

Social Cooperatives – a Tool for a Prosperous National Economy

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Abstract. *Cooperatives are gaining an increasingly important role in socio-economic development in both developed and developing countries. The article examines the specificity of these organizations. Their main characteristics, similarities and differences with other comparable organizational forms are studied as well. Special emphasis is placed on social cooperatives and their contribution to the social and economic environment. In the last decade, the role of social cooperatives has grown as an alternative solution to social problems of vulnerable groups which the state cannot address effectively due to lack of public resources. A brief comparative analysis of the activities of cooperatives in Bulgaria and Germany has been made, as both countries have long traditions in cooperative movement. The benefits to the national economy are discussed and a new focus for their activities relevant to contemporary economic realities is proposed.*

Keywords: cooperatives, social, disadvantaged people, economic development, socio-economic environment

Introduction

The cooperative idea has a long tradition but has not yet lost its relevance. One of the statistical sources indicates that every farmer is a member of one or more cooperatives. 60% of all artisans, 75% of all retailers, 90% of all bakers and butchers, and over 65% of all self-employed tax consultants belong to cooperatives (Jeon, 2014). The basic ideas of the cooperative, solidarity and equal participation, are increasingly relevant and necessary today. Friedrich Wilhelm Raiffeisen, one of the founders of the cooperative movement in Germany described the nature of cooperatives as "What is not available to the individual, is possible for the majority".

There are quite a few definitions for cooperatives. Olesch (1995) defines a cooperative as "based on free choice, contractually regulated joint work of legally and economically independent enterprises with the aim of increasing their capabilities". Grochla (1972) gives the following formulation for cooperatives - "separated and coordinated implementation of partial tasks by legally and economically independent enterprises", and Nieschlag, Dichtl and Hörschgen (1997) present them as - "free, often contractually regulated joint work of legally and economically independent enterprises with the aim of improving their capabilities".

Competitive pressures on small producers have always existed and date back to the time of industrialization. The main challenges for them are: the working multinational companies; global commercial trade chains; digital transformation and last but not least limited access to public

resources. Cooperation between small producers with similar problems increases the chance of better conditions in the purchase or sale of goods and/or services, through economies of scale that would not be possible if they carried out these activities alone.

Our interest in the topic is dictated by the fact that certain social groups (socially disadvantaged, marginal or those with special needs) have difficult access to public resources. The reasons for this are various: decreasing financing of public funds; administrative burden when implementing targeted projects financed with public finances; specific social needs, which are very difficult to be financially supported with public funds, delayed reaction in providing support for the disadvantaged social groups; exploiting the specific needs of disadvantaged groups for political, economic or other commercial purposes.

The state faces certain difficulties when it has to satisfy all interested groups with a social problem through budget expenditures. This reflects negatively on the provision of a number of social services and their quality. In order to achieve different goals (buying gas, electricity or heat at affordable prices; building and operating public solar installations or biogas systems; solving a certain social problem) these social groups or individuals unite.

Cooperatives have an essential role for social and economic development, but this is not considered extensively in scientific literature and textbooks (Camargo Benavides & Ehrenhard, 2021).

The object of the present study are cooperatives providing social services; creating a sustainable environment through which two types of benefits are generated - economic - a self-sustaining platform that does not need funding as well as implementing an alternative tool to solve a significant social problem of a certain group of individuals, without public support.

The purpose of this work is to examine social cooperatives that effectively improve the quality of life of disadvantaged people on the fringes of society.

To achieve these goals, the following tasks are foreseen: to analyze the cooperatives providing social services in different European countries, as well as other forms of voluntary association; to propose a new focus for their functioning in view of contemporary economic realities.

Literature review

Traditional cooperatives development and characteristics

Traditional cooperatives are perceived as formations of mutual interest, which are mainly focused on the interests of their members and have democratic management¹.

Historically, until the 19th century, all European countries saw a different combination of charity, self-help and public activities aimed at the social sphere; producing goods and services of collective interest and those offering advocacy for the benefit of marginalized members of society.

Robert Owen (1771-1858, Germany) is considered to be the founder of the modern cooperative movement. Germany is viewed as the pioneer of the cooperative agricultural credit movement in the world. Other countries have largely borrowed this practice from the state. Friedrich Raiffeisen and Franz Schulze aided farmers and workers by proposing various methods of resource relief. In 1850, Schulze founded his first credit society to raise funds to be used by its members. As a legal form, cooperatives first appeared in Great Britain in the 19th century. The modern cooperative movement was born as an idea for the transformation of society, and the first

¹ Cooperatives are considered to originate from self-help organizations with the purpose of protecting the purchasing power of workers, finding employment, giving loans to farmers (Ianes, 2020).

organizations focused on food production and farming (Ajates, 2020). In post-war Europe the creation of a common market leads to numerous political changes and the formation of new types of cooperatives. In the 1970s, a new interest emerged in private enterprises with a non-profit and social purpose. For various reasons, the public sector is shrinking, and the space is expanding for other types of organizations that have close roots with cooperation and volunteerism (Ianes, 2020).

