ROCHDALE PRINCIPLES - THE CATALYST FOR THE FUNCTIONING AND INDIVIDUALIZATION OF COOPERATIVE SOCIETIES

Abstract. Since their first appearance, cooperatives have proved to be a viable alternative to promoting the legitimate interests of disadvantaged groups of the population, such as rural ones, refugees, immigrants, the unemployed, the elderly or the disabled, who have discovered in cooperatives the means needed to improve their own material situation. The founders of cooperative society formulated some principles of activity for the administration of the cooperative. Today these principles are known as the famous Rochdale Principles, which have so far been the basis for the development and expansion of the global cooperative movement, becoming, in fact, the prototype of cooperative societies.

Keywords: Rochdale principles, characteristics, prototype, cooperation, cooperatives.

1. Introduction

The Cooperative Society concept was first formulated by George Holyoke in the middle of the 19th century He drew attention to two characteristics specific to cooperatives [Pajitnov K., 2017]:

1. lack of profit as the main purpose of their activity;
2. distribution of profits on the basis of the economic ownership of the members of the company in its business.

In particular, these specific characteristics have also distinguished cooperatives from other subjects of entrepreneurship.

2. Discussion and materials
In 1844, inspired by the ideas of Robert Owen and William King, 28 textile workers with an initial investment of £28 were founded in Rochdale (Lancashire, UK) the first modern Rochdale Society of Equitable Pioneers (The Rochdale Society of the Fair Pioneers), which successfully worked until 1991.

Knowing the failed attempts in the past, the founders of this cooperative society formulated some principles of activity for the administration of the cooperative.

Today these principles are known as the famous Rochdale Principles, which have so far been the basis for the development and expansion of the global cooperative movement, becoming, in fact, the prototype of cooperative societies.

The setting up of this cooperative societies was due to the Industrial Revolution, which introduced the mechanization into the production at large. The mechanization in turn reduces the amount of wage gains and even the reduction of workers' jobs, which in the end causes poverty.

In order to minimize this negative phenomenon, these 28 textile workers decided to join efforts to set up their own shop where food products could not be bought by them in ordinary shops, the reason being their high costs.

The Cooperative's activity based on the Rochdale Principles has produced a phenomenal, successful result, and also generated dividends. Only in a period of four months cooperative shop it accumulated profits in the amount of 1 pound sterling, to the investment of 28 pounds (1 pound sterling of that period would constitute in the 20s of the XXI century the equivalent of about 127 US dollars) [Brett F., 1994], representing a fairly good result in entrepreneurial activity.

On December 21, 1844 the store started its activity with a list of minimum products: butter, sugar, flour, oat flakes, a few candles. Within three months, the list of products has been extended and the store is then known as a supplier of high quality, unaltered products. By 1900, the British co-operation movement has increased to 1439 cooperatives covering almost all areas of the United Kingdom.

3. Rochdale Principles of Cooperation

The current versions of the 7 Rochdale Principles of Cooperation were formally adopted by the International Co-operative Alliance (International Co-operative Alliance - ICA) in 1995 as an integral part of the Declaration on the Co-
operative identity (Statement on the Co-operative Identity) [ICA, 2018]:

1. **Membership is voluntary and open** – cooperatives are voluntary organizations, open to all people who are able to use their services and who wants to accept their responsibilities, without discrimination of gender, social, racial, political or religious nature.

2. **Democratic scrutiny of members** – cooperatives are democratic organizations controlled by their members, which actively participate in policy making and decision-making. All those who act as elected representatives are accountable to the members of the cooperatives. In primary cooperatives, members have equal voting rights (one Member – one vote) and cooperatives at other levels are organized democratically.

3. **Economic participation of members** – members contribute fairly to the formation and democratic control of cooperative capital. At least part of that capital is usually the joint ownership of the cooperative. Members can usually receive limited compensation if there are appropriate rules on cooperative membership. Members shall allocate additional sources for the following purposes: developing the cooperative, possibly by establishing reserves, of which at least part would be indivisible, benefiting members directly in proportion to the transactions entered into with the cooperative, supporting other activities approved by the members.

4. **Autonomy and independence** – cooperatives are autonomous, self-help organizations, controlled only by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they shall do so under conditions which ensure democratic scrutiny by their members and maintain their autonomy of cooperation.

