwide. [8]

- In France, 21000 cooperatives provide over 1 million jobs representing 3.5% of the active working population.
- In Kenya, 50% of the population derive their livelihoods from cooperatives. Approximately 250000 Kenyans are employed or gain most of their income from cooperatives.
- In Colombia, the cooperative movement provides 137888 jobs through direct employment and an additional 559118 jobs as worker-owners in workers cooperatives - providing 3.65% of all jobs in the country.
- In Indonesia, cooperatives provide jobs to 288,589 individuals.
- In the United States, 3000 cooperatives provide more than 2 million jobs.

5. Conclusions

The structure of contemporary cooperative systems can be based on their classification into different types depending on a number of criteria. These criteria usually refers to the type of activity carried out or activity sector to which they belong, the quality of members, geographical area of distribution of the activity or the nature of the benefits granted to the members. But regardless of their typology, cooperatives which are part of a national cooperative system prove, even today, their importance in the market economy. Even though they are by definition entities who not seek to maximize the profit but to maximize the benefits for their members, cooperatives contribute to increased employment, social and economic welfare of the population and not least to sustainable economic growth.

6. References: