

Identifying Co-operatives: the Value of Democracy

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This paper addresses the need to define an element or value that identifies co-operatives and at the same time makes the difference between other types of enterprise clearer. Neither capital companies that institute codes of conduct similar to co-operative principles, nor social enterprises which pursue purposes as co-operatives do, are co-operatives, but both of them get mixed with co-operatives. On the one hand, the mutual property of co-operatives, perhaps, can explain its different nature, but with nuances. Democracy, however, is configured as the identity value of co-operatives. Thus, democracy shines like a predictable value not only in managing or controlling the co-operative enterprise, but democracy also spreads to all aspects of members' life in society and the community to which members belong.

Democracy is the heart and soul of co-operative governance.
ICA, Guidance Notes to the Co-operative Principles (2015)

Introduction

Co-operatives have something to say regarding the adverse economic situation we are facing today. Cuts from many governments in social and public expenses have caused inequalities to increase (Gadea and Atxabal, 2015). We wonder if there is any alternative to the ruling economic model: the capitalist model. Co-operatives can provide some hope and clarity of direction for citizens around the world. We can continue to wonder: Why co-operatives? What is so special about them? The answer will force us to set the elements that define co-operatives, and at the same time, distinguish them from other types of capitalist or social enterprises. To answer that question, we will consider democracy as “the value that identifies co-operatives” (Centre for the Study of Co-operatives, 1995: 298). As enterprises that do not separate property and work, co-operatives are the types of enterprise which best allow industrial democracy. This is because as capital property belongs to the workers, so does decision authority. However, when properties from all are aggregated in an undivided whole, an entity is built with a new and different logic, a collective logic different to capitalist companies (Sempere and García, 2014). Co-operatives are “the most authentic and direct formula to apply democracy in the enterprises world” (Divar, 2011: 78).

Democratic presence in co-operatives is presupposed, however, it is naive to assume that since democracy is a consubstantial element in a co-operative's nature, it will always be present in them. Nowadays, there is a notable scepticism in Europe regarding co-operatives' concept and essence, their survival possibilities different in relation and competence to lucrative company forms, and even regarding their autonomous mission. The undervaluation from the Winter report regarding co-operatives and their similarities to capital companies, mostly gathered by the European Co-operative Society, is a clear example of this scepticism (Vincent and Peinado, 2013).

With all respect to these criticisms to democracy application in co-operative management, we live in a world suffering from a deficit of democratic representation and from short-termism. In this world, co-operatives demonstrate how business can be done not only differently, but better. However, to spread this valuable message, there must be clarity as to how co-operatives are to be defined and distinguished. This is important for the co-operative sector itself, in creating a powerful sense of shared identity; but it is also important that an identifiable co-operative message or “brand” is projected, which differentiates this form of business. The Opinion of the European Economic and Social Committee on the “Diverse forms of enterprise”, for example, states that all different forms of enterprise need to develop their activities, taking into consideration the characteristics of each form (EESC, 2009).

The General Assembly of the United Nations proclaimed 2012 to be the United Nations International Year of Co-operatives. Following this statement, the General Assembly of the International Co-operative Alliance (ICA) in Manchester in October 2012 approved a *Blueprint for a Co-operative Decade* (Mills and Davies, 2013). Chapter 3 of the *Blueprint* effectively sets out the co-operative proposition for today: what it means to be a co-operative and what are the defining characteristics or “irreducible core”. This is looked at through the lens of identity, which is defined by the core values and principles of co-operation. Co-operatives develop individual participation, can build personal self-confidence and resilience and create social capital. Co-operative institutions “create long-term security; they are long-lasting, sustainable and successful” (Mills and Davies, 2013: 2). So, the aim is to build the co-operative message and secure the co-operative identity. Uniquely amongst models of enterprise, co-operatives bring economic resources under democratic control. This proposal allows us to inquire into democracy as co-operatives’ distinguishing value and as an ideal society’s value.

In order to demarcate co-operatives from other enterprise forms, we must define their irreducible core — in other words, what is the minimum requirement that supports the identity of co-operatives with respect to other types of enterprise organisation or other types of ethics and/or social enterprise displays. The rise of terms such as “social enterprise”, “corporate social responsibility”, “employee ownership” and “social innovation” add to the confusion surrounding the actual difference that a co-operative makes. Co-operatives are often not seen as sufficiently distinctive, as to be dealt with separately on issues such as regulation.

The market-place for social or ethical business is a crowded one. Corporate social responsibility and social enterprise are two examples of how privately owned business models have been re-imagined or re-branded, for purposes beyond the pursuit of profit maximisation. The so-called “ethical corporation” and other sincere enterprises are already using the language and messages of co-operatives. How do co-operatives distinguish themselves in this context? A great advantage that co-operatives possess is having the Co-operative Principles and Values that act as a democracy structure as to how they are owned, governed, managed and evaluated. Co-operatives have “an authenticity that no other ethical business model can match” (Mills and Davies, 2013: 20).

The paper first provides an analysis of the different forms of enterprises that can be found in the market, as well as their similarities and differences to co-operatives. Next, two differential elements in co-operatives are addressed in order to evaluate their current scope: first, mutuality, and second, democracy, as the value that identifies co-operatives and that allows us to distinguish them from other enterprise forms.

Capital Companies’ Approximation to Co-operative Principles

The economic crisis, the globalised market where enterprises act, enterprise scandals, and consumer demands (not just regarding product quality but also regarding its production ethical standards), have generated a social conscience, a reflection regarding the role of ethics in the economy and enterprise activity, very much related to a company’s image and reputation. This new social sensitivity demands visible reforms in public authorities’ acts, but also, in enterprise management (Arana, 2012). A more active workers’ participation in the company is demanded. A company’s social capital is based on workers’ participation, and on the implementation of certain values different from traditional capitalist company values.

Corporate social responsibility, voluntary in its nature for companies (Martínez, 2014), pursues an economic development maintenance that, at the same time, accomplishes a minimum of enterprise responsibilities regarding employment, environment, or social policies. Therefore, corporate social responsibility looks for the creation of a new enterprise model, that coordinates economic profits — capitalist companies’ characteristic goal — with responsible acts in social and environmental fields, and allowing more transparency and worker participation. This new form of enterprise management considers interests that are apparently unconnected to profit

maximisation, but that indirectly affect economic activity. It is based on the adoption of behaviour codes from principles that, in many cases, are similar to those postulated in co-operatives' philosophy. "The connection between corporate social responsibility and co-operative principles is clear" (Vargas et al, 2015: 42); in fact, co-operatives, through the promotion of co-operative principles, implement corporate social responsibility (Gadea, 2012a). Co-operatives, by their very nature, commit to social responsibility because they accommodate their functioning to values and principles observance, which, beyond economic means, refer to social and environmental balance (Martínez, 2014).

This is not exempt from criticism; to the extent of claiming that corporate social responsibility is "just an attenuation of the profit motive, as an effort to legitimate the system and their great beneficiaries" (Vincent and Peinado, 2013: 76), or that it "is based in an eminent financial goal of increasing share values" (Vargas et al, 2015: 41). From a more pragmatic point of view, Zavala (2013: 128) says that

if we are not able to create a quote evaluation and assignation system between different types of interested people in the company (what we consider to be an impossible mission), it will be impossible to apply the stakeholders theory to a capitalist company, neither will it be possible to create a corporate social responsibility in this type of enterprise.

On the other side, co-operatives have emulated capitalist companies' business models (Centre for the Study of Co-operatives, 1995: 8). By adopting these guidelines, capitalist companies get closer to co-operatives, creating a confusing outlook where it is hard to distinguish between co-operatives and capitalist companies that adopt a behaviour code with regard to corporate social responsibility. Furthermore, this confusion or approximation between these two enterprise forms allows capitalist companies to reclaim favourable treatment regarding the legislator, similar to co-operatives promotion in some legislations.

However, capitalist companies and co-operatives continue to be very different, despite the former assuming corporate social responsibility postulates. A great advantage that co-operatives counter with is having co-operative principles. It is not just that co-operatives seem different because of image manipulation — but that they are essentially different, as I will explain later. In short, if we really want a just social enterprise, we can only count on the co-operative company (Zavala, 2013).

Social Economic Companies: Co-operatives and Social Companies

Social economy, which includes co-operatives, also includes numerous legal forms that contribute both to their members' profit and to their general interest. Social economy entities chase goals such as

social cohesion, employment, generation and maintenance of social and economic network, democracy development, social innovation, local development, wealth redistribution, social welfare, common interest, and sustainable development (Sánchez, 2009: 80).

The European Commission (1989) defined social economy companies by considering their specific organisation characteristics, such as solidarity, participation and autonomy. In these companies, people come before capital. Under these parameters, we find companies that seek self-help in their members to satisfy daily needs, contribute to company's general interest, promote democratic member participation and are autonomous when establishing their operation and partners' adhesion rules.

Therefore, social economy does not include some legal forms of companies, but it is constituted following certain values and principles that all social economy companies have in common. For example, the Spanish Social Economy Act (https://www.boe.es/diario_boe/txt.php?id=BOE-A-2011-5708; CEPES, 2011), in its section 4, determines the following principles to be respected and accomplished by entities: people and social ends are supreme over capital, excess application to social ends, inner solidarity promotion, and autonomy regarding public

authorities. Furthermore, it incorporates any entity whose activity is executed according to social economy principles. Therefore, a capitalist company is not rejected providing it commits to those principles, maybe, by having a corporate social responsibility agreement. However, this last option is very complicated. The social economy, therefore, includes co-operatives along with other heterogeneous enterprise forms. This complex and plural reality blurs the co-operative's singular character. We should delimit the characteristic element in co-operatives regarding these other enterprise forms that are also part of social economy.

In the Spanish case, according to section 5 of the Act, Social Economy includes: co-operatives, mutuals, foundations and companies with an economic activity. At the same level, there are a number of entities that count with a specific regulation in Spain, such as labour companies, insertion companies, employment special centers, fishermen associations and agricultural transformation companies. Leaving aside fishermen associations due to their public nature, the other company forms do not correspond to co-operatives due to different reasons. In the case of labour companies and agricultural transformation companies, profit division is usually proportional to the contributed capital in these companies. Insertion companies are companies with labour turnover for workers with great employability difficulties, and employment centres need public authority's intervention. Due to these reasons, none of them match co-operative features. Finally, legislators preferred an open list, considering that it can become wider in time by including singular entities created by specific rules according to social economy principles. Out of the list are those entities that do not have economic activities even if they defend or seek similar principles to those of social economy. For example, the demand of realising an economic activity:

eliminates, as future social economy entities, those organisations that are not companies such as Cruz Roja, Cáritas and a list of NGOs that do not execute an actual economic activity (Paz, 2012: 153).

We are now going to analyse, one by one, each of the forms that the Social Economy Act includes, in order to find their differences regarding co-operatives. The fact that co-operatives are included in social economy does not raise any doubts in Spanish or Italian doctrine, since they are the social economy enterprise and entrepreneur models. Moreover, social economy principles aim to generalise, to an extent, co-operative principles. Nevertheless, this position is not that specific in different countries. In this respect, it is stated that:

the social approach to co-operatives leads to their identification with social enterprises, helped by an erroneous view that co-operatives are (or ought to be) non-profit making" (Birchall, 2011: 14).

Most co-operatives do make profits, and the difference between them and capitalist enterprises is that they distribute the profits on the basis of use of, rather than investment in, the business.

In the second place, we find mutuals. There are important differences between a co-operative and a mutual (Birchall, 2011). The term mutual is usually applied to financial member-owned business; their purpose is to raise funds from their customers in order to provide them with services such as savings and loans, various types of assurance, health insurance, pensions, housing mortgages and so on. Mutuals are closed enterprises where customers become members, while co-operatives often also have dealings with customers who are not members.