In Bulgaria, the first cooperatives were created in the villages as diverse cooperative formations are emerging - for lending, supply, sale and others. Sarov (2021) believes that the first cooperatives established in Bulgaria were borrowed from the Raiffeisen type in Germany. During various periods of Bulgaria's socio-economic development, cooperative principles and practices changed, often due to political influences. Between 1919-1923 there was an expansion of the cooperative movement, because targeted policies were implemented to strengthen cooperative structures (Teplov et al., 2020). After 1944 and a change in the economic system, cooperatives were restructured. They have a new role and become an integral part of the general economy. Despite some specific rules for cooperative organizations, in this period their essence was changed, the democratic foundations and principle of self-governance were neglected. Regardless, cooperatives prove that they have a place in the life of local communities and contribute to a large degree for the socio-economic development of the country (Ignatov, 2020).

Cooperatives often complement their main activity through atypical ones - supply and delivery in a different scope (e.g. local trade systems, fair trade schemes and also informal market networks). These actions demonstrate their potential as an alternative to traditional business (Pansera & Rizzi, 2020).

According to some authors, cooperatives are accepted as a structure that makes a voluntary and/or partial renunciation of its own economic independence. Christa Etter (Etter, 2004) refers to Semlinger (Semlinger, 1989) where cooperatives as a dominant coordination model are defined - "a relatively stable form of interaction in which the satisfaction of mutual expectations and behavior does not necessarily occur through a symmetrical exchange of autonomy and control (or power/dependence)". In reality, it is about autonomy and dependence at the same time. Friese's definition (Friese, 1998) is very appropriate - "cooperatives are voluntarily chosen joint work of legally independent partners (enterprises and/or individuals) who, for the sake of common, coordinated actions, partially give up their economic independence, to be better able to achieve planned organizational goals as opposed to their independent performance."

In terms of their economic sustainability, cooperative structures face several challenges. Calabrese and Falavigna (2024) summarize them as financial dependence on donations and public resources, reliance on the state as the main client, rigid structure, low efficiency of internal control mechanisms, and others. Camargo Benavides & Ehrenhard (2021) point out that the economic stability of cooperatives is an issue on which scientific literature hasn't been unanimous. Some studies claim that they are not as efficient as traditional businesses, others show that cooperatives are becoming more competitive and sustainable.

Christa Etter (Etter, 2004) points out three characteristics of cooperatives: legal and economic partial independence of participating partners; coordinated behavior; successful achievement of goals that would not be possible by acting alone.

The interesting point is in general a constitution of cooperatives does not require a signed contract between the parties.

Social cooperatives - adequate instrument for addressing the social aspects of the economy

The model of social cooperatives offers a new approach involving common interest by seeking benefits for society as a whole and/or for a specific target group, usually in response to unsatisfied social needs in areas such as social assistance, labor integration and/or environmental protection (Etxarri et al., 2018). Some authors assume that these organizations are innovative structures that support social change and social welfare (Calabrese & Falavigna, 2024).

According to Calabrese and Falavigna (2024), social cooperatives aim to serve a very wide range of community interests and are composed of different categories of stakeholders (workers, suppliers, local businesses, consumers, other non-profit organizations, etc.), which is why they are called multi-stakeholder enterprises, while in other cooperative forms the social base consists primarily of homogeneous categories of members. Borzaga et al. (2014) presents social cooperatives as enterprises whose role is to work for the good of the community, to promote employment, personal development and social integration of people with special needs (representatives of vulnerable groups, disadvantaged) by providing social and educational services. Social cooperatives could be divided in two general groups: those that address a social problem and those that integrate disadvantaged people in the labor market (Borzaga, 1996).

They work effectively in all sectors of the economy and society, providing social, cultural, health and educational services in addition to generating wealth (Daniel et al., 2023). Many authors argue that social cooperatives place a strong emphasis on sustainability, ethical business practices, and social and environmental impacts. Pansera and Rizzi (2020) support the idea that such social enterprises are targeting more and more areas, including environmental protection, and are committed to an ecological approach.

Egorov et al. (2022) argues that social cooperatives have expanded their activities in recent years and present their specific place in the system of economic relations.

