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Going *collective*: Italian worker takeovers

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Abstract

The research investigates the praxis of companies going *collective* in Italy. Since the 1950s, scholars have debated the whys and hows of labour-manged firms around the globe. Such a debate articulates around the central question of this research domain: *Why are labour-manged firms rare compared to traditional, investor-owned companies?* To offer possible explanations for such a scarcity, this research analyses mechanisms, rationales and resources underneath the emergence of worker takeovers, namely labour-managed firms. Empirical evidence on the emergence of labour-managed firms and, specifically, worker takeovers is limited. At the scholarly level, there is little evidence on the praxis of creating labour-manged firms and turning companies collective in the form of worker takeovers. Little is known about who leads and guides worker takeover operations, little is known about which resources are employed, which pieces of legislation are leveraged and who is co-opted in the governance of novel labour-manged firms. This research offers exploratory insights into the whys, hows, who and when of going *collective* in Italy. Specifically, it delves into the norms, steps, procedures, resources and stakeholders of takeover operations in the country. Via critical approaches and a mix of methodologies, this research aims at unfolding the functioning of takeover strategies, and the relationship of workers with institutional investors, banks and trade unions, among many different stakeholders.

Keywords

Worker takeovers, worker cooperatives, employee ownership, economic democracy

Table of contents

General introduction	p. 6
Ch. 1 - Worker cooperatives in Italy: legislation, performance and recent trends	p. 24
Ch. 2 - The Marcora Act framework: the legislation of Italian worker takeovers	p. 56
Ch. 3 - Going *collective*: worker takeovers, entrepreneurship and collective actions	p. 85
Ch. 4 - Cooperative strategies for business regeneration: Italian worker takeovers	p. 119

General introduction

1. Going *collective*

In mainstream economic research, companies are either private or public depending on their ownership structures and financing mechanisms (Pagano and Roell, 1998). Private companies are owned by small groups of investors, whereas public companies leverage equity financing from a multitude of dispersed shareholders. New-born companies are usually privately held, but their ownership structures can vary over time (Pagano, Panetta and Zingales, 1998). The change in ownership structure does not only affect new-born privately held companies which turn public: under specific conditions, also public companies go private (Zingales, 1995). Scholars have intensively and extensively debated the motivations and implications of such changes over the last two decades, by identifying enabling conditions, advantages and disadvantages, and pitfalls of going public and private. However, previous research rarely committed to the analysis of alternative ownership structures which differ from going-private or -public strategies, and the changes underneath their emergence.

Whether dispersed or concentrated, the ownership of private and public companies pertains to investors. But not all companies require investors to be owners in that the ownership of a company is not always treated as a commodity. This is the case, on the one hand, of state-owned enterprises (Kwiatkowski, Gołębiowska and Mroczek, 2022) and, on the other, of labour-managed firms (Vanek, 1970; Meade, 1972; Jensen and Meckling, 1979). The analysis of state-owned enterprises falls outside the scope of this research. Differently, investigating the functioning and structures of labour-managed firms is at the core of this research. Precisely, this research delves into the analysis of a stand-alone category of labour-managed firms, the worker takeovers. Worker takeovers emerge when workers catalyse structural changes in the ownership and management of distressed companies, and acquire major ownership and control rights over the assets of such companies (Paton, 1989). Driven by the willingness to preserve employment levels, productive know-how and their own earnings, job-threatened workers take over the management and ownership of target companies, and convert them into democratic, labour-managed firms (Vieta, Depedri and Carrano, 2017).

The changeover of ownership and management in favour of democratic self-management, as in the case of worker takeovers, differs from both going private and going public operations for a fundamental reason. Worker takeovers embrace a cooperative spirit and, when the legislation allows it, they emerge as cooperative companies – namely, worker cooperatives. The democratic control of worker cooperatives is assigned to workers rather than to investors, following the rule of thumb of "one person – one vote". That is, the provision of the labour force, and not the one of capital, confers the status of membership on workers. The ownership of shares or other financial instruments of cooperatives does not endow workers and members with additional ownership or control rights over companies (Fici, 2010).

