

Co-operative Worker Ownership

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1. Nature and specific features of cooperative ownership

Regardless of their type, in order to be able to function normally and to achieve their objectives, the cooperatives build up property composed of tangible and intangible assets. The sources used to build up property in the various types of cooperatives do not vary significantly in respect of their nature. Such are first of all the membership shares paid by cooperative members and the invested part of earnings obtained from cooperative activity.

By law, cooperative ownership is defined as private ownership. Being private ownership, it has its specifics differentiating it very clearly from state-owned, municipal and other types of ownership.

However, the nature of cooperative ownership as a private ownership is not completely covered by the idea of private ownership, as is the universally accepted idea of private ownership. Cooperative ownership is in its nature a group/collective ownership. It is not a corporate (member) ownership, but represents the sole right of a cooperative, in its capacity of juridical person.

Cooperatives are established and develop on the base of the adopted cooperative values and principles, underlying the cooperative ownership's specifics.

In the cooperative values, the best human values are focused. Their observance ensures the formation of cooperative property, which is used in favour of the cooperative members to satisfy their common interests, and in favour of the community of a specific region and society as a whole.

The following cooperative values are of paramount importance:

Mutual help – this is integration of the capacities of individuals, in order to build up cooperative property and realize their objectives, through their integration in a cooperative society.

Self-help – this is to help ourselves.

Solidarity – this is to show interest in the fate of other people.

Straightforwardness in business – a cooperative is bearer of the ethics and morality in economic life. It has the historic role to amend market economy shortcomings.

Concern for community – a cooperative society develops as part of a community. Making efforts for its own development, it will contribute to community development.

Democracy – regardless of the amount of a membership share, each member is entitled to one vote.

Integration of cooperatives – through their integration, cooperatives achieve higher results in

the economic and social sphere, operative efficiency and a more efficient development of society.

Fundamental in cooperative ownership specifics are such ethical values as honesty, openness, social responsibility and concern for other people.

The cooperative ownership specifics reflect the cooperative principles, last formulated by the International Cooperative Alliance's Jubilee Congress held in the city of Manchester in 1995:

First principle: Voluntary and Open Membership

Cooperatives, inclusive worker producers' cooperatives, are voluntary organizations, open to all persons willing to build up cooperative property and to accept the responsibilities of membership, without gender, social, racial, political, or religious discrimination;

Second principle: Democratic Member Control

Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. This principle confirms the cooperative's position as a system relying more on people than on capital.

Third principle: Member Economic Participation

This principle reflects the philosophy of cooperation and cooperative associations, which are based upon creation of jobs and provision of services to the members.

Fourth principle: Autonomy and Independence

Cooperatives are autonomous, self-help organizations controlled by their members.

Fifth principle: Education, Training and Information

Cooperatives are first of all organizations belonging to groups of people and to a community and not organizations of individual persons.

Sixth principle: Cooperation among Cooperatives

Cooperatives, by developing the idea of cooperative ownership, are able to carry out activities efficiently, working jointly with the structures of local, national, regional and international importance.

Seventh principle: Concern for the Community

Cooperatives address always their activity to the needs and aspirations of their members and to the development of cooperatives, as part of a community.

The cooperative values and principles underlie the specifics of the cooperative ownership's formation, functioning and liquidation. In particular, they are expressed as follows:

- the cooperative ownership' formation, functioning and development are in favour of the cooperative members and the community;
- the ownership is at the sole discretion of a cooperative society, as a juridical person;
- it is not possible to use cooperative ownership for objectives of shadow economy;
- the individual cooperator is not entitled to ownership over cooperative's belongings;
- the membership shares of cooperative members shall not be subject to sale or transfer to other persons;
- in case of a cooperative's liquidation, the net balance of its assets may be conceded for cooperative system development;

Among the various types of cooperatives, special place take the ones based on the so called cooperative worker ownership. In the Republic of Bulgaria, their typical representative is the worker producers' cooperative.

2. Specific features of cooperative worker ownership

Cooperative worker ownership is a key distinctive feature of worker producers' cooperatives. The cooperative values and principles underlie the existing forms of internal relations and interrelations, in conformity with the objective necessity to develop the public social and economic relations. The cooperative values and principles predetermine and are the principal factor in the development of worker producers' cooperatives, as one of the significant subjects of social economy, which is their key distinction compared to other economic subjects based on private ownership.