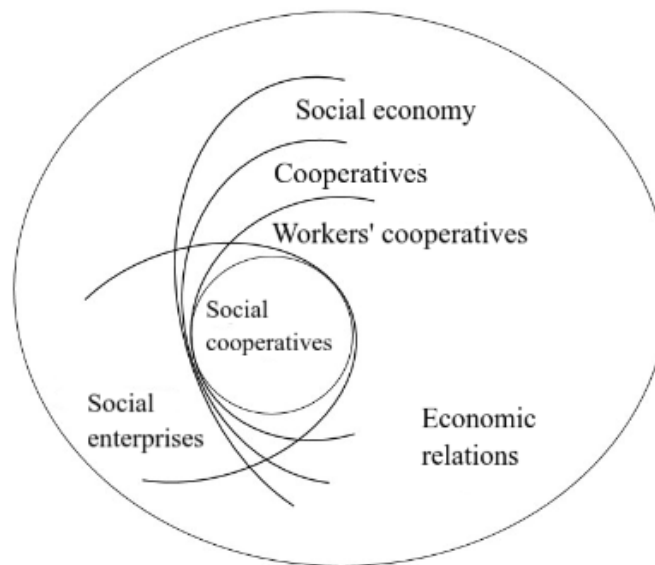


Figure 1. The place of social cooperatives in the system of economic relations

Source: Egorov et al., 2022.

One of the features that the authors consider is that social cooperatives operate in areas that are not focused on profit and where provision of social services is limited.

These structures simultaneously affect a certain type of service and the labor market and thus contribute to the reduction of poverty; increase in employment, including disadvantaged people; reducing inequality (Calabrese & Falavigna, 2024). Their role cannot be limited to economic profit, but also includes the social capital and economic ties that are created between their members (Zimnoch & Mazur, 2019). Camargo Benavides and Ehrenhard (2021) show that cooperatives make a significant contribution to reducing unemployment and present them as a suitable lever for improving social and economic development. In essence, they assist the state in the implementation of its public policies and tasks.

The development of cooperatives shows an upward trend and contributes to socio-economic stability (Zimnoch & Mazur, 2019), including the development of social cooperatives, on which this article focuses.

Methodology

The article examines the nature and influence of social cooperatives, which effectively contribute to improving the quality of life of disadvantaged people. In parallel, other forms of voluntary association are analyzed in order to understand the specificity of social cooperative mission. The evolution of cooperative structures has been followed considering their fields of activity and tasks; as well as the specific indicators related to the social economy (members, social mission, management, participation in community development). The article seeks an explanation of the cooperative phenomenon in a social aspect and its importance for the national economy.

The study applies a descriptive research method to analyze cooperatives and more specifically the social ones. This approach helps to establish their main characteristics and role for disadvantaged groups. The exploration includes a review and analysis of research literature, a comparative analysis of the main characteristics of cooperatives and other forms of voluntary association, in order to recognize their strengths and how they can be used most effectively to improve the social and economic environment. A deductive approach to data processing has applied. Various regulatory documents and the practices of the cooperatives based on them were studied and analyzed.

To assess the impact of social cooperatives on a national scale, the main activities of existing cooperatives and their adequacy in relation to the dynamic economic and social context are analyzed. As a next step, the social aspects on which cooperatives could concentrate are outlined.

The development and activities of cooperatives in various European countries are studied, with an emphasis on Germany and Bulgaria. Bulgaria is one of the few countries, like Germany, in which cooperative structures were created at the end of the 19th century. Moreover, Bulgarian legislation was transposed nearly in full scope from Germany. The choice of Germany was dictated by another reason as well. The cooperative movement in the country not only has a long tradition, but also an undisputed success, because the social benefits and support from local and federal authorities to social cooperatives is tangible. In Bulgaria, regardless of the long history of cooperatives, which has, however, gone through various forms given the change of the economic and political systems, the presence of social cooperatives is not so massive and local authorities does not provide adequate support. The close historical background, normative base, but different implementation provokes us to compare the practices in the two countries and to establish what are the barriers in Bulgaria for the wide spread of social cooperatives. There are certain similarities in the social challenges such as the similar demographic situation in Bulgaria and Germany - aging populations; increasing financial burden for social payments and recent paradox of steady

unemployment in parallel with deficit of labor force in some industrial sectors. In addition, Germany is one of Bulgaria's most sustainable economic partners and the adoption of good practices is strongly recommendable.

In the present work, we will not examine in detail the legal basis for the creation of these structures. The reference to legal texts in the work aims to illustrate the current state of these formations in order to accept or reject the assumptions made in the paper.

This theoretical approach will allow conclusions to be drawn regarding the role of social cooperatives and their importance for the national economy.

Results and discussions

The nature of cooperatives

Cooperatives as a legal form have a long history. In Germany, the emergence of the cooperative idea is associated with Friedrich Wilhelm Raiffeisen and Hermann Schulze-Delich. More than 160 years ago, they independently founded the first cooperatives in the field of agriculture and crafts.