Accordingly, the term *going collective* refers to companies which turn to different ownership structures and management arrangements than for going private or public operations. That is, companies whose control is assigned to labour-providers rather than capital-providers. Even when there are shares to buy, the assets of worker takeovers are usually collectively owned and democratically managed. In going private or going public operations, the ownership of companies pertains to individual and institutional shareholders. In going collective operations, the ownership of companies is collective and, as in the case of Italian worker cooperatives, it can also be indivisible. In going private or going public operations, democracy and participation are not at stake. In going collective operations, the horizontal participation of workers and committed stakeholders in the lifecycle of companies is the *sine qua non*. Companies go collective in multiple ways, depending on the rationales of conversions, the institutional contexts, the ownership structures and the agency of stakeholders (Burress and Cook, 2009). Conversion of investor-owned companies into labour-manged firms, as in the case of worker takeovers, are going collective operations.

2. Positioning and aims of the research

The research investigates the praxis of companies going collective in Italy. Since the 1950s, scholars have debated the whys and hows of labour-manged firms around the globe (Dow, 2003, 2018). Such a debate articulates around the central question of this research domain: *Why are labour-manged firms rare compared to traditional, investor-owned companies?* This research question has animated outstanding research outcomes and publications, but the debate is ongoing and the question remains open. Early research stated that labour-manged firms were burdened with liabilities, such as under-capitalisation, under-investment and decision-making issues (Furubotn and Pejovich, 1970; Hansmann, 1996). These liabilities were said to limit the growth, spread and development of labour-manged firms. Recent econometric analyses, however, proved these liabilities to have little empirical support (Kalmi, 2007; Dow, 2018). Differently from early research, scholars demonstrated that labour-managed firms, among which worker takeovers, mirror or even outperform traditional companies with respect to productivity, survival and dissolution hazard (Pérotin, 2004; Fakhfakh, Pérotin and Gago, 2012; Burdín, 2014; George, Fontanari and Tortia, 2019). These findings confute pessimistic predictions on the fate of labour-managed firms (Burdín, 2014; Dow, 2018), but do not provide a complete answer to the core research question *Why are labour-manged firms rare?*

In light of recent evidence, authors have debated alternative explanations for the scarcity of labour-managed firms, among which the barriers to the emergence of these companies (Podivinsky and

Stewart, 2007, 2012; Olsen, 2013; Mygind and Poulsen, 2021). Empirical evidence on the emergence of labour-managed firms is, however, limited. Similarly, there is little evidence on the praxis of creating labour-manged firms via worker takeover operations. Little is known about who leads and guides worker takeovers, little is known about which resources are employed, which pieces of legislation are leveraged and who is co-opted in the governance of novel labour-manged firms. By positioning within this academic debate, this research offers exploratory insights into the whys, hows, who and when of companies going collective in Italy. Precisely, it delves into the norms, steps, procedures, resources and stakeholders of takeover operations in the country. Firstly, this research aims at identifying the contextual dimensions of the worker takeover phenomenon in Italy, the cooperative environment and the legislation. Secondly, by clarifying the theoretical contours of the concept of *collective entrepreneurship*, the research aims at unveiling the praxis of companies going collective.

Like all other labour-managed firms, worker takeover operations are collective in different ways. The collective nature of these operations influences the mechanisms of emergence of worker takeovers, by addressing specific pieces of legislation, specific sources of financing and the involvement of specific actors of the worker takeover landscape. Specificities of worker takeover operations are usually country-specific, as the mechanisms of emergence are strongly influenced by institutional arrangements, legislation and cooperative traditions (Vieta, Depedri and Carrano, 2017; Di Stefano, 2018). To account for these specificities, the research only takes into consideration worker takeovers in Italy, which are subject to similar legislation, financing mechanisms, cooperative traditions and institutional support. Italian worker takeovers boast decades of history and successful experiences, and their legislation is one of the most advanced in the world. Additionally, previous research in this domain has provided Italian research institutes and associations of cooperatives with reliable and rich databases, which facilitate access to the field (Vieta, Depedri and Carrano, 2017; Rete Italiana Imprese Recuperate, 2021; Bernardi *et al.*, 2022).

3. Objectives

To unfold the specificities of Italian companies going collective in the form of worker takeovers, the research tackles the following objectives. Each of the four chapters of the thesis debates one of these objectives.

1. **Background**. Worker takeovers are employee-owned companies, which, in Italy, usually take the form of worker cooperatives. Worker cooperatives are the core business structure for employee-owned companies in the country. They are present in all regions and the majority

of economic sectors, employing about 506,000 workers and generating a turnover of about 22 billion euros Understanding the functioning of these companies, among which worker takeovers stand, is essential to evaluate the whys, hows, performance and recent trends of employee ownership in Italy. The analysis of the worker cooperative phenomenon is a necessary first step to understand how worker takeovers operate, their diffusion over the country and their cooperative specificities.