For worker producers' cooperatives, the main goal in using their ownership is to generate employment and improve their members' living and working conditions. They function as one of the most important subjects of social economy. Whilst the social factor is important for them, the non-cooperative economic subjects based on private ownership have for their main objective to obtain larger profits.

The above main differences between the objectives of cooperatives and of economic subjects based on private ownership are especially characteristic to worker producers' cooperatives.

Worker producers' cooperatives are established and perform their activities based on their members' participation by property and labour. Whilst in credit, consumer and other types of cooperatives the members receive dividends on the capital, which is additional income for them,

in worker producers' cooperatives the economic situation of their members' families is fully dependent on the efficiency of their operation, because they are established and develop on the base of the so called cooperative worker ownership. This is one of the forms of ownership, whose development results in processes of qualitative improvement of the forms of labour organization and the achievement of even better, more fair and merited labour relations.

The people perform their occupational activities in the following three main modalities:

- a) independently as self-employed, being then defined by their own capacities and self-regulation (working in a self-owned enterprise);
- b) as wage earners, under the continuous subordination to an employer who provides a compensation (working with an employer);
- c) under a third form, called worker ownership, characteristic for worker producers' cooperatives, in which work and management are carried out jointly, without the typical limitations of individual work, nor exclusively under the rules of conventional wage-based labour (working with a cooperative).

Among the above modalities of occupational activities, the one organized through worker producers' cooperatives acquires an increasingly high level of development and significance in the world. It is based on the universal cooperative values, principles and operational methods enshrined in the Statement on the Cooperative Identity adopted by the Jubilee Congress of the International cooperative Alliance (ICA) held in the city of Manchester in 1995.

The new formulation of cooperative identity makes it necessary to define some characteristic features of worker producers' cooperatives, which have their specific objectives and goals making them distinct from other types of cooperatives. Such definition will help in individualizing

the character and the universal identity of cooperative worker ownership; it will encourage its development and will adequately assess its economic and social function for creating jobs and preventing deviations and misuse in respect of such ownership.

Modern development of human society requires paying more attention to the importance of cooperative worker ownership, to the promotion of worker producers' cooperatives and to their integration with other types of cooperatives and the entrepreneurial world. In this way, the development of worker producers' cooperatives will be ensured, as well as the full recognition of their role in solving problems of unemployment and social alienation, as one of the most progressive, fair and ennobling characteristics of labour relations, wealth generation and distribution, ownership and economy democratization.

Based on the identity formulated by the ICA, on the cooperative values and principles and the typical characteristics of cooperative worker ownership, the following main objectives characteristic for worker producers' cooperatives may be specified:

- to create and maintain sustainable jobs;
- to improve the quality of member-workers' living;
- to ensure decent work;
- to ensure democratic self-management by the member-workers;
- to be actively involved in local and social development.

Furthermore, the specifics of worker producers' cooperatives are expressed in the following characteristics:

- they provide jobs for their members;
- if not all of them, then the majority of workers are cooperative members;

- the relations of member-workers with their cooperative differ from the ones of conventional wage labour;
- their internal regulation is formally determined by rules democratically agreed and adopted by their member-workers;
- as concerns their labour relations and the management, they are autonomous and independent in respect of the State and third persons, as well as in respect of the use and management of their production facilities.
- as expression of their social functions, they establish the conditions necessary for work rehabilitation of disabled persons. The worker producers' cooperatives of disabled persons are the main provider of jobs for such people. Through such cooperatives, the State is implementing its social policy in this field.

3. Characteristics of internal relations in worker producers' cooperatives

In worker producers' cooperatives, where the members are also owners, workers and managers, specific internal relations are formed, e.g.:

- they provide equitable compensation for the work done by their member-workers, taking into account the function, responsibility, complexity and specifics of their occupation and the post hold, their productivity and the economic capacity of the enterprise, and implementing the policy of optimizing the difference between the highest and the lowest compensation;
- they enable capital increase and reasonable increase of the reserves and various funds;
- they protect the member-workers by appropriate systems of welfare, social security and occupational health, and adhere to the standards of protection in force in the areas of maternity, childcare and minors of age at work;

- they observe the principles of cooperative democracy in work organization and in all stages of the cooperative management process;
- they ensure the accumulation of better professional knowledge and the worker cooperative model's development, and stimulate innovation and effective management;
- they contribute to improving the living conditions in their member workers' family environment and to sustainable development of the community;

4. Relations of worker producers' cooperatives within the cooperative movement

The worker producers' cooperatives, in view of their economic state and their social and economic objectives and goals, represent a significant part of the national and world cooperative movement, taking into account the specificity of their relations.

