

# WORK RELATIONSHIP AND VIABILITY OF THE RECYCLER'S COOPERATIVE: CASE STUDY OF THE COOPERAGIR OF MARECHAL CÂNDIDO RONDON, IN THE STATE OF PARANÁ

## *RELAÇÃO DE TRABALHO E VIABILIDADE DA COOPERATIVA DE RECICLADORES: ESTUDO DE CASO DA COOPERAGIR DE MARECHAL CÂNDIDO RONDON/PR*

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### Abstract

By law, partnerships can be a corporate or non-corporate enterprises; cooperatives are non-corporate partnerships. Searching for better results in production, producers unite via cooperatives. Recyclable collectors are producers because they provide reusable raw materials. This activity is typically precarious, although environmentally relevant. Governed by a special law, the production and service cooperatives, within in the context of public policies and partnerships, are constituted for the purposes of formalization and income, removing waste collectors

### Resumo

*Por lei, as sociedades podem ser empresariais ou não; as cooperativas são sociedades não empresariais. Na busca por melhores resultados, produtores se unem via cooperativa. Catadores de recicláveis são produtores que fornecem matéria-prima reaproveitável. Essa atividade é tipicamente precarizada, embora ambientalmente relevante. Regidas por lei especial, as cooperativas de produção e serviços, inseridas no contexto de políticas e parcerias públicas, são constituídas para fins de formalização e renda, tirando o catador do trabalho precário. Para averiguar*



from the precarious work conditions. To verify the viability of this type of cooperative and the working relationship involved, Cooperagir was researched. From the data collected and using the SWOT matrix as an analysis tool, the positive and negative aspects of it were detected, including the work relationship. The strengths, opportunities, weaknesses, and threats were analyzed. It is concluded that the cooperative has the potential to evolve, however, there are threats that may make it infeasible.

**Keywords:** cooperative; garbage; recycling; SWOT.

*a viabilidade desse tipo de cooperativa e a relação de trabalho envolvida, foi pesquisada a Cooperagir, no município de Marechal Cândido Rondon/PR. Dos dados levantados e usando a matriz FOFA como ferramenta de análise, detectaram-se os aspectos positivos e negativos, incluindo a relação de trabalho. Pontualmente, observaram-se as fortalezas, oportunidades, fraquezas e ameaças. Conclui-se que a cooperativa tem potencial para evoluir, entretanto, existem ameaças que podem inviabilizar esse processo.*

**Palavras-chave:** cooperativa; FOFA; lixo; reciclagem.

## Introduction

There is a consensus on the need for recycling waste to ensure environmental sustainability, prevent waste accumulation, and preserve non-renewable resources. It also serves as a means of generating income and sourcing raw materials. However, negative environmental impacts will ensue if extraction is more economically viable than recycling. From a sustainability perspective, the ideal scenario is focusing on recycling processes that promote and value employment and income generation.

This study sheds light on the viability of the recycling cooperative, viewed through the lens of valuing labor and its economic support, with the goal of identifying the potentialities and vulnerabilities of the cooperative model. Based on theoretical and legal references, this study investigated the *Cooperativa dos Agentes Ambientais* (Cooperagir – Cooperative of Environmental Agents) in Marechal Cândido Rondon/PR. Interviews were conducted, and essential cooperative documents were analyzed. From these primary data, analysis, discussion, and consideration were carried out using the SWOT matrix, highlighting the weaknesses, threats, opportunities, and strengths of the cooperative.

The research employed the hypothetical-deductive method, which is characterized by explanatory and exploratory approaches to enhance familiarity with the problem to either clarify it or support hypothesis formulation. This involved a bibliographical survey, interviews with individuals who had practical experience with the researched problem, and analysis of examples that facilitate

understanding. This constitutes field research, aimed at experiencing and obtaining information on the problem, understanding the relationship between causes and effects, and observing facts and phenomena relevant to the research.

The research was built on four bases: (a) the legal analysis of the adequacy of its bylaws and other constitutive acts to the legal system, especially in regards to cooperative legislation; (b) semi-structured interviews with cooperative leaders to gain an intrinsic understanding of the organization; (c) a questionnaire with multiple-choice answers was submitted to members to assess their views on the cooperative, their perception both as members and workers, and the relevance they place on the associative model; (d) application of the SWOT matrix, followed by data analysis and discussion, which led to the conclusions.

## 1 Differences between cooperatives and other societies

The Civil Code—Law No. 10.406/2002 (Brasil, 2002)—authorizes individuals to enter partnership for common objectives: if it is non-profit, it is an association; otherwise, it is an corporate or non-corporate company (Articles 53 and 981 of the Civil Code – CC).

A corporate entity is one whose purpose is the habitual exploitation of organized economic activity for the production or circulation of goods or services, always with the aim of making a profit. It therefore professionally operates the company, as a result of the coordination of labor, capital, and also technology (Campinho, 2016, p. 51; free translation).