In 1863, the first credit cooperative society in Bulgaria was established. The first Bulgarian cooperative was formed on October 26, 1890, in the village of Mirkovo (on a global scale, the first cooperative in the world was instituted in 1844 in Rochdale, England.) The first law on cooperatives in Bulgaria was created in 1907, and in 1902 - the Bulgarian cooperative movement joined the International Cooperative Union. Over the years, the law has been changed several times as a result of the political agenda of the governors - in 1948, 1953, and 1983.

The first similar law in Germany was created in 1867, by Hermann Schulze-Delish in Prussia (Brende).

In 1868 the Prussian Cooperative Law was adopted with several changes by the provinces of the North German Confederation. After the founding of the German Empire in 1871, it was made an imperial law. In 1889 a revised form was adopted as the "Reich Law on Employment and Economic Cooperatives", the main features of which remain in force to this day, despite several additional amendments.

Bulgarian legislation follows the German one until the beginning of the era of socialism where the mission and principal of cooperatives have been changed substantially. It is evident the amendments in German legislation are seldom and cooperative structures function in friendly milieu, while the changes in Bulgarian legislation during the last century are frequent and thus do not create conditions for steady work.

The Cooperatives Act in Germany defines a cooperative as "a society with open membership whose purpose is to acquire or manage its property, to promote the members or their social or cultural interests through joint business operations" (Art. 1). The entire text of paragraph 1 reads "Companies with open membership, the purpose of which is to promote the creation of a business or the economic activity of its members or their social or cultural interests through joint economic operations (cooperatives), acquire the rights of a "registered cooperative" in accordance with this law" (Bundestag, 2024). In the Bulgarian version of the law, the text is almost identical: "A cooperative is an association of natural persons with variable capital and with a variable number of members who, through mutual aid and cooperation, carry out commercial activities to satisfy their economic, social and cultural interests". The cooperative is a legal entity. These formations are the predecessors of today's structures "Volks - und Raiffeisenbanken". Credit or loan associations were created to provide economically disadvantaged groups with access to loan funds through voluntary cooperation. Thus, the basis for the establishment of cooperative banks is laid.

With around 17.9 million members, cooperative banks are the largest cooperative group in Germany (Raiffeisenbank).

Traditional cooperatives almost everywhere presuppose the presence of credit cooperatives, agricultural cooperatives; buying and selling cooperatives; for trades and crafts as well as housing associations.

In Germany, housing cooperatives with 3.2 million members manage about 10% of rental apartments (Jeon, 2014). And all cooperatives whose members are not the companies themselves, but individual households (e.g. consumer and housing cooperatives), are not included in the antitrust prohibition, which bans association for the purpose of limiting or circumventing competition in the market. The tradition of housing cooperatives in Bulgaria dates back to 1920, and as a special type of structure, they are regulated by a separate law - the Law on Housing Construction Cooperatives. An important feature is that they were created with the sole purpose of constructing the building and cease to exist as soon as it is completed, and all members of the cooperative enter possession of their own homes. In order to stimulate participation in such cooperatives, it is recommended to update the law to meet modern requirements (World Bank, 2017).

The main characteristic of cooperatives is confidence in one's own strength, expressed through the principles of self-help, self-responsibility, and self-management. This principle applies to all types of cooperatives and to especially to social cooperatives. In practice, this means that its members provide capital for development and participate in all important decisions that are in line with the purpose of the organisation. The principle of self-help means that, with the help of a cooperative, consisting of natural persons with similar economic, social or cultural interests, they can unite forces and jointly carry out tasks that a single individual would hardly be able to perform or achieve alone. Self-management and self-responsibility imply that each cooperative is autonomous, i.e. is self-directed and responsible for his own actions. The personal commitment of the members and the related self-interest accompanied by the solidarity of the participants are the driving force behind the cooperative thinking. Cooperatives work on the basis of a secure legal framework, which, on the one hand, guarantees the entrepreneurial initiative for each partner, and on the other, guarantees to a certain extent the prospect of success.

We can argue that cooperatives are a form of self-help that is economically self-sustaining. Through its independent economic activity built on the basis of trust and sharing a common goal, the members of the cooperative are not dependent on state subsidies and investors, who are exclusively profit-oriented. The market pressure for efficiency, due to the existing competition, together with a lack of state support and invested own funds, forces the cooperative members to look for sustainable financial forms, without which they would not exist. This allows non-members to find solutions addressing their needs - economic or social. Voluntarily shared common goal can to a large extent extinguish the occurrence of information asymmetry between co-operators and thus eliminate its negative impact on cooperative relations. These types of information asymmetry are classified in two dimensions (Alparslan, 2006), according to their manifestation in the relationship between the principal and the agent.

1. Personal dimension – information asymmetry is an uneven distribution of information between at least two individuals. From the principal - agent point of view, the issue of which party is better informed is of great importance. We can assume that each party at some stage of the relationship is better informed, but in the long run the agent is undeniably in a better position regarding access to information.

2. Content dimension – shows what information is unevenly distributed between the principal and the agent. In addition to information about the agent's actions and the influence of external factors, this could also be information about the agent's abilities.

The form of self-help correlates to a certain extent to the theory of methodological individualism which explains collective phenomena through the individual actions of the persons concerned. All properties attributed to social systems (groups, societies, family businesses, etc.) should be explained by the individual characteristics and behavior of those involved. In particular, according to methodological individualism, only individuals can be assigned intentions and goals. For example, there are no company goals or strategies, only individual goals and strategies of people in companies. Whoever wants to impose his goal must rely on the possibly opposing goals of others. What preferences people typically have and how people arrive at their preferences are left out of the model just as much as the question of preference estimation and information processing problems (Göbel, 2021). Uncertainty is a factor that influences behavior, and hence relationships, and can lead to a change in the outcome of an agent's actions. The theory distinguishes two types of uncertainty: parametric uncertainty and behavioral uncertainty (Ebers, 1999). Parametric uncertainty is the uncertainty about future states of the environment and their impact on transactions and on the relationship between cooperative members. Because of their bounded rationality, participants are unable to foresee future states of the environment and reflect them appropriately in the cooperative contract. Behavioral uncertainty is due to the possible opportunistic behavior of the parties to the contract, aided by the existing information asymmetry (the different awareness and knowledge possessed by the individual participants). Behavioral uncertainty is relevant only if parametric uncertainty exists. Otherwise, the contracts can be concluded while respecting all the conditions of the changing environment.

The great advantage of the established form of self-help is that individuals can generate their own solutions aimed at their needs and/or solve pressing social needs.

A main focus in the work of cooperatives is the support of their members in achieving a common goal. This goal is realized through the structural principles of self-help, self-management and self-responsibility, on which the cooperative is based. Therefore, the members of the cooperative are decision-makers, business partners and investors at the same time. This is another important criterion for distinguishing it from other legal forms.

United by this so-called "principle of identity", member cooperatives have two functions: they are both creators and users at the same time. This special function motivates them to achieve a higher level of commitment and strengthens the identity with the organization, while at the same time demanding a higher level of responsibility and entrepreneurial know-how.

The mutual support of the members (the so-called principle of support) is not only an essential characteristic of the cooperative, but also an advantage compared to many other legal forms of organization. Because their focus is not on increasing the capital of the investors or the profit of the holding structure. Rather, the added value directly benefits the members, which is the purpose of the cooperative. This form is designed to utilize and balance the different skills and financial resources of members in such a way that ideally each member gains a financial and/or intangible advantage.

Another of their main characteristics is that the right of members to directly determine the actions of the cooperative on an equal footing. This means that each member - regardless of the capital shares contributed - has the same voting rights (the so-called democratic principle). Therefore, cooperatives are associations of citizens that are suitable for solving tasks with conflicting interests. This way of participating in decision-making can certainly also be challenging

for members. Without a detailed and clearly formulated statute of the cooperative, for the way of decision-making, a number of difficulties may arise, hindering the joint work.

Specific to cooperatives is the simplified way of entering and leaving the organization. The cooperative is not bound by the number of members that compose it, as long as there are at least seven co-operators. According to the German law, the minimum number of members can be three persons (Bundestag, 2024). Bulgarian law requires at least seven people to join together to form a cooperative (Law on Cooperatives).

Their specificity can also be attributed to the lack of minimum capital of the cooperative. There is no legal requirement for a minimum threshold when establishing the entity. At the same time, liability is limited to the size of the cooperative's assets.

For example, in Germany, for the security of members and financing banks, cooperatives are required to have an auditing company, regardless of whether they meet the conditions for a mandatory audit. This is a prerequisite for the high security of the company's accounts and shows responsibility towards the members. Bulgarian law also mandates an audit of the accounting documentation, but it is executed every three years.

Cooperatives vs other organizational forms

If we compare the main features of the large group of cooperative formations with other organizational forms, we find the following:

A. Interorganizational networks – they have similar characteristics to cooperatives. Networks have some of the main features of the two organizational types – market and hierarchical. The scope of networks includes functional specialization and market pressure for efficiency as characteristics of the "market", as well as trust and informational integration as characteristics of the "hierarchy". The same features are observed in cooperatives.

B. Commercial companies and associations

Unlike a limited or a joint-stock company, where the right to vote is based on the invested capital, the Law on cooperatives gives each member, regardless of the capital participation, the right to one vote. Cooperatives are not required to have a certain minimum capital at their establishment but may provide for such in the articles of association. They are obliged to present to the Registration Court evidence that the raised equity capital is sufficient for the pursued purpose. Notarization of the foundation is not required, thus saving notary fees.

The members of the cooperative fill the board of directors and the supervisory board from among their members, because they apply the principle of self-management. This ensures that the promotional interests of the members remain at the center of the cooperative's policy. This approach, also known as the funding mandate, is set out in Section 1 of the In Bulgarian law. Members of cooperatives have the right to information and control, as in other legal forms. Each member-cooperator has the right to request a financial audit from the independent financial audit at his own expense.

Of the two types of structures, cooperatives are closer to interorganizational networks.

Cooperative structures differ from other forms of association - like non-profit associations, although they share quite a few similar features. Associations usually have a non-commercial purpose and are created with the goal to achieve a certain cause. The main difference between them is the formation of the capital, which in the case of cooperatives aims to support the participants, and in the case of non-profit associations aims to support the purpose for which they were established. As with cooperatives, there is no legal requirement for minimum capital in associations, in contrast to limited and joint-stock companies, which have such requirement. In the

case of cooperatives and associations, capital does not have a guarantee function, but both structures can form a capital base. For example, in order to activate his membership, each new member must make his capital contribution, which is determined by the general assembly of the cooperative. Another distinctive feature is that changes in the number of members do not lead to its termination or complex transformation procedures. The departure of one of the members or his replacement is a common practice in cooperatives. Unlike capital companies, each member, regardless of the contributed capital, has the right to only one vote when making decisions in the general assembly (democratic principle). While in capital companies the members can be both natural and legal persons, in cooperatives, they are only natural persons. A comparison of cooperatives and other organizational forms is summarized in table 1.

Table 1: Cooperatives and other organizational forms – main characteristics

Main characteristics	Cooperative	Non-profit association	Capital companies
Aim	Social purpose (including educational and cultural); commercial	Non-commercial	Commercial; non-commercial
Minimum capital	No	No	Yes
Limited liability of members	Yes	Yes	Yes
Limited number of participants	No	No	Yes
One-vote in decision making	Yes	Yes	No

Source: Authors' own contribution.

Social cooperatives - specific characteristics

Social cooperatives are a form of manifestation of active civic mindedness and provide space for personal initiative and individual ideas. They are a relatively new form of organized civic and entrepreneurial self-help. They can offer possible solutions in various social areas, building or maintaining cultural monuments that are particularly significant for local communities, maintaining residential neighborhoods, producing and selling green energy, farm shops, nurseries and gardens or structures for the ones in need of care or for people with disabilities. They have their place within the market economy, being very suitable in areas such as: ecological agriculture and direct marketing to consumers; environmentally friendly use of resources; healthcare; and various forms of self-help. The latter can be autonomous - to create and provide jobs for vulnerable social groups, or hybrid, working with external help (public-private partnership). Social cooperatives are recognized as a separate legal entity in several European countries except Germany, such as Italy, Spain, Portugal, Poland, Hungary, Greece.

The creation of a social cooperative is the most suitable structure when a project needs to be launched to solve specific needs related to more significant investments, and there are no available public social programs or running costs cannot be covered by just one person but requires the efforts of more people. In Bulgarian law, the concept of social cooperative does not exist, but such is considered within the scope of cooperative structures. However, cooperatives with the participation of people with disabilities are mentioned in another law - the Law on corporate income taxation (art. 178, para. 1) and in the Law on people with disabilities (art. 48).

Social cooperatives support their members, in addition to the "regular" ones, there are also voluntary members who work on a voluntary basis, and there are also members who, due to their need or disadvantage, are users of the services that the cooperative offers. This type of cooperatives prevents the unregulated participation of volunteers, which can threaten the quality of social services provided.

The solidarity orientation to "public benefit" applies to all social cooperatives, as their goal is to promote the general interest of society and the social integration of citizens.

Cooperatives for social solidarity are characterized by the fact that they also carry out their activities in the interest of non-members. Thus, for the first time, solidarity, i.e. entrepreneurial solidarity is oriented towards the interests of a broad social environment. This would bring additional benefit to the activity of cooperatives added to their traditional nature. They can function in a wide range of social areas - education and culture, sports and leisure, etc. They can also address different types of social interests.

Other established legal forms of association are not recommended because they have business elements. Rather, it is necessary for the legislator to distinguish social solidarity cooperatives as an entrepreneurial organized form and to provide a regulatory framework for them.

Cooperatives for social services with a close or similar focus

The term "integrated production-labor cooperative" is used alongside that of "social service cooperative". Information about them appears in two partially opposite aspects of the cooperative movement. For proponents of Christian social engagement, those social enterprises that combine the active engagement of citizens for the benefit of the community deserve recognition as well as support and protection. Their ability to combine the voluntary social commitment of members with business functions to form structured social enterprises and put them at the service of collective needs makes them true social cooperatives aimed at the entire local community, especially seen through the lens of the cooperative association Confcooperative.

Another approach to this type of cooperatives looks at "democratically self-governing integrated worker cooperatives", which are member-oriented cooperative companies in which disadvantaged people are at least half of the membership. This type of cooperatives realizes its social goals through reintegration by providing opportunities to work in the organisation.

In the specialized literature on the subject, other categories of social cooperatives can be found, such as:

a) social solidarity cooperatives; which aim to promote individuals, as well as the integration of socially disadvantaged people², who can be members and non-members. The financing of this type of cooperative could be carried out through the rational use of available human and material resources. The text "Cooperative for Social Solidarity" must be present in its name. Changes to the articles of association that may change the main objectives of the company are not allowed, the distribution of profit and the distribution of reserves are not allowed as well.

b) production and labor cooperatives; which aim at the permanent integration of people with physical, mental and sensory disabilities into the work process, as well as the temporary integration of other people from the target groups that must be introduced into the work environment. At least thirty percent of paid working members must have a permanent two-thirds reduction in their working capacity. The integration process is carried out on the recommendation

²Socially disadvantaged are those people who, for objective or subjective reasons, cannot achieve positive integration in the society in which they live, without appropriate help from a physical, psychological, family, cultural, professional and economic point of view, as well as for reasons of age and generally everyone who needs social support or special care.

of the social services to the municipalities, with whom the cooperative must also agree on the integration measures, which cannot last more than three years. The text "integrated production and labor cooperative" should be present in the name of the company.

c) cooperatives for social services; which purpose is to provide social services to persons who "for objective or subjective reasons do not have a positive integration in the society in which they live, do not receive adequate help (physical, psychological, family, cultural, professional and economic). The need for care is very broadly defined, even affecting assistance due to old age. The members of the social service cooperative must have professional knowledge that corresponds to its statutory activity. This type of cooperatives must cooperate with public authorities responsible for social services.

They all have one cause of providing social assistance and services to people with special needs - physical or mental.

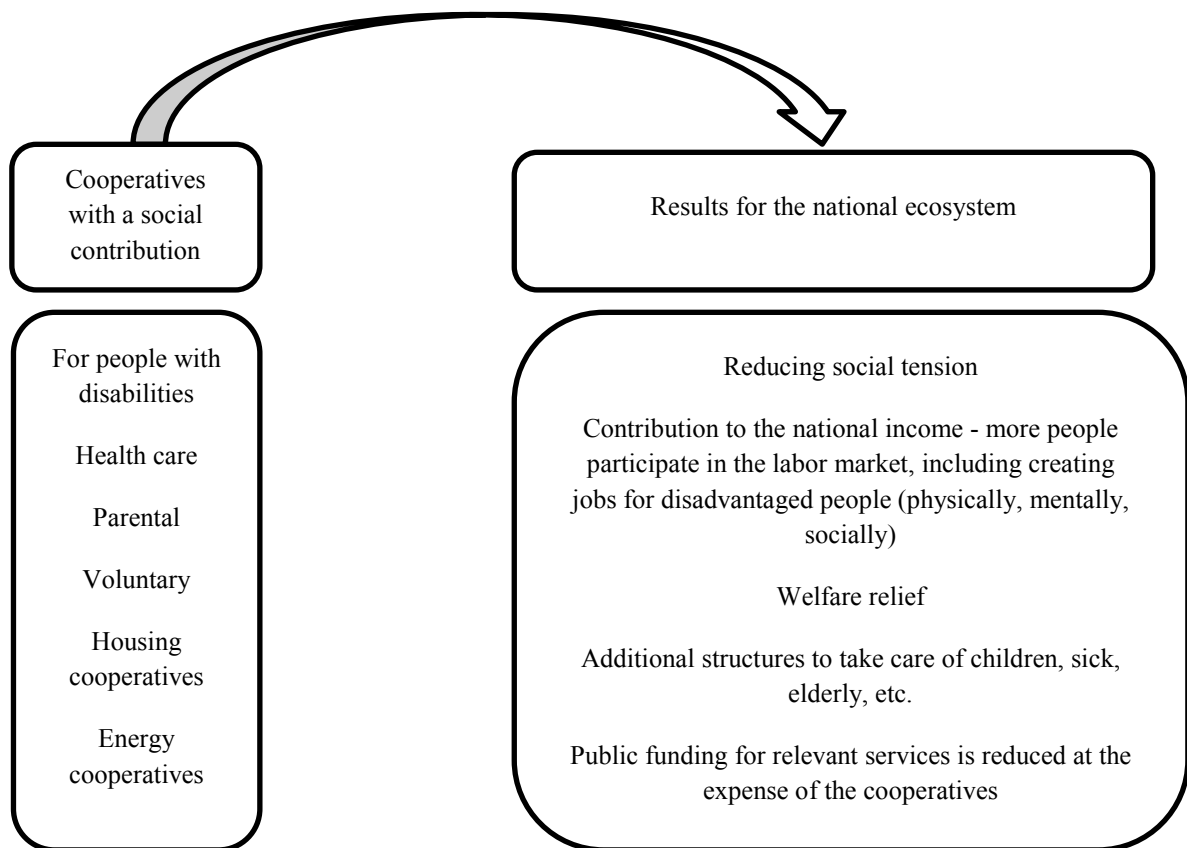


Figure 2. Economic benefits of cooperatives with social contribution

Source: Authors' own research.

There is a social aspect to different types of cooperatives, for example energy cooperatives work to reduce energy poverty; housing cooperatives are involved in urban development in supporting young families or certain marginalized groups such as minority communities, migrants. Parent cooperatives are also a social structure - a community of families who share common values and views that unite them and provide care for children.

A specific benefit of cooperatives in the social sphere is the absence of the need to generate profit in order to reproduce and sustain their functioning. These entities do not strive to maximize

profit, despite being part of the market economy. The main task is to support members of the cooperative. At the same time as shown on figure 2 they impact positively national economies.

Based on an analysis of the specific goals of social cooperatives, new activities relevant to the dynamic processes of the social and economic environment can be proposed:

- Expanding the principle of self-help, creating and securing jobs through the redesign of existing structures; or provision of low-paid specific services for the high-tech sector.
- A new reading of the priority areas of intervention - ecological agriculture and directed marketing to consumers; environmentally friendly use of resources, health care.
- Building hybrid structures for the benefit of society, combined with external support.

Conclusion

Cooperatives now hold considerable market share in various industries throughout Europe, including agriculture with biggest participation of the Netherlands, Finland, and Italy; forestry and retail with strong inclusion from Sweden and Finland; banking - France, Finland, Germany, Austria; health care with strong presence of representatives of Spain and Belgium. Official data from European Commission states that there are 250,000 cooperatives in the EU, with 163 million citizens as members and employing 5.4 million people.

Cooperatives have been recognized for decades as an organizational form that can address socio-economic problems, respond to societal needs, and overcome market failures. Scholars agree that the cooperative model contains elements of social entrepreneurship, social enterprises, and hybrid organizations. The importance of cooperatives is significant to improving the living and working conditions, as well as providing basic infrastructure and services in areas neglected by the state and investor-led enterprises.

Their principles and value system enable them to work in a different way, without focusing on capital interests, but on the interests of their members as users of the respective cooperative service.

Reviewing different types of cooperative structures and their main goals for the benefit of the individual, the need for cooperatives that will realize the social integration of disadvantaged people through employment measures is clearly identified and recognized. They intervened a massive target group including people with physical and mental disabilities and behavioral problems, in some cases 100% unable to work. Their remuneration could be determined by the cooperative general assembly and be exempt from social security contributions.

The benefits of cooperative structures can be summarized as a type of cooperation of interested persons that are legally independent for the purpose of more efficient management (less risk and lower costs) without violating market principles. With them, there is a pronounced resource dependence between the partners, but a common base of available specific knowledge, skills and competencies of the participants.

Cooperatives do not have a public mandate; however, their activities often have positive externalities that can lead to efficiencies that benefit society.

Many European countries distinguish social cooperatives as legal form and there are national and EU policies implemented to support them. Although there are countries, for example in Central Europe, where conditions are not favorable, considering legal framework, tradition in cooperative movement and supporting policies, these factors do not entirely restrict their development (Civinskas et al., 2023).

In both Bulgaria and Germany cooperatives with social contribution are active. While in the latter social cooperatives are recognized as a separate structure and more adequately supported,

in both countries such organizations provide social services and alleviate public expenditure. While in Germany these structures operate in steady manner thanks to sustainable legislation, traditional practices, and political understanding and support, in Bulgaria there is a risk in respect of sustained functioning as a result of high cooperative culture deficit; inconsistent political support and a tendency towards opportunistic behavior.

In conclusion, it can be argued that social cooperatives will significantly contribute to the improvement of some economic parameters - national income, reduction of unemployment, upgrading of the service sector; substantial improvement of the social environment and inclusiveness.

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