One of the world cooperative movement's main priorities should be to promote the development of the worker producers' cooperatives:

- to form strategic alliances and foster the development of worker cooperatives, whose entrepreneurial projects will provide reasonable funding, as well as to promote the services they offer and the products they produce;
- to create mechanisms for raising the worker cooperatives' capital, by admitting e.g. risk capital, without jeopardizing their autonomy and independence;
- to encourage the worker cooperatives' representative organizations at local, national, regional and international level, to intensify their collaboration, establish entrepreneurial groups and consortia, to elaborate and implement common social and economic agreements between worker cooperatives and to actively support the social inclusion and solidarity;

- to encourage the integration of wage earners in worker cooperatives, so that they become worker-members.

5. Relations of worker producers' cooperatives with the State and with regional and governmental institutions

With the development of society, the relations of worker producers' cooperatives with the State and with regional and governmental institutions have also changed. Their better regulation makes it necessary to elaborate relevant instruments and to form them legislatively. We could mention, for example, the following lines along which the regulative instruments could be improved:

- the government should promote the development of worker producers' cooperatives as economic subjects creating jobs and attracting unemployed social groups to working life; for that purpose they should put the popularization and development of such type of cooperatives in their policies and programs;
- the worker producers' cooperatives should strengthen their position as a real alternative in market economy formation; for that purpose, the State should establish national and regional regulative patterns acknowledging the specific legal nature of such type of cooperatives, allowing them to generate goods or services under optimal conditions and to develop their entire entrepreneurial constructive nature and potential in the interest of their worker-members and of society as a whole.
- in the legislation, it should be reflected that the cooperative worker ownership is determined by industrial labour relations, which are different from wage-based labour and from self-employment, or independent labour;
- the general labour legislation should be applied for workers who are not members

of worker cooperatives and with whom, conventional wage-based labour relations are established;

- to worker producers' cooperatives, the ILO concept of decent work and clear, precise and coherent provisions regulating the social protection in the fields of health, pensions, unemployment insurance, occupational health and labour safety should be applied, taking into consideration their specific labour relations;
- specific legal provisions regulating the fiscal regime of worker producers' cooperatives as self-managed organizations should be defined;
- preferential conditions for funding entrepreneurial projects of worker producers' cooperatives should be provided, by raising specific public funds or granting bank guarantees to access financial resources;
- at regional and international level, projects to encourage the development of structures for the entrepreneurial and institutional support to workers' cooperatives, with the purpose to generate jobs and sustainable entrepreneurial initiatives should be supported;
- the cooperative worker ownership should be promoted, as alternative and entrepreneurial model – both in case of privatization, transformation of enterprises in crisis and transfer of enterprises with no heirs, and in case of public services and procurements concession, at which the State should specify the definitory clauses in order to encourage local development through worker producers' cooperatives;
- in the context of relations with the State it is important to emphasize the necessity of consolidating a differentiated field of economy including cooperatives; for cooperatives, profit is not a primary motivation and their specific features are solidarity, involvement in the development of society and economic democracy.

6. Up-to-date problems related to the ownership of worker producers' cooperative

The problems associated with the ownership of worker producers' cooperatives result from the policy pursued after 10.09.1944 (socialist times), which involved expropriation and nationalization of their property. In the pursuance of such non-democratic policy of nationalization, there are two main stages:

First stage – it was realized on the base of the Law on Nationalization of Industrial Enterprises, Banks, Foreign and Wholesale Trade adopted by the National Assembly on 22-23.12.1947.

Nationalized and expropriated was the property of key cooperative industrial enterprises and structures, which was transformed into state-owned property. Most of such property laid the fundamentals for creation of the so called Republic industry. For example, we may mention the dairy, winery, wood processing, furniture, shoemaking, leather, dressmaking and other branches of industry. Besides, the popular banks, the Central Cooperative Bank and other cooperative credit and insurance institutions were nationalized, which used to be the financial pillar and support for the development of worker producers' cooperatives.