Examples of corporate entities are those with limited and anonymous liability (Articles 982; 1052; and 1.088 of the CC). It is not a corporation if the company element is absent, in which the partnership can be manifested as sole proprietorship (intellectual activities, services, etc.) or a cooperative. Cooperatives, by express legal provision, are not corporate companies, even when encompassing corporate-like elements (sole paragraph of Article 882 of the CC).

Once a corporate entity is formed, its partners must materially contribute to the formation of share capital (Article 968, III of the CC). This is essential to structure the elements of the company, which, organized by managers, will produce goods and services, resulting in profit if successful and bankruptcy if not. The fundamental obligation of a partner in a business partnership is to contribute to the capital, while management may be carried out by outsiders (Article 1,011 of the CC).

To understand the corporate entity, consider the following example: partners

A and B contribute, respectively,  $\frac{3}{4}$  and  $\frac{1}{4}$  to the share capital. They appoint a non-partner manager, who, with the capital provided, acquires premises and machinery, hires employees, and begins production in a specific establishment<sup>1</sup>. The result of this organization is the company, which generates the goods or services desired by the partners. A corporation is “an abstract element, being the result of the intentional action of its owner, the entrepreneur, to promote the exercise of economic activity in an organized manner” (Campinho, 2016, p. 25; free translation). The profit is distributed to the partners proportionally to their share of the capital. Thus, A gets  $\frac{3}{4}$  and B  $\frac{1}{4}$ . They are paid dividends even if they have never worked for the company. In this example, the partners fulfilled a single obligation: to form the share capital.

In a cooperative, revenue is generated through a significantly different process that requires active productive participation from the member (cooperator), which is why it is not legally classified as a business corporation. It is not necessary for the cooperative member to contribute to the formation of share capital but to cooperate (produce), to such an extent that the cooperative can be established regardless of capital (Article 1,094, I, of the Civil Code), unlike a business corporation.

The cooperative member is always a producer, and at some stage, the cooperative's collaboration is involved in bringing the product of their work to the consumer. For example, if a rural producer wishes to sell frozen chicken directly to the consumer and has the means, they can: cultivate the grains; produce the feed; raise the chickens; process them; freeze the product; and deliver it without intermediaries. Therefore, mastering the entire process until the product reaches the consumer dismisses the need to collaborate with someone else. However, as this is not always feasible, producers often rely on intermediaries (middlemen) to get their products to consumers, which can have positive or negative impacts on their income.

The producer sells their still incomplete production (grains or live chicken) to the intermediary at price X, from which their profit or income is derived. By adding value through industrialization, the intermediary passes on to the consumer the costs of acquisition, intermediation, and profit margin. Thus, if the producer sells at price X, and the intermediary adds costs C, as well as a profit P, while the consumer pays the total price of X+C+P. Profit P goes to the middleman. It is

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<sup>1</sup> Civil Code: “Article 1.142. An establishment is described as any complex of goods organized, for the exercise of the company, by either an entrepreneur or a business company” (Brasil, 2002; free translation).

in the elements C and P that the cooperative intervenes, redirecting the profit to the member instead of the middleman, as the intermediary role is fulfilled by the cooperative<sup>2</sup>, which should only receive the cost C. When the producer is limited to price X and cannot add value to the product, cost C is covered by cooperation via the cooperative, which provides the chicken to the consumer at the price of X+C. If the consumer pays a surplus, a surplus is generated, so the final price becomes X+C+S. This surplus takes the place of profit. The cooperative does not keep the surplus, which must be returned to the producer, as the cooperative's role is solely to assist and add value where the producer cannot achieve better results without cooperation. Therefore, the entire result of production belongs to the member, including the profit. Consequently, Law No. 5.764/71<sup>3</sup> (Brasil, 1971), through Article 4, VII, uses the term “surplus” instead of profit, as the cooperative serves as an instrument of assistance and mediation in production, limiting its revenue to the costs of its operation. It is clear that the pursuit of profit is an objective of the cooperative member, and its inclusion in the formation of the price charged by the cooperative (surplus) is legitimate.

A cooperative is a hybrid between an association and a business corporation: it is an association because it unites producing individuals who seek mutual assistance (cooperation) and is reflected in the income from their respective individual productions. It is also a business entity because the part that handles intermediation and support incorporates business elements<sup>4</sup> (capital, organization, management, employees, etc.). The member is simultaneously a partner and a customer of the cooperative (Gonçalves Neto, 2014).

Due to the peculiarity characterized by two stages in production—one by the cooperative member and the other by the cooperative's completion—there is the so-called cooperative act, governed by Article 79<sup>5</sup> of the Cooperatives Law (Law No. 5.764/71; Brasil, 1971). Behind the cooperative, there is production coming from its members, whose connection is significant in regulation, featuring

2 The emergence of cooperatives in late 19th-century England was an organized confrontation in response to labor exploitation and capitalism. In Brazil, cooperatives appeared at the end of the same century (Souza, Santos, & Rocha, 2020).