In the third place, in the case of foundations, there are not partners who benefit from the foundation's activity. This avoids any confusion with co-operatives. In the fourth place, there are associations with economic activity. Unlike co-operatives, possible profits derived from economic activities must be destined, exclusively to its goal accomplishment. Division of profits between members cannot be considered, neither its transfer to any natural or corporate person with lucrative interest.

Along with social economy company's enumeration, Spanish legislation includes a hypothetical case of a company also situated in this list, without regard to the company form adopted (see section 5.2 in Spanish Social Economy Act). We spoke of singular entities created by specific rules according to social economy principles. All of them, enumerated or hypothetical, can be included under the denomination of a social company.

A social company concept is not uniform or shared across Europe. Through this company, a private entity develops an economic activity of social usefulness or communitarian interest, without any profitable motive, and with general or common interests and goals. By social company, the European Commission (2011) acknowledges those companies whose common social interest is their commercial action, which frequently means a high level of social innovation; whose profits are reinvested mainly in that social goal realisation; and whose organisation model or property system, based on democratic or participative or social justice oriented aspects, reflect their mission. In Europe, the clearest example would be the community interest company, according to the English Companies Act of 2004 and regulated by specific internal rules of 2005 (Fici, 2015).

The corporate model is also being implemented in many states in the United States of America. In other legal systems, however, law considers social companies a special legal category of organisations in which any entity developing a socially useful activity without any profitable motive can be included, without regard of its legal form. This allows a social company to constitute not only in a co-operative, association or foundation form, but also in the form of a mercantile company, provided that this company agrees with the social company requirements. The most relevant example of this type of legislation regarding social companies appears in an Italian act in 2006. This model also adheres to the Finnish Act in 2003 about social companies, among others. Therefore, we need to avoid any confusion and to differentiate capitalist companies from co-operatives.

The possibility of constituting a social company in the form of a capital company (but, without profitable motive, as in Italy, or with limited profitable motive, as in the United Kingdom) means a legal legitimisation of non-democratic social companies, run by capital over partners. As Fici (2015) successfully critiques, these companies can be controlled by one person (or a group of persons), with the ultimate goal being pursued in many occasions through capital companies with social objectives, as a legal framework for the social company.

Once again, democracy in enterprise management will be the parameter to distinguish co-operatives from capital companies and to avoid their legal comparison as companies deserving the same favourable treatment by the legislator. From this perspective, social companies in the form of capital companies are organisations whose identity as a social company, or as a social economy entity is weaker, considering the possible lack of inner democracy. In short, it seems to be a high risk that social companies in form of capital companies can be used as pure marketing strategies. The risk of confusion also seems high between the social company concept and corporate social responsibility, similar to a harmful invasion in the social economy sector by capitalist economy actors and their specific logics (Fici, 2015).

Co-operatives Identity Values

Once co-operatives are delimited within social companies, as well as their differences with other social economy companies, and once the capital companies' confusing approach to co-operatives' principles and values are considered, we should determine which element (or elements) sustains a co-operative's identity in respect of other types of company, capital or social, since that element is what has allowed us to move forward and is to be found among co-operatives' principles and values.

The ICA has been the custodian of co-operative values and principles since 1895, but its Principles have also been integrated into the International Labour Organisation's Recommendation 193/2002 concerning the promotion of co-operatives (Cracogna et al, 2013). The intrinsic co-operative values promoted by the International Co-operative Alliance, those we can qualify as identifiers, allow us to distinguish a corporate entrepreneur from the rest of the entrepreneurs, which would be self-help and democracy, which correspond with a co-operative's typological features. "The rest of the values are present in co-operatives, but they are not

exclusive and they can be argued to be present in other types of company” (Santos, 2014: 264-265). This generalisation regarding the rest of the values causes its degeneration, resulting in a loss of meaning for co-operatives: if there are moral behaviour criteria for any human being, they stop being specific co-operative partners’ behaviour criteria. The same generalisation phenomenon affects co-operative principles, except for democratic participation and, to a certain extent, self-help, since they are universal. This means that they are implicitly and explicitly assumed rules by conventional capitalist companies, apart from co-operative companies. Therefore, we are going to focus on mutuals as a synonym of the self-help and democratic value, in order to discover to what extent they can accomplish a delimiting function of co-operatives regarding other forms of companies, whether they are capital or social companies.