2. **Legislation**. Recently, the legislation of Italian worker takeovers has gained international attention due to its potentialities for post-pandemic socio-economic recovery (Lomuscio and Salvatori, 2021; Vieta *et al.*, 2021; Co-operatives UK, 2021; Ellerman, Gonza and Berkopec, 2022). This interest is mostly due to Law 49/1985, also known as Marcora Act after its drafter, which regulates the provisions of public funds to worker takeovers. However, a clear, up-to-date and in-depth analysis of all pieces of legislation which relate to the so-called Marcora Act framework is missing. Due to recent reforms and the attention international readers and scholars draw to the subject, investigating legislation of worker takeovers has become a priority. Legislation of worker takeovers regulates how workers bid for the assets of dissolving companies, how they access public funding, how to establish cooperative companies and how to compound workers' unemployment benefits to acquire the necessary assets. These are urgent steps in the emergence of worker takeovers and should naturally be objects of analysis.
3. **Theory.** A full and comprehensive theoretical guidance for the analysis of the emergence of worker takeovers is missing. The thematic shift from the analysis of the liabilities of labour-managed firms to the barriers of entrants is still in the making, and consolidated evidence and theory on the entry of worker takeovers are lacking. Despite the attention of scholars, practitioners and policymakers to the phenomenon over the past years, the theoretical contours of companies going collective are vague. This condition is well represented by the nature of the three most noteworthy contributions investigating collective entrepreneurship: they are all working papers (Connell, 1999; Burress and Cook, 2009; Vieta, Tarhan and Duguid, 2016). To advance the debate on the entry of worker takeovers and barriers to employee ownership, this research addresses the definition of a proper theoretical toolkit grounded in the analysis of collective entrepreneurship.
4. **Praxis.** Worker takeover operations have been employed by job-threatened workers since the post-WWII epoch and the first-ever recorded worker takeover traces to 1952 (Ferraro, 2015). However, evidence-based information on worker takeovers is missing due to the lack of a specific registry. Evidence on the entry of worker takeovers and the praxis of taking over distressed companies and going concerns is marginal. To fill this gap, the research addresses

three areas of analysis, namely the governance, resources and forms of collective engagement behind the emergence of worker takeovers.

a. **Governance**. Worker takeover operations are collective in different ways. As briefly summarised in the previous pages, groups and teams of workers cooperate with multiple stakeholders to achieve takeovers. While previous research on non-Italian worker takeovers provides extensive evidence on the co-optation of local actors, such as local authorities and community members (Vuotto, 2012; Vieta and Lionais, 2015; Antonazzo, 2019; Vieta, 2019), little evidence exists on similar behaviours of Italian experiences. In addition, Italian worker takeovers are strongly influenced by the agency of institutional investors and mutualistic funds, which are absent in many other international contexts. These specificities call for a deeper understanding of the governance dynamics of worker takeovers, which are animated by a broad spectrum of stakeholders in all different phases of their development.
b. **Resources**. Labour-managed firms, cooperatives and, consequently, worker takeovers had been considered burdened by under-investment and under-capitalisation (Furubotn and Pejovich, 1970; Monteleone and Reito, 2018). These assumptions, however, lack proper empirical investigations. For the first time, this research shed light on the sources of financing of emergent worker takeovers, by addressing the mechanisms of financing, the structure of capital of emergent worker takeovers and their expenditure areas. None of this information was previously available. Since financial resources are scarce, it is essential to explore how worker takeovers leverage them, how they use them and what the obstacles they encounter in collecting the resources and employing them.
c. **Collective engagement**. Negotiations and confrontations among workers, trade union representatives, owners and managers usually predate the set-up of worker takeovers and tend to intensify until the formal set-ups. Notwithstanding the participation of multiple stakeholders, little is known about who embarks on worker takeover operations, when they do so and how committed they are. Additionally, little is known about who takes part in the formal governance of worker takeovers and which roles do stakeholders hold. The commitment of stakeholders, however, is crucial to grant takeovers with resources, solidarity, legitimacy, and voice and exit options. The analysis of the forms of collective engagement is, then, essential to delve into the agency of stakeholders, the forms of support and resistance to takeover operations, and the access to pivotal resources. Not all stakeholders take part in worker takeover operations in the same manner, at the same time and with the same interest.