3 “Defines the National Cooperative Policy, establishes the legal regime for cooperative societies, and provides other measures” (Brasil, 1971; free translation).

4 Law No. 5.764/71: “Article 91. Cooperatives are equal to other companies in relation to their employees for the purposes of labor and social security legislation” (Brasil, 1971; free translation).

5 “Article 79. Cooperative acts involve interactions between cooperatives and their members, as well as among cooperatives themselves when associated, to achieve social objectives. Single paragraph. The cooperative act does not constitute a market transaction nor a contract for the purchase and sale of products or merchandise” (Brasil, 1971; free translation).

distinct and unique aspects compared to other types of societies. The form of responsibility of cooperative members stands out: there are exclusive obligations of the cooperative enterprise (legal entity) and specific obligations of the members. Labor charges, taxes on its assets, etc., are the cooperative's obligations. Through the bylaws, cooperative members define how they will be personally responsible for the cooperative's obligations: whether limited to paid-in capital or jointly (Article 1.095, Paragraphs 1 and 2 of the CC). As a logical corollary, if the form without share capital is adopted, the liability will always be joint (Article 1.094, I, of the CC). It is mandatory, however, to form a reserve fund from discounts on surplus (Article 28 of Law No. 5.764/71).

However, due to the cooperative act, there is a unique form of liability for cooperative members, as outlined in the second section of Paragraph 1 of Article 1,095 of the Civil Code: liability is limited to the extent of their participation in losses from social operations (cooperative acts). Therefore, if a member did not participate in social operations, they owe nothing. For example, if the cooperative takes out a loan to purchase seeds, the creditor may seek repayment from both the cooperative and the cooperative farmer. However, the cooperated farmer's liability will be limited to the portion of seeds from which they benefited; the remaining liability falls on the other members, in proportion to how much they benefited. In practice, cooperatives often pay financiers from reserves and then recoup the costs from members regressively. In conclusion, according to the bylaws, a cooperative member can be liable jointly or unlimitedly to the cooperative, or limitedly, in two ways: (1) for the social debts of the cooperative legal entity in proportion to their participation in the share capital; (2) proportionally for the social operations (cooperative acts) in which they participated.

According to the same principle of proportional responsibility in operations (burden), only the member who participated in the cooperative act will be entitled to the surplus (bonus), in proportion to the volume involved in the operations. This is where the cooperative member also differs from a partner in a business partnership: the latter always receives profits in proportion to their capital participation, even without any involvement in production processes. The cooperative member who did not have production supported by the cooperative receives nothing from any surplus, even if they participate in the share capital, as the capital must serve them, not generate income. No production means no surplus, just as no responsibilities accrue when they are not involved in social operations.

Because cooperation arises from the need for assistance, a member can withdraw at any time when the cooperative is no longer necessary. Hence the legal

provision that admission and dismissal from membership are free. Heirs do not succeed as partners, as production did not result from the share of the share capital, but from the deceased cooperative member (Brasil, 1971). The consequence of this is the possibility of variation in share capital, which changes depending on whether members join or leave (Article 1.094, I, of the CC), a situation exceptionally admitted in business partnerships (Article 1.082 of the CC), as capital is the essence of their existence.

Finally, since the social importance lies with the cooperative member and not in their capital participation, this reflects on the voting strength in the assembly, which is equal among members, regardless of the value of their capital participation, cooperative acts, or production volume. In business companies, by contrast, voting strength is proportional to the share of capital, as this is the essential element in measuring income (profit) and the partner's responsibility.

Therefore, a cooperative entity is a formal association of individuals without the aspects of a corporation, lacking the purpose of profit. Its objective is to support its producing members in improving their profits via production.

## 2 Work cooperative

The work of collecting objects is closely related to underemployment, poor working conditions, and low income (Fuzzi & Leal, 2018). It is due to the meager payment to collectors that some recycling businesses survive. While environmentally beneficial, this practice may be socially detrimental as it is a factor in the perpetuation of poverty and the degrading exploitation of labor (Moreira, Barros, & Miranda, 2022). In this context, the role of work cooperatives, established based on valuing labor (Brasil, 2012), becomes significant.

Law No. 12.690/2012 (Brasil, 2012) regulates cooperative societies aimed at providing services (work) and production and also seeks to prevent fraud against labor legislation if fraudulently established. Legally known as work cooperatives, they serve two purposes: (a) production and (b) provision of specialized services. The main characteristic of a work cooperative is the labor provided by the members themselves, intermediated by the cooperative, unlike a farmers' cooperative where products are delivered for subsequent processing and trade (intermediation).

A work cooperative can provide advantages to those who work with recyclable products, such as: (a) eliminating the middleman, potentially securing a better price from the recycling industry (Fuzzi & Leal, 2018); (b) increasing production

when participating jointly with the public service in selective waste collection; and (c) providing assistance with cooperative equipment. Conversely, from an environmental point of view, cooperatives contribute to sustainability by bringing together the interests of both the society and cooperative members.