Subsequent to nationalization, the policy to establish worker producers' cooperatives through the integration of artisans was pursued. A rise in their development followed and within a short historical period (1944 – 1957) their number in the country rose to 997. A huge material base was built up and the number of cooperative members working there became over 100 thousand persons. They produced industrial produce and rendered services to the population at the amount of several billion Levs (at the then rate of Lev). The cooperative production was known and demanded all over

the country and abroad. Among the established structures of local industry, the worker producers' cooperatives took a key place.

And when the worker producers' cooperatives achieved some successes in their development, successive nationalization of their property was started anew and the cooperatives were transformed into state-owned enterprises.

Second stage – it covers the period from 1970 to 1989. It began with the liquidation of the Central Union of Worker Producers' Cooperatives and its passing-over to the Central Cooperative Union, which in its nature is a union of consumer cooperatives. Its role was mainly to support the process of nationalization and transformation of the worker producers' cooperatives into state-owned enterprises. And again, cooperative worker ownership of tremendous amount passed over to the State, and tens of thousands of cooperative members became wage earners.

With the political and economic changes in the country after 10.11.1989, the hope emerged that it would be possible to regain the right of the cooperatives to own their property, once expropriated and nationalized.

In the Law on Cooperatives adopted by the Grand National Assembly in 1991 and in the amendments and supplements made to it in 1999 and 2003, provisions were inserted concerning the reversion of the expropriated and nationalized cooperative property. However, this matter in the Law on Cooperatives has not been worked out adequately and it is not possible to completely solve the issues related to the nationalized cooperative property. That is why cooperative property in a significant amount is still owned by the State. In comparison to the legislative regulation concerning the restitution of private property, we can see that the legislator has not in a just way solved the problem concerning

the expropriated and nationalized cooperative property. Formally, there is political will to decide the issue of restituting the ownership over nationalized cooperative property but at the same time, in the privatization of state-owned enterprises, the possibility is provided that cooperative property in huge amounts goes over to private ownership.

If there is real political will, this issue may be decided by the issuance of compensating instruments and their inclusion in a Fund at the National Union of Worker Producers' Cooperatives, and used for development of the cooperative system.

Another real option will be to apply the practice in Germany and in other Western states, namely – to transform state-owned enterprises into cooperatives.

The State, through legislation, though in some degree only, solved the problem concerning the ownership restitution over the cooperatives' nationalized property. However, there is a large gap in the cooperative legislation concerning the safeguarding of cooperative worker ownership and its use, adhering to the cooperative values and principles.

Another problem concerning the cooperative worker ownership is the trend to capitalize worker producers' cooperatives. For such negative process development, there are both objective and subjective reasons. This process could be stopped through appropriately improved legislation in this area and first of all, the Cooperative Law. There, the following exemplary provisions could be inserted, in order to achieve maximum protection of cooperatives' ownership over their property:

1. the funds received for a property sold should be used for restructuring the cooperative capital and building-up indivisible reserves mainly;

2. the liquidation of cooperatives of local and regional socio-economic significance should be realized only if agreed with the local and regional authorities;
 3. in the case of liquidation, the cooperative indivisible reserves and remainder of assets should be passed over to a fund for solidarity and development of cooperatives;
 4. in case of liquidation, the public funds invested in the cooperative should be dissociated and contributed to a fund for solidarity and development of cooperatives;
 5. in case of liquidation, the remaining assets subject to distribution should be distributed between all former and present cooperative members, in accordance with their contribution to the formation of such cooperative property.
1. to build up a national fund for solidarity and development of cooperatives;
 2. to build up a public fund to subsidize the production and services of cooperatives characteristic for their specific functions (worker producers' cooperatives of disabled persons);
 3. to provide facilitations in obtaining credits and easier access to programs on public works, as well as provisions concerning specific public procurements;
 4. the State should take measures concerning the education and training in the cooperative principles and practices at all levels of the national system of education and training, and to make the wider public aware of them;
 5. at all levels of public administration, the topic of cooperatives should be included in the policies and the development programs.

In parallel with the above measures at this stage of a still developing market economy, we are of the opinion that it will be necessary for the State to undertake measures to economically support the cooperatives fulfilling important socioeconomic functions for the development of society. In this respect, the following exemplary measures could be mentioned:

Through the development of appropriate instruments by the State, the process of establishment and development of worker producers' cooperatives at local and national level, the increase of cooperative worker ownership for better performance of their social and economic tasks through their increased production and services will be seriously supported. **VIA**