4. Researching worker takeovers

Worker takeovers are pro-active responses to emerging crises (Diaz-Foncea and Marcuello, 2013; Antonazzo, 2019; Bassi and Fabbri, 2019). While they foster economic democracy and participation, these companies effectively tackle mass layoffs, company closures and the dissolution of the regional economic fabric. However, despite the benefits and advantages they offer to local stakeholders, regions and collectives (Vieta and Lionais, 2015; Jossa, 2017), worker takeovers are under-researched. The lack of sound, cohesive and extensive economic research on this subject hinders novel research initiatives in this discipline, because of the difficulties in leveraging past research outcomes and data. Such a condition is aggravated by a general lack of interest of scholars towards economic research on cooperative companies, among which worker takeovers stand (Kalmi, 2007). Hence, researching worker takeovers entails a series of specificities which make this research area different from canonical economic research for at least four reasons. These specificities influenced the methodology and approach chosen in this research.

1. **Marginality**. Labour-managed firms and, precisely, worker takeovers are a niche in developed economies (Dow, 2018). As of June 2021, 381 worker takeovers occurred in Italy since 1952 and 117 of them were active at that time. Researching these companies entails working with small numbers since no data are available for all companies and not all of them may be willing to reveal information or cooperate with researchers. Besides theoretical contributions and literature reviews, the vast majority of empirical research outcomes leverage case studies, and econometric or statistical works are rare. Not all techniques are available or possible due to the size of the population of worker takeovers. Consequently, not all journals and editors may be interested in research outcomes, whose external validity may be at stake.
2. **Vagueness**. Defining what a worker takeover is can be arduous (Vieta, Depedri and Carrano, 2017). Still, defining the object of analysis is imperative for researchers. Many different definitions and names have been used over time and places to refer to worker takeovers; Vieta *et al.*, (2017) summarises a series of them. Names and definitions correspond to different takeover practices, which relate to different institutional settings and legislation. For many years, Italian worker takeovers have been defined as worker buyouts or WBOs. However, not all Italian worker takeovers are technically buyouts (Montalenti, 1991). In rare instances, workers have not acquired any asset from the previous owners or third parties (De Ghantuz Cubbe, 2016). Practitioners and co-operators themselves may disagree about what a worker takeover is or whether their company was taken over, rented, created ex nihilo or else. Sorting and selecting the proper definition is a necessary task, which, however, can generate

interpretative problems among scholars and practitioners who do not agree about definitions themselves.

3. **Multi-disciplinarity**. Economic research in the realm of worker takeovers is rare. Many outstanding research outcomes stem from sociology, political science, and urban or organisational studies. Investigating worker takeovers entails embracing the intrinsic multi-disciplinarity of this research area. Analyses of worker takeovers go beyond the boundaries of single disciplines. Indeed, worker takeovers preserve employment levels, productive know-how, companies' assets and sunk strategic investments (Delgado, Dorion and Laliberté, 2014). These strategies are of interest to industrial economists and management scholars. Worker takeovers also promote industrial democracy through self-management and employee participation (Vieta, 2019). These topics are in line with research on industrial relations, economic democracy and economic sociology. Worker takeovers also foster the local socio-economic development of territories and stimulate the growth of human and community development (Vieta and Lionais, 2015). Again, different scholars, such as the ones committed to urban and organisational studies as well as development economists, may find worker takeovers a phenomenon worth studying. Positioning is, thus, crucial for committed researchers.
4. **Commitment**. Methodologies and approaches employed to investigate worker takeovers mirror the variety of practices which characterise these operations around the world and the intrinsic multi-disciplinarity of this research area. From ethnography to econometrics, scholars have employed a plurality of methodologies to delve into the features of worker takeovers. Still, qualitative methodologies are preferred, such as participant observations, interviews, focus groups, and case studies analyses (Marchetti, 2013; Ruggeri and Di Nepi, 2014; Lindkvist, 2015; Vieta, Depedri and Carrano, 2017; Semenzin, 2019; Vieta *et al.*, 2021). Scholars researching worker takeovers are usually in direct contact with workers, local stakeholders and policymakers. Besides, the socio-political roots of worker takeovers as alternative models to capitalist companies (Dey, 2016; Vieta, 2019; Bastida *et al.*, 2022) influence and attract committed scholars. The commitment of scholars and their direct contact with takeover experiences make this research field apt to more critical, more experimental and more engaged research practices than canonical approaches to economics, as already demonstrated by previous research (Jossa, 2012; Dey, 2016; Azzellini, 2018; Vieta, 2019).