According to Article 7 of Law No. 12.690 (Brasil, 2012), cooperative members are guaranteed rights similar to employees, such as paid weekly rest and annual vacation, among others. This highlights the importance and value given to the labor and products resulting from the cooperative production process, which contrasts sharply with the situation where middlemen purchase directly from collectors, leading to the depreciation of the work due to the insignificant payment for the collected goods (production).

### 3 Cooperagir: analysis and discussion of the information obtained

The research data comes from cooperative documents (bylaws, internal regulations, and balance of results for the 2021 financial year) and interviews with the president and members. Daniele Winter Arce, president of Cooperagir, has held the position since June 15, 2022, previously performed as the treasurer (appointed on February 22, 2019), assisted by administrative assistant Rosilene da Costa. Initially, a questionnaire with 37 questions was sent and answered in writing. Subsequently, it was supplemented remotely (via the Internet and telephone) to deepen the understanding of the responses provided. The data collection began on August 16, 2022, and ended on September 2, 2022.

Cooperative members were asked 16 questions in both online and printed forms, all with multiple-choice answers—15 with a single-option answer and one with multiple selectable answers. 14 members responded online, and another 6 participated via printed forms, totaling 20 interviewees, which represents 66.66% of the workforce. The collection took place between August 23, 2022, and September 2, 2022. There were difficulties in obtaining responses due to a lack of familiarity with written forms and online access, and time constraints due to intense cooperative activity, among other reasons.

In addition to telephone and electronic message contacts, three visits were made to the establishment: one for initial contact and presentation of the research purposes, another for presenting the forms with the questions, and the last to collect written responses from members.



### 3.1 Cooperagir's presentation

Cooperagir was established in August 2007, succeeding an association of collectors. It operates on rural property provided free of charge and for an indefinite period by the municipality of Marechal Cândido Rondon. According to its Bylaws (Cooperagir, 2022a), it is a mixed cooperative, involving both production activities and services related to the collection and selection of recyclable waste (recyclable products). In 2022, the bylaws were amended to comply with Law No. 12.690/2012 (Brasil, 2012).

The administration is structured into three bodies: the General Assembly (the highest and appeals body); the Fiscal Council; and the Board of Directors. This is made up of the president, vice-president, treasurer, and secretary. Decision-making within the board is collegial, as opposed to monocratic decisions made solely by the president, who has the role of casting a tie-breaking vote and representing the entity. Collegial decisions are emphasized in the internal regulations (Cooperagir, 2022b).

Regarding the cooperative members, there is a gender balance within the membership, with 65% of the members being between the ages of 21 and 40. Low education predominates among the members: 40% have incomplete primary education, 15% have completed up to the 4th grade, another 15% have incomplete secondary education, 5% are illiterate, and the rest are distributed among other schooling levels. There is a notable lack of complete primary education among this group of young people, especially in a municipality with widespread access to education, including higher education. This indicates that other causes of low education deserve further investigation.

Cooperagir processes, on average, 95 tons of waste per month, classified into more than 30 categories, such as various metals (aluminum, copper, lead, etc.), polymers (plastics, PET, and others), glass (whole and fragmented), cellulose (paper, cardboard, Tetra Pak, etc.), electronics (cell phones, component boards, etc.), Styrofoam, batteries, oils, and others. The waste is sourced from selective collection within the municipality of Marechal Cândido Rondon, obtained from two suppliers: private partners and a contract with the municipality. They do not handle hazardous materials, such as hospital waste or packaging of toxic products, medicines, and similar items.

The facilities consist of two warehouses for production and another building for the administrative sector and the cafeteria.

### 3.2 Analysis employing the SWOT Matrix

The SWOT (Strengths, Weaknesses, Opportunities, and Threats) matrix was developed by professors Kenneth Andrews and Roland Cristensen, hailing from Harvard Business School. It serves as an analytical instrument for assessing the economic landscape of an enterprise, facilitating the delineation of corrective measures and strategic initiatives. Presented in a graphical format, it accentuates the favorable aspects encapsulated within strengths and opportunities, as well as the adversarial aspects denoted by weaknesses and threats. Furthermore, these aspects may emanate internally or externally (Silva *et al.*, 2012). The four variables are systematically organized along four intersecting axes (two vertical and two horizontal), ensuring a lucid comprehension of the diagnostic process. Drawing upon meticulously gathered primary sources, the SWOT matrix of Cooperagir is delineated as depicted in Table 1.