5. **Education, training and information** – cooperatives offer education and training to their members, elected officials, managers and employees so that they can contribute effectively to the development of the cooperative. They shall inform the general public, in particular young people and opinion leaders, of the nature and benefits of the cooperation.

6. **Cooperation between cooperatives** – cooperatives serve their members most
effectively and strengthen the cooperative movement by working with local, national, regional and international structures.

7. **Concern for the community** – cooperatives work for the sustainable development of their communities, promoting policies approved by their members.

On the basis of *these Rochdale Principles of Cooperation*, cooperatives have been formed gradually over more than 140 years by the merger of many independant retail companies, as well as wholesale companies and federations.

In 1863, twenty years after the *Cooperative Rochdale Societz of Equitable Pioneers* was successfully founded, more than 300 cooperatives were found in northern England in the municipalities of Yorkshire and Lancashire.

5. **Functional features of Cooperative societies**

An analysis of scientific literature shows that, generally, *the cooperative movement* finds its expression through *four functional features*:

1. flexibility or ability to adapt to the needs of others;
2. considering or willing to take into account the needs and feelings of others;
3. exchange of information;
4. joint problem solving.

The first two features are considered to be of an emotional nature, as they relate more to the feeling and the latter two more to the cognitive nature (knowledge), as they relate to a rationalization effort.

5. **Conclusion**

So, as we have seen, Europe is the cradle of *cooperative action*. In many EU Member States, cooperatives have a significant market share in basic economic sectors, especially in the primary and tertiary sectors.

The Commission of the European Union has published a Communication *on the promotion of cooperatives in Europe* to the European Parliament, the European Economic and Social Committee and the Committee of the Regions, informing that more than 300 thousand cooperatives with more than 140 million members are in the Member States of the European Union [CEC, 2004].

At present, the market share of the agricultural cooperative is 83% in Norway, 79% in Finland, 55% in Italy.
In the forestry sector cooperatives hold 60% of the market in Sweden and 31% of the market in Finland.

In the tertiary system, cooperatives have over 50% of the banking market in France, 35% of Finland, 31% of Austria and 21% of Germany.

Consumer cooperatives have a market share of 35.5% in Finland and 20% in Sweden. In the field of health and distribution of medicines cooperatives hold 21% of the Spanish market and 18% of the Belgian market.

The cooperative legislation in the countries of the European Union is a specific way of translating into life the values and principles governing this social and economic system. The multitude and complexity of this type of activity has also led to different regulations in different countries, depending on the cooperative tradition and the problems they face.

The same considerations have led to the idea of establishing a unified organization of the global cooperative movement. Thus, bringing together more than 230 central organizations, from more than a hundred countries, International Cooperative Alliance represents giant no.1 of the world, which has a non-governmental, apolitical, non-religious and non-racial character. Founded in 1895, it is, as a seniority, the second non-governmental organization in the world, after International Red Cross.

As a specialized organization of International Cooperative Alliance, International Committee of Cooperatives of Industrial and Artisanal Production and Services it brings together 77 central cooperative organizations from 51 countries totaling almost 100 million people and includes production cooperatives in the most different fields: construction, industrial production, General Services, transport, Design activities, craft activities, etc.

6. Conclusions

Currently, France leads in terms of the number of people who have cooperative membership, with more than 26 million members of French cooperative enterprises, compared to Germany (22.2 million), Nederland (16.9 million), United Kingdom (14.9 million) and Italy (12.6 million).

About 40% of the French population are members of a cooperative. With more
than 1.2 million employees in cooperative enterprises, France is also in 1st place ahead of Italy (1.1 million), Germany (860,000), Poland (300,000) and Spain (290,221). Finally, France is the first country with turnover exceeding 307 billion euros, ahead of Germany (€195 billion), Italy (€150 billion) and Nederland (€81 billion).

At the moment, the largest European cooperative is *Mondragon Corporacion* (it consists of 98 cooperatives, 143 branches, 8 local foundations, an internal network covering 10 states and 7 international services, divided into four areas: finance, industry, distribution and education, with over 80 thousand employees.) in Spain, which includes companies from various sectors of the economy, such as: mechanical engineering, the automotive industry, household appliances, the construction industry, retail (supermarket network), banks and insurance companies.

**References:**
4. Commission of the European Communities: *Communication from the Commission to the European Parliament, the European*