Mutuality as an identity element in co-operatives

Mutuality, or self-help, is a present and constant element in co-operatives. Despite it not being an exclusive one, it can be used to set the boundaries with other types of companies. The European Court of Justice had to face the question of the distinguishing element in co-operatives: Italian co-operatives’ taxation system was in question since they were granted less severe treatment compared to other types of company. In light of grant-in-aids communitarian regulations, the Court had to resolve if this more favourable taxation treatment was in violation of European regulation prohibiting grant-in-aids. According to the Court Resolution (Court of Justice, 2011), co-operative societies conform to particular operating principles which clearly distinguish them from other economic operators. As stated specifically at recital 8 in the preamble to Regulation No 1435/2003, those characteristics essentially find expression in the principle of the primacy of the individual, which is reflected in the specific rules on membership, resignation and expulsion.

Co-operative societies are not managed in the interests of outside investors. According the Communication from the Commission on the promotion of co-operative societies in Europe (EU Commission, 2004), control of co-operatives should be vested equally in members, as reflected in the “one member, one vote” rule. Reserves and assets are therefore commonly held, non-distributable and must be dedicated to the common interests of members. In short, the Court concluded that, as regards the operation of co-operative societies, in the light of the primacy of the individual, their activities should be conducted for the mutual benefit of the members, who are at the same time users, customers or suppliers, so that each member benefits from the co-operative’s activities in accordance with his/her participation in the co-operative and his/her transactions with it.

Co-operative activity results in many cases in its partners’ needs satisfaction. This means that it is a mutual help organisation, a mutuality. As the ICA says in the draft of the *Guidance Notes to the Co-operative Principles* (page 2):

innovation to meet the needs of co-operative members has always been the mother and father of co-operative enterprise and will remain so.

More precisely, a mutuality’s goal consists of two elements (Fici, 2015): the goal of benefiting their partners and the development of a determined activity to achieve that goal; in other words, a company activity with partners in the capacity of consumers of goods or services, provided by the company (consumer co-operative), in the capacity of providers of those goods or services used by the co-operative to develop the company (production co-operative), or in the capacity of workers in the same company (work co-operative).

Co-operatives have a mutual base since their economic activity goal is to satisfy common needs between their partners. However, anonymous or capital companies can also be an instrument to achieve mutual goals. This specific activity with members is a peculiarity of the co-operative legal form that, if accurately understood, contributes significantly to its distinction from capital companies. In capital companies, as in any other profitable motive, the economic activity is just a way to accomplish the entity’s final goals, and it is irrelevant if this activity is developed with

their partners, or if their partners have the right to a better treatment than a third party's non-partners. On the contrary, co-operatives are established and exist to directly satisfy the interests of their consumer/provider/worker-partners.

However, the concept of mutuality or mutual help that we consider is not limited to a closed company that only relates to its members or partners, as it has been argued, due to co-operative historical reasons, for a long time. Mutuality makes reference to their primary goal by co-operative constitution in benefit of co-operative partners, without prejudicing that co-operatives can make operations with third parties non-partners. A co-operative is an open company that can operate with partners and with third parties/non-partners. Its distinguishing feature regarding capitalist companies is the concept of democratic participation, and not mutuality, which is a characteristic that is not included in company legislation about co-operatives.

We suggest that Italian and Spanish doctrines (Paniagua, 1997), until relatively recently, have asserted that the mutuality principle stopped co-operatives providing services to third parties non-partners. In Spain, due to the traditional confusion between co-operativism and mutuality, the idea that co-operatives can only realise a minimum volume of operations with third parties to secure their economic viability is widespread (to the point that it is gathered at a legal level). "This conceptualisation error has resulted in an obstacle for co-operatives to accomplish their real function" (Vargas et al, 2015: 25). It does not correspond with the experiences of contemporary co-operatives. It can even be stated that this position contrasts with co-operativist origins, since the consumer co-operative in Rochdale had exchanges with third party non-partners (Holyoake, 1900); furthermore, and it is not recorded in the co-operative principles postulated by the ICA (Gadea, 2012b).