**Table 1.** Cooperagir's SWOT Matrix

	<b>Helps</b>	<b>Hinders</b>
<b>Internal</b>	<p><b>Strengths:</b></p> <ul style="list-style-type: none"> <li>• Bylaws</li> <li>• Democratic management</li> <li>• Technical assistance</li> <li>• Approval of the administration by the cooperative members</li> <li>• High formalization</li> <li>• Diversification of collected and selected goods</li> <li>• Low competition</li> <li>• Attention from public authorities</li> </ul>	<p><b>Weaknesses:</b></p> <ul style="list-style-type: none"> <li>• Low education level of cooperative members</li> <li>• Low understanding of the principles of cooperativism by the members</li> <li>• High turnover rate among cooperative members</li> <li>• Insufficient completion of share capital</li> <li>• Deficiency in financial resources</li> </ul>
<b>External</b>	<p><b>Opportunities:</b></p> <ul style="list-style-type: none"> <li>• Manufacturing artifacts through the transformation of gathered raw materials</li> <li>• Expanding the array of purchasers</li> <li>• Enhancing methods for acquiring waste materials</li> <li>• Broadening the scope of operations</li> <li>• Fostering integration with the local populace</li> </ul>	<p><b>Threats:</b></p> <ul style="list-style-type: none"> <li>• Heavy reliance on public authorities</li> <li>• Outstanding debts</li> <li>• Absence of asset backing (shares and funds)</li> <li>• Labor disputes</li> </ul>

Source: research data, based on the model by Silva *et al.* (2012).

Following the arrangement of diverse points within the SWOT matrix, our next step entails delving into contextualized analysis to elucidate the research problem.

### 3.3 Organization and management

Cooperagir's bylaws (2022a) align with corporate and cooperative legislation. There are some technical-legal inaccuracies and an omission in item III of Article 7th, which fails to specify the unit of time regarding the loss of the right to vote when inactive for more than "two". The omission of whether they are days, months, or years needs clarification. This ambiguity is non-committal and easily rectifiable. Governance among cooperative members is complemented by internal regulations (Cooperagir, 2022b), as outlined in the bylaws.

The board is supported by two employees who handle administrative and bureaucratic tasks. Additionally, specialized accounting advice tailored to cooperatives of this nature has been engaged, and legal advice was recently sought.

When surveyed about the current board's performance, 50% rated it as good, 45% as excellent, and 5% as regular, with no negative evaluations. Moreover, 95% confirm receiving regular compensation for their work, with only 5% reporting rare problems. Furthermore, 95% reported full attendance at all meetings they were summoned to. These responses bolster the managers' positive assessment: regular payments reflect the effective organization and high attendance demonstrates informed and active participation in management activities.

According to Paragraph 3 of Article 16 of the internal regulations (Cooperagir, 2022b), within the production realm, the board is granted priority in monitoring, measuring, and other related control activities. During visits, the board's interaction and proximity with other members were notably observed. Even though they hold prominent positions, the directors remain actively engaged in service execution and production, maintaining close contact with other members.

The internal regulations are meticulously detailed regarding activity execution, weekly work schedules<sup>6</sup>, income formation based on hours worked, members' rights, and obligations, among other aspects. It establishes essential internal discipline crucial for maintaining stability in their relationships. Significantly, the regulations enumerate numerous hypothetical scenarios tied to production,

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<sup>6</sup> Work hours are stipulated from Monday to Friday, from 7:45 am to 5:00 pm, with three breaks: from 9:00 am to 9:20 am, from 11:45 am to 1:00 pm, and from 3:00 pm to 3:15 pm (Cooperagir, 2022b).

typically resolved through direct voting by cooperative members rather than by the board with collective decisions and actions taking precedence over individual ones.

Therefore, from an organizational and management perspective, no threats or weaknesses have been identified, resulting in strengths. Additionally, the current board enjoys widespread approval from members, possessing the potential to execute programs aimed at capitalizing on perceived opportunities outlined in the matrix.

### 3.4 Support and reliance on public authorities

The cooperative's relationship with the municipality of Marechal Cândido Rondon presents a significant concern. On the one hand, it is a strength, as the cooperative has consistently received the necessary attention and support. On the other hand, the high dependence on the municipality poses threats. This is due to the transfer of the rural property where the cooperative is located and the fact that part of the collected waste comes from a public contract linked to environmental programs, with monthly payments from the municipality for the services provided. This contract expired on May 2, 2023. A potential disruption in this relationship could result from changes in public management, leading to modifications in the existing conditions. Additionally, there is the risk of the private and political interests of the public manager affecting the cooperative. The simple non-renewal of the contract or the imposition of charges for property use could severely impact the cooperative's finances, potentially leading to its dissolution and affecting the income of its members. Although the current contract has not been analyzed, possible threats can be avoided or mitigated by incorporating specific clauses for these purposes.

Also, such threats can be met with opportunities. One lies within the bylaws, which state that the cooperative's area of activity encompasses the six municipalities in the district of Marechal Cândido Rondon, opening the possibility of expanding public contracts with other municipalities. The current location allows for easy road access to the municipalities of Nova Santa Rosa, Quatro Pontes, and Mercedes. However, the municipalities of Pato Bragado and Entre Rios do Oeste present greater challenges due to the distance and the need to traverse part of the urban area of Marechal Cândido Rondon. Considering Article 75, *j*, of Law No. 14.133/2021 (Brasil, 2021), which exempts collector cooperatives from the bidding process, there is an opportunity to expand services and production

with these municipalities through partnerships, thereby mitigating vulnerability stemming from the sole existing public partnership. Public or private contracts should be long-term to ensure a certain level of stability, including that regarding the use of the property.

Regarding the establishment located on municipal property, this is a critical consideration, as the termination of ownership could make relocation unfeasible, primarily due to rental costs. The ideal scenario is for the cooperative to own its property. However, acquiring property is currently impossible given the financial results and the lack of statutory funds allocated for this purpose.

### 3.5 The use of the social importance of the cooperative in raising awareness

One of the key roles of production and service cooperatives (Brasil, 2012) is formalization, which helps avoid precarious employment conditions. The bylaws mandate that each cooperative member be registered as an individual (self-employed) contributor to Social Security and receive at least the minimum monthly remuneration equivalent to the minimum wage or the minimum wage for their category, plus participation in production according to their working hours. Notably, 50% of the members reported previously being informal collectors, and most of them (25%) chose to become members and leave their previous jobs or activities due to improved income, with 40% preferring to remain members even if their income is similar to that they got as employees. According to the financial records, the cooperative member with the highest earnings in 2021 received a gross total of BRL 38,900.81 (before legal deductions), resulting in an average monthly income of BRL 3,241.73, which is close to three national minimum wages. The positive outcomes of the cooperative in terms of formalization and income improvement are evident.

Regarding the population's involvement, it was reported that a share of the collected waste is not utilized due to incorrect separation, being subsequently discarded in the municipal landfill. This improper disposal impacts the members' income as it only incurs operational expenses related to collection, transportation, processing, and disposal, without any financial return. Therefore, minimizing waste disposal increases revenue by yielding more products with less expense across selection and disposal processes. Correct waste allocation by the population is closely linked to the cooperative members' financial results.

Under the contract with the municipality, two monthly awareness campaigns are conducted among the population. Adding this contractual obligation to the

positive aspects of decent work and income that the cooperative provides, along with environmental sustainability and waste pollution reduction, these elements can collectively be used to instill in the collective consciousness that correct waste disposal directly benefits the income of cooperative members. This perspective can be leveraged through advertising campaigns, highlighting that proper waste separation is crucial for the financial well-being of cooperative members. Emphasizing these aspects as a means of persuasion presents an opportunity where the cooperative, its members, and the general population can all benefit from environmental conservation.

### 3.6 Member's repercussion on corporate obligations

In Article 9 (Cooperagir, 2022a), the bylaws stipulate the limited liability of cooperative members, according to Paragraph 1 of Article 1.095, although incorrectly applying the term “subsidiary liability”. The capital is split into shares worth BRL 1 each, with each member required to contribute a minimum of BRL 2,000 with an initial payment of BRL 100, and the remainder in up to ten installments within one year. According to management, members only pay the initial contribution of BRL 100, failing to meet the minimum amount stipulated in the bylaws. Upon finding and questioning of this discrepancy, the reasoning provided was that the minimum contribution is BRL 100, while the maximum is BRL 2,000, leading most members to opt for the minimum contribution. Consequently, the insufficient collection of share capital is identified as both a weakness and a potential threat within the SWOT matrix.

In Article 41, the bylaws also provide for the formation of two funds: the reserve fund and the assistance fund. In the broader societal context, the presence of a reserve fund is particularly relevant as it serves the crucial function of offsetting losses, as outlined in Article 28 of Law No. 5.764/71 (Brasil, 1971). This provision prevents the utilization of partners' shares for this purpose, safeguarding their limited liability. Considering that a member's liability is limited to their quota, an obligation assumed upon joining, their failure to pay could result in a creditor demanding they cover the missing part of the quota value if they have been a member for more than one year, or proportionally if the time is shorter. This is another weakness that needs to be addressed.

According to the social report and interview clarifications, the cooperative currently has outstanding debts. The cause was previous poor management. Without delving into the specifics of the debts, the fact remains that the cooperative

struggles to generate the surpluses necessary to establish funds. The lack of funds and the non-payment of dues can pose a serious risk to the continuity of operations, particularly concerning tax obligations which, given the absence of negative tax or judicial certificates could hinder the continuation of contracts with public authorities, on which the cooperative is highly dependent, exacerbating the threats identified in the matrix.

A notable weakness is the high turnover rate among members, which also represents a potential threat. Among the members, 40% have been affiliated for less than one year, 30% for less than two years, those with eight to nine years of membership make up a mere 15%, and there is one member with over ten years of affiliation, although the cooperative is fifteen years old. Membership has declined from 70 to 33. This reduction and turnover warrant an investigation into their causes. It is suspected that these issues are linked to the previous management, which was criticized in interviews as being detrimental. Poor management directly influences member retention by hindering their income, as evidenced by the occurrence of labor disputes where members seek recognition of their employee status.

Turnover can, in part, be explained by the size of income. Although 70% report that working conditions are good and the remaining 30% say they are excellent, 45% joined the cooperative for improved income. However, this same factor can also prompt members to leave. In the sample, 8% would leave for higher income; 5% to work as formally registered employees; 30% would switch to a different activity under more comfortable conditions; and another 30% selected the “other” option on the questionnaire. The total percentages exceeded 100% because the question allowed multiple answers, with more than one option selectable. Improving income and working conditions were the primary reasons for leaving. The response “other reasons” merits further investigation to understand this range of situations, particularly because the desire for autonomy and not being employed with similar income prevails.

A member’s departure entails the withdrawal of shares, resulting in a reduction in capital. The inconsistency of asset backing prevents obtaining financing, among other things. The weakness stemming from the high turnover essentially creates instability that hinders economic development, reflecting the inability to adopt long-term projects that would allow the consolidation of the cooperative, such as financing equipment or acquiring property for the establishment

Ultimately, a significant departure of cooperative members may result in the remaining members being unable to fulfill their contracts, potentially leading to the collapse of activities.

### 3.7 The quest for improving the income and solidity of the cooperative through surplus resources

In the Paragraph 3 of Article 3, the bylaws stipulate that the corporate mission encompasses six activities classified in the National Classification of Economic Activities (*Cadastro Nacional de Atividades Econômicas* – CNAE), comprising four industrial and two service-oriented activities, all centered on waste management. Despite the focal point being waste-related endeavors, there exists no prohibition against other ventures being incorporated (Law No. 12.690/2012, Article 10), merely necessitating adjustments to the bylaws, thereby expanding the cooperative's hybrid structure (Articles 5th and 10th, Paragraph 2nd, of Law No. 5.764/1971). This flexibility allows for the broadening of revenue streams, mitigating vulnerabilities arising from constraints due to lack of diversification.

Expanding the operational scope is possible, particularly when considering that, historically, membership numbers were significantly higher. Consequently, the diversification of activities is included in the SWOT analysis as an opportunity, particularly noteworthy as competition is not perceived as a threat, a rarity in the commercial sphere. There exists a marginal competitive landscape with informal collectors and a collectors' association with similar objectives, holding a contractual agreement with the municipality, which delineates activity zones for both the association and the cooperative. Within this framework, no hindrance to expanding production and service provision is foreseen, bearing in mind a similar contractual arrangement could extend to neighboring municipalities.

Given that the selected waste serves as raw material for industrial processes, added value is essential, generating surpluses requisite for constituting the reserve fund and enabling cooperative members to fulfill their obligations, thereby bolstering the cooperative's financial solidity. Using aluminum as an example, amidst the various by-products of sorting, foundry operations could be introduced as a new venture to add value, manufacturing ingots and assorted utensils, automotive components, etc.

Expanding operations presents a potential opportunity that necessitates thorough preliminary studies, as it can serve as a conduit for generating surpluses, consequently bolstering the cooperative's stability and reducing vulnerability amidst financial challenges.

### 3.8 Cooperative members and the work relationship

Cooperagir adheres to the provisions set forth in Law No. 12.690/2012 (Brasil, 2012), which amalgamates autonomous activity with the assurance of



certain rights akin to those in labor laws. The independent labor of cooperative members, tied to the cooperative, constitutes an employment relationship markedly distinct from a conventional employment contract. Hence, self-employment and employment are two distinct types under the broader category of employment relationships. In an employment contract, the fundamental distinguishing feature between these two types of employment relationships lies in the element of subordination, wherein the employee complies with the directives of the employer (Russomano, 2001). The absence of an employer (hierarchical superior) implies the absence of subordination. Additionally, the employer, possessing both authority and the means of production (establishment), contrasts with the employee, who merely contributes labor, constituting one component of the enterprise.

A cooperative member functions as a co-owner of the cooperative, rendering it outdated to perceive them simultaneously as an employee. As a partner, they cannot occupy a hierarchical superior position over themselves, and vice versa. They are at the apex of authority by participating in the board, the highest decision-making body, with all cooperative participants being subordinate to its decisions. Compliance with directives established in the assembly manifests in a manner fundamentally distinct from that of employer decrees. Consequently, there is no hierarchical subordination of cooperative members, a characteristic inherent in employment relationships, where the owner of production (superior) directs the labor of the employee (subordinate), so much so, that a cooperative member forfeits their voting rights if they enter an employment contract with the cooperative (Article 31 of Law No. 5,764/71). It is on the same principle of incapacity to merge the roles of employee and employer within a single individual that Precedent No. 269 of the TST (Brasil, 2003) mandates the suspension of the employment contract upon the election of an employee as a director. This is because the individual transitions from being a hierarchical subordinate to taking on a superior role, rendering the coexistence of the two positions untenable.

Cooperative members receive compensation based on their productivity, with outcomes stemming from cooperative collaboration. This dynamic contrasts sharply with the labor sale characteristic of employment relationships, wherein surplus value accrues and is appropriated by the owner of the means of production. As a co-owner of the cooperative, the member ultimately receives what would typically constitute surplus value as compensation for their labor and contributions.

Thus, by adhering to the cooperative bylaws and regulations, which stem from the sovereign assembly, cooperative members also align themselves with the collective interest of the majority, as reflected in collectively made decisions. As a

joint venture, the principle of *affectio societatis*, or the mutual desire to collaborate, must take precedence. Hence, the enforcement of penalties outlined in the bylaws and cooperative legislation becomes crucial, as failure to uphold these regulations could jeopardize the very existence of the cooperative. This is particularly pronounced in cooperatives where active participation in work is indispensable, unlike in agricultural cooperatives where production shortfall can be mitigated by procuring from external sources (Article 85 of Law No. 5,764/91). Still within the realm of *affectio societatis*, admission to Cooperagir typically entails a collective evaluation of the candidate's suitability for cooperation.

In essence, the distinction between the two types of employment relationships can be summarized as follows: a cooperative member operates under the governance of statutory regulations and holds a stake in the means of production, while an employee is subject to the authority of an employer (hierarchical superior) and does not possess ownership of the means of production. Differentiation is not a simple task, especially for the layman. This challenge is compounded by the presence of benefits such as paid annual leave, night shift bonuses, and compensation for rest days, which closely resemble those outlined in labor legislation. This similarity can lead to confusion, especially among individuals with limited education. Indeed, a quarter (25%) of the surveyed individuals do not identify themselves as cooperative partners, and a fifth perceive themselves as employees. Also, a significant portion (45%) of cooperative members still lack a clear understanding of cooperative principles and operations.

According to its president, Cooperagir is currently involved in ongoing labor disputes and has previously faced others, the details of which have not been reviewed. The recognition of the employment relationship in these cases is not typical and stems from abnormal circumstances, such as inadequate defense, misinterpretation of legislation, and misunderstandings about the cooperative relationships among members, the judiciary, and lawyers.

Considering that merely 55% of them perceive themselves as members and, coupling this finding with the strong motivation to leave in pursuit of better income, it can be deduced that, generally speaking, 45% view the cooperative as a formal source of income, akin to an employer. This group shows little interest in understanding the fundamental differences between the two types of employment relationships, a situation likely influenced by low education levels. By not perceiving oneself as a member of the cooperative, one is unlikely to recognize that the cooperative's growth may also enhance their economic well-being, especially since the special legislation is designed to provide benefits comparable to those in an

employment contract. Despite management's efforts to clarify the nature of the cooperative relationship to incoming members, research suggests that these efforts have not been entirely effective. This inefficiency renders the member a potential litigant, posing a significant threat, as evidenced by the fact that there have already been convictions of this nature. The challenge of reinforcing cooperative values and principles is exacerbated when members perceive the cooperative as a hierarchical entity akin to a traditional employer (hierarchical superior). Interventions to reverse this scenario are necessary.

### **Final considerations**

From a management perspective, member turnover and inadequate educational training pose significant challenges to the cooperative's development and progression, potentially exacerbating the risk of administrative errors. Seeking specialized external advice is crucial to maintaining stability, particularly amidst the constant turnover of members and directors.

Academic fields such as Law, Accounting, Business Administration, and Economics should focus their research on this specific type of cooperative, offering training programs to cultivate competent professionals capable of providing requisite assistance. This initiative also aims to clarify the cooperative's nature and the dynamics of its relationships, thereby preventing misunderstandings, such as misidentifying oneself as an employee. Moreover, considering the low educational levels among cooperative members, there is a pressing need to elevate awareness and enhance the understanding of cooperative values such as cooperativism and solidarity, as the effectiveness of improvements crucially hinges on the members themselves. This is the sole means to eradicate misunderstandings regarding the employment relationship and the attendant risks it engenders.

The significant collaboration with governmental bodies, particularly with municipalities tasked with urban waste management, underscores the vital role of official support in sustaining the cooperative model. Without such backing, the viability of the cooperative's survival becomes highly improbable. Public policies targeting this sector must include mechanisms to ensure its viability (survival) and guarantee fair incomes for cooperative members.

While the SWOT analysis highlights the economic viability of the model, it also underscores its substantial external dependence. Identifying and addressing threats and weaknesses are imperative, paving the way for the formulation of effective strategies to overcome them.

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### Authors' participation

Marta Botti Capellari oversaw the research process, providing guidance, reviewing the work, and granting its final approval. Adir Luiz Colombo took charge of developing and administering the questionnaire, conducting interviews, collecting documentary data, analyzing and discussing the findings, as well as writing. Bárbara Simone Saatkamp contributed by reviewing and enhancing the questionnaire, analyzing and discussing the results, and collaborating on the writing process.

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