Expanded abstract

The impact of the covid-19 crisis on cooperatives and worker-owned firms in Spain in 2020: a sectorial shift-share analysis

Objectives

On the 11th of March 2020, the Director-General of the World Health Organization (WHO) declared the outbreak of a pandemic due to covid-19. In Spain, on the 14th of March of the same year, the government declared a state of alarm to contain the spread of infections and this involved placing severe restrictions on mobility. Hence, between the 11th of March and the 4th of May, only the essential economic activity or carried out online or in isolation was allowed. This effectively paralyzed many sectors within the Spanish economy. From this date on, de-escalation has been gradual and significant restrictions to mobility have remained, making it impossible for certain sectors to fully restart their respective economic activities. The situation has been much the same throughout the world and this has provoked a global economic crisis whose impacts have been more or less prejudicial depending on the region, the sector and the type of business.

A priori, there are at least three reasons why the role of the Social Economy in this crisis is a worthy object of analysis. Firstly, companies within the Social Economy are generally thought to fulfil a stabilizing role in times of economic crisis. In the relevant literature, authors maintain that the employment rates of firms operating in the Social Economy are less harshly affected during periods of economic decline or volatility (Bretos and Morandeira, 2016; Calderón and Calderón, 2012b; Díaz and Marcuello, 2010; García-Louzao, 2021; Pérotin, 2013). Secondly, Social Economy companies are believed to maintain stronger links to their immediate environment and this has been highly relevant in the present crisis (Chaves, 2020). Indeed, many Social Economy firms have reoriented their strategies to cater to a demand that was closer to home (CEPES, 2020; FAEDEI, 2020). Thirdly, these enterprises are likely to be key players in the social and economic post-covid rebuilding. This is because their business model is both more sustainable and inclusive, bringing them to prominence within the European policy agenda (Chaves, 2020; Chaves and Monzón, 2018) to the extent that they are considered to be an important element in achieving the Sustainable Development Objectives (SDO) for the UNO 2030 Agenda (Chaves and Gallego, 2020).

This work focuses on the first of these reasons i.e. how these entities provide stability in times of crisis, but in no way negates the importance of the remaining two. Rather, these should be considered to be complementary in attaining a more sustainable, cohesive, and inclusive model of production.

The objective of this work is to analyse the employment dynamic within cooperatives and labour companies in Spain during the crisis, focusing on sectorial analysis. We provide two hypotheses, which we subsequently test. The first of these involves evaluating whether the destruction of employment has been less intense in businesses in the Social Economy compared to those operating in the Capitalist Economy. The second posits that companies working within the Social Economy will have been affected quite differently depending upon the sector in which they are operating.

To fulfil these objectives, we first analyse the impact of the crisis on sectorial Gross Value Added and employment for the set of firms, cooperatives, and labour companies registered with the Social Security Office according to each sector. We compare these results for the second quarter of 2019 with those obtained for the second quarter of 2020 (in which there were different levels of confinement and, by extension significant variation in the degree of economic paralysis).

The second phase of this study involves using shift-share analysis, on the one hand, to separate the impact of the crisis considered to be common to all of the businesses working within the economy as a whole (Business Effect) and the differential impact of the crisis upon firms working within the Social Economy (Social Economy Effect) and, finally, the specific impact on each sector of the economy (Sector Effect). We use this methodology to study sectorial disparities. Previous studies have tended to focus on spatial or geographical differences i.e. those that compare countries or regions (Blanco, 2017; Sala, Torres and Farré, 2018; Pérez-Suárez and Sánchez-Tomé, 2020). In line with other relevant studies in this field (Pérez and Valiente, 2019; Valiente, 2019; Pérez-Suárez and Sánchez-Tomé, 2020), this analysis also includes a comparison of the performance of all registered businesses.

The initial results obtained, for the second quarter of the year 2020, show that there are indeed differences in the relative impact of the crisis on employment when comparing traditional capitalist companies and cooperatives. The data clearly shows that proportionally fewer jobs were lost in cooperative enterprises. This result was reinforced by the data obtained through the shift-share analysis, which shows that the "Social Economy Effect" is positive.

As a direct result, cooperatives have managed to better hold out against the deleterious effects of the crisis on employment. In addition, some of the economic activity analysed during this period even served to generate employment.

In contrast, labour companies have tended to lose more employees than average, meaning that the "Social Economy Effect" is negative. However, it should be underlined that the evolution of these kinds of firms was already in decline before the economic crisis, some of the reasons for which we look at in this study.

Other results indicate that, in those sectors worst affected by the crisis (such as hostelry or retailing), losses in employment have been far less acute in cooperatives. In the case of the retail sector, shift-share analysis allows us to detect two important effects. The first of these is the "Social Economy Effect", which has had a positive impact on levels of employment. The second is the "Sector Effect" which, when applied to the differential between the fall in employment in the sector as a whole and the fall within cooperatives, represents a relative increase of 2,858 jobs, rather than the 357 jobs which were lost in real terms. This dynamic is somewhat different in agriculture, one of the most important sector in terms of cooperative employment. In this sector, only the "Social Economy Effect" is significant. Nevertheless, this effect fails to prevent a total loss of 1,465 cooperative jobs, a total that would have been even greater were it not for this effect.

The results show that this type of entity is more resistant to the negative impacts of economic crises. This finding is in line with conclusions drawn in studies looking into previous crises. The "Social Economy Effect" has been highly relevant in cooperatives and, when this effect is predominant, the subsequent loss of employment is substantially lower than the average for firms of all kinds.

The results obtained in this analysis support the hypotheses established at the beginning of the work. However, we should be cautious in our conclusions given that we still do not possess all of the relevant statistical information after the second quarter of 2020 for cooperatives and labour companies. Therefore, it is impossible to know whether the "Social Economy Effect" remained strong during this period.