Nevertheless, the aforementioned conclusion would not be valid in relation to another additional (and more recent) social co-operatives model or social initiative model, that legislators around the world are introducing more and more in their legal systems. Italian social co-operatives — as French common interest co-operatives, Spanish social initiative co-operatives and Portuguese social solidarity co-operatives, to mention some examples — are "pursuing community general interest" instead of their partner's interest. They are not mutual co-operatives, but general interest co-operatives that look for an altruist goal (Arnáez, 2015).

Democracy as identity value in co-operatives

Democratic member participation is the most known characteristic in the business co-operative model, and it is an essential aspect that distinguishes co-operatives from other companies that are property of investors. In this context, it is necessary to preserve democracy as a co-operative value that allows us to distinguish co-operatives from other economic organisations, since, as we have pointed out, the other values, explicitly or implicitly, could be assumed by conventional capitalist companies. A co-operative structure shows democracy as a behavior rule and distinguishing feature regarding the rest of companies. Forms are not enough; there must be a will to have all members participating.

A co-operative's defining element is in constituting a company initiative by a group of people who, despite each partner's capital participation, have a mutual goal to satisfy their needs through the recuperation of a partnership company form and its democratic inner organisation (Gadea, 2008). Besides, democracy is one of those consubstantial values to a co-operatives nature, from a double dimension: internally, where co-operatives' property, control and management is run by its partners in a democratic way; but also externally, where co-operative partners participate in the economy and organise production factors through a company based on the person instead of on the capital. Co-operatives allow their partners a democratic formula with which to participate in the economy and in the company. It is here where the value of democracy stands out, not only in relation to co-operative management and/or participation, but also in its extension to all aspects in a partner's life at a social level and as a member of a wider community.

Citizen democratic participation is not just limited to a political field, but also to economic life. According to Divar (2013: 71), “it is not possible to talk about political democracy while avoiding economic democracy”. Therefore, in order to contribute to democratic participation, and in order to slowly go towards a social and democratic economy, it is necessary to develop company forms based on economic solidarity.

Democracy is a “key value from which other co-operative principles are directly derived” (Somerville, 2007: 8). Democracy implies democratic control by partners, and along with equity, it allows us to distinguish co-operatives from other forms of companies. If we can find a way of doing business that compensates people equitably, we will be able to distribute economic activity profits, avoiding the generation of inequalities. Equitable businesses are democratic and they reduce the need for government intervention to correct inequalities. However, we are warned (Vargas et al, 2015: 36) that “co-operatives cannot be exclusively evaluated on the grounds of a single principle, remarkable as it may be”. Nevertheless, they should be evaluated on the grounds of how they stick to their principles. Certainly, it does not mean that co-operatives are inspired with special moral principles that cover them in an ethical halo, nonexistent in other types of company. It cannot be confirmed that a pure co-operative is one in which placing person over capital, will mean financial aspects pass to the background. As a result, the preferential spot is occupied by partners’ education, community interest, inter-co-operative collaboration or the open door (Santos, 2014).

Democracy includes mainly two principles: the principle of democratic management and the principle of partners’ economic participation. The democratic management principle is, therefore, a principle that enjoys notable importance, especially in first grade co-operatives.¹ It is the main difference with regard to the capitalist company.

Higher levels of worker engagement and more effective decision-making are achieved through worker membership because the distinctively democratic structures fostered by co-operatives enable individual participation to result in real influence within the enterprise through democratically legitimised authority (Mills and Davies, 2013: 8).

A company’s authority distribution and control through democratic procedures is the authentic face of co-operatives. It is the element that identifies co-operatives. However, this guideline is not the only guarantee of a co-operative democratic organisation, and a management that takes into account partners’ co-operative activity also answers to that democratic demand (Münkner, 1974).

This guideline is being undermined by co-operatives’ legal framework when weighted voting is introduced in first grade co-operatives:

The implementation of plural weighted voting, according to the co-operative activity and to other first grade co-operatives, is a recognised option by all autonomic co-operative legislation in Spain, even though it is limited to partner type and the co-operative company class (Buendía, 2000: 10).

Likewise, the practical application of these rights in an equitable way turns out to be, sometimes, a difficult task in large co-operatives (Briscoe and Ward, 2000) or even in second or subsequent grade co-operatives (Gadea, 2008). And it gets even more complicated in international co-operatives, that have themselves truly become multinationals (Errasti, 2004). Furthermore, co-operative companies’ need to access credit has led legislators to regulate for the possibility of making the decision-making proportional to co-operative partners’ subscribed capital as in the case of mixed co-operatives. In these mixed co-operatives, a capitalist partner can have up to 49% of votes in the Assembly (see Spanish Co-operatives Act, 1999 — [https://www.boe.es/buscar/doc.php?id=BOE-A-1999-15681-;](https://www.boe.es/buscar/doc.php?id=BOE-A-1999-15681-) and Euskadi Co-operatives Act, 1993 — <https://www.boe.es/buscar/pdf/2012/BOE-A-2012-2011-consolidado.pdf>). This becomes another distortion of the democratic participation principle.

On the other hand, personal prevalence over capital, latent in democratic value, has been captured in equality of voting rights for all partners: one partner, one vote. This principle was intended to be applied to partners’ economic participation, although, it is not easy in those

associated work co-operatives where market rules put pressure on higher compensation for higher qualified positions. For example, in associated work co-operatives (worker co-operatives) salary differences are not as huge as in capital companies. It is the so-called solidarity payment (see Mondragon principles (6) — www.mondragon-corporation.com). However, this does not prohibit the existence of a relationship that has increased the disparity from 1 to 3, from 1 to 4, or from 1 to 6.5 in between those partners who receive the most from their co-operative operations to those who receive the least (Sempere and García, 2014). Even so, the scale to measure co-operative participation is not determined by the quantity of capital invested. Instead, every person's opinion has the same value, regardless of their capital participation volume. This is another distinguishing element regarding the capitalist company. In short, partners contribute equitably to their co-operative's capital and they manage it in a democratic way, unlike other company forms.

Conclusions

Capital companies' approximation to co-operatives whether through the adoption of behaviour codes inserted in corporate social responsibility or through the voluntary assumption of social economy principles, has caused certain confusion with co-operatives. This confusion has been sought deliberately to take advantage of and reclaim a similar legal treatment to co-operatives. If to this we add the amalgamation of entities included in the social economy along with co-operatives, the perplexity around co-operative identity increases. It is therefore necessary to delimit any element that allows us to distinguish a co-operative against any other entity, whether it is a capital company or a social company.

A distinguishing element could be the mutual feature in co-operatives. This feature has been argued since its origins, and it has been explained by partners' needs satisfaction through the co-operative. In its first understanding, mutuality caused co-operatives to be closed companies that only related with their partners. However, this idea should be explained today as limiting the scope of mutuality to relations between the company and its partners. As a result, co-operatives will be allowed to operate with third party non-partners. This explanation somehow distorts the mutual aspect and forces us to pursue another of co-operatives' distinguishing elements.

Democracy as a co-operative value allows us to distinguish co-operatives from other economic organisations since the other co-operative values, explicitly or implicitly, could be assumed by conventional capitalist companies or other social companies. Co-operative structure captures democracy as a behavioural rule and as distinguishing characteristic in relation to other companies. Democracy includes mainly two principles: the principle of democratic management and the principle of partners' economic participation.

This value, consubstantial to co-operatives nature, unfolds from a double dimension: inside the co-operative, where co-operatives' property, control and management is run by its partners in a democratic way, but also outside the co-operative, where co-operative partners participate in the economy and organise production factors through a company based on the person instead of on the capital. Therefore, the economic participation of co-operative partners produces an authentic democratic society where economic democracy refers to political democracy.

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Note

- 1 There are two grades of co-operatives (sociedad cooperativa) — grade one co-operatives are formed of at least three people; second grade co-operatives are formed of two or more co-operatives.

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