5. Structure of the thesis

The thesis summarises the core findings of the research in four chapters. All chapters address connected, but autonomous research questions, which themselves ground in different disciplines, namely economics, law and sociology, and different methodologies. The thesis results in a cohesive series of essays on the study of collective entrepreneurial efforts and cooperative reindustrialisation processes.

Chapter 1. Italian worker cooperatives are employee-owned business organisations whose members, the workers, hold major control rights over collectively-owned assets. Worker cooperatives are the leading vehicle for the promotion and development of employee ownership in Italy. They are present in all regions and the majority of economic sectors, employing approximately 506,000 workers and generating a turnover of about 22 billion euros. However, scientific research on worker cooperatives is dispersed over time and research fields, and novel research initiatives are required to unfold the drivers, functioning and outcomes of these companies, and to provide readers with a full understanding of the high prevalence of worker cooperatives in the country. The chapter leverages primary data collected by *Centro Studi Legacoop*, which was integrated with secondary data from the *Aida-Bureau Van Dijk* databank and the Cooperative Register of the Ministry of Economic Development. The chapter sheds light on cooperative legislation and reveals descriptive statistics of worker cooperatives, their distribution across economic sectors and regions, and their economic and financial performance. It reveals that old, small- and medium-sized worker cooperatives localised in central and north-eastern Italy have the best economic performance of all worker cooperatives. However, differently from past trends, a growing number of young worker cooperatives has emerged in Southern Italy in recent years thanks to ad-hoc legislation, cooperative finance and the spread of cooperative know-how.

Chapter 2. In 1985, Italian policymakers enacted an industrial law to favour the start-up and consolidation of worker takeovers to preserve companies and employment levels of distressed companies and going concerns. Seconded by a spectrum of ancillary laws and norms, Law 49/1985, also known as the Marcora Act after its drafter, provide worker and social cooperatives with risk and debt capital to promote worker-takeover operations and consolidate target cooperatives. Despite its central role, the Marcora Act comes into force in conjunction with insolvency, industrial and social security laws, which strengthen the provisions of the Marcora Act and secure workers and companies with complementary and independent benefits. However, the corpus of laws and norms which pertain to the

Marcora Act framework is loosely integrated, stratified and rooted in different law codes. To ease the access and interpretation of legislation of worker takeovers, this chapter identifies the leading funding schemes in favour of Italian worker takeovers, addresses the sources of legislation and the functioning of support mechanisms, and debates the pitfalls of the application of the Marcora Act framework.

Chapter 3. Among Italian worker cooperatives, worker takeovers stand as an autonomous object of analysis. Over the past two decades, policymakers, practitioners and researchers have collected abundant evidence on the ability of job-threatened workers around the world to preserve their jobs via takeover operations. Worker takeovers are effective strategies to safeguard employment levels, spread economic democracy and promote local development. Still, despite their solid performance and the benefits they bestow on workers and local stakeholders, worker takeovers are relatively rare in mature economies. Motivations of such a rarity are still debated. To advance such a debate, this paper questions the theoretical understanding of the entrepreneurial dynamics of worker takeovers. By adopting an interdisciplinary and critical stance and by synthesising findings on the emergence of worker takeovers, this research debates the scarcity of worker takeovers on a theoretical basis. By synthesising evidence on the emergence of these organisations, this paper examines canonical conceptualisations of entrepreneurship and argues that the analysis of collective entrepreneurial actions provides a deeper theoretical and empirical understanding of the phenomenon than canonical theories of entrepreneurship do.

Chapter 4. Despite decades of innovative and effective recovery experiences, the entrepreneurial, organizational and managerial mechanisms of worker-led business takeovers are under-researched and, partially, unclear. Via a mix of qualitative and quantitative methodologies, this chapter sheds light on the praxis of converting investor-owned enterprises into cooperatives in Italy. The chapter delves into patterns, rationales, resources and governance schemes of companies going collective, and unfolds how these collective undertakings ground in the local socio-economic fabric to access the necessary resources, support and solidarity. Findings reveal that: (1) only finance-provider stakeholders are granted a seat in general assemblies at the expense of other stakeholders; (2) differently from other international experiences, managerial and business strategies of Italian worker takeovers do not significantly differ from traditional ways of doing business; (3) worker takeovers leverage an array of both internal and external sources of financing, such as the use of the lump-sum payment of the unemployment benefit in conjunction with resources from institutional investors; and (4), even if the unionisation of the workforce declines during conversion and recovery processes, unionized workers may have a leading role in pushing workers towards worker-takeover solutions.

5. Limitations

All research comes with limitations and the present one is not immune to issues and shortcomings. The majority of the issues stem from the Covid-19 pandemic and the time constraints associated with delivering the PhD thesis. Others are linked to the object of analysis and the methodologies.

1. **The pandemic**. The Covid-19 pandemic drastically altered the routines of people and companies. Besides social distancing and the adoption of non-pharmaceutical interventions to cope with the epidemic, Italy experienced long and repeated lockdowns, which significantly limited people’s movements. Such limitations imposed a revision of the empirical strategy adopted in this research. Initially meant as a comparative case studies analysis, the impossibility to get in face-to-face contact with co-operators and practitioners called for a change in the methodologies to collect data on worker takeovers. Given those limitations, the online email-delivered survey was elected to be the appropriate solution to the impossibility to perform in-depth case studies. This methodological change imposed major revisions of empirical and analytical strategies and slowed down the implementation of the research project. The difficulties of getting into face-to-face contact also limited networking activities and informal exchanges of information. The pandemic, together with the length of the PhD scholarship, also imposed time constraints on the development of the research project. Due to the necessity to postpone all face-to-face activities to the post-pandemic period, the phases of development of the project were delayed on several occasions.
2. **Country-specific analysis**. Due to the impossibility of researching case studies outside Italy during the pandemic, the research is country-specific as it investigates the emergence of worker takeovers in the sole Italian context. Besides the influence of the pandemic, such a country-specific analysis is also due to the specificities of legislation and institutional arrangements. While the research reveals the practices of companies going collective in Italy with high accuracy, it also lacks an even exploratory international comparison with non-Italian cases. As already explained, such a lack has practical and scientific motivations. Future lines of inquiry may embrace differences and similarities of cases of different countries and delve into a comparison of data and findings.

3. **Quantitative analysis**. This research project is inherently qualitative and explorative. It is meant to shed light on the under-researched practices of companies going collective. It employs unexploited data with a novel approach to the study of labour-manged firms and worker takeovers. For its exploratory nature, a qualitative approach better suits the necessity to get descriptive, dialogic, oral and written data on the start-up of worker takeovers. This research is not based on micro- or macro-economic modelling, and it does not make use of any econometric analysis. The lack of quantitative analysis, even if preliminary, contrasts with mainstream, neo-classical methodologies and approaches in economics. Thanks to the collection of primary data and the updating of existing databases, however, quantitative analysis can be performed in future studies, particularly in the eventuality of international comparisons.
4. **Multi-disciplinarity**. Multi-disciplinarity is not an issue *per se*; on the contrary. Yet, multi-disciplinarity entails differences in research languages, methodologies, and reporting and publishing styles. Embracing multi-disciplinarity means navigating all possible issues that may arise from the discrepancies among disciplines and their research practices. This thesis leverages approaches which fall under multiple disciplines and, consequently, it also exposes itself to different languages, concepts, methodologies and empirical strategies. Not all of them pertain to economics as this thesis also delves into law and sociology. Due to its multi-disciplinarity, readers may find the thesis uneasy to handle in its entirety, loosely integrated or lacking clarity. Such a risk exists, and neoclassical economists may find this thesis incomplete or inadequate. Each chapter grounds in its theoretical background and methodology, which are fully disclosed in their introductory sections. This is a strong case for multi-disciplinarity. However, more could have been done to express a commitment to multi-disciplinarity and the social sciences' critiques of economics orthodoxy. Due to difficulties in managing multiple sources and theories, outstanding and alternative research of industrial democracy were not contemplated. This is the case of the debate on the functioning, history and praxis of self-management.

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Hoping that other scholars and practitioners would benefit from this, I am delighted to finally share my entire work with the praiseworthy community of people committed to the study of worker takeovers, employee ownership, economic democracy and cooperative organisations. There is still much work to do to demonstrate that alternative models to capitalism exist and perform well, and how these operations are advantageous for workers, withdrawing owners, communities and regions.

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Chapter 1

Worker cooperatives in Italy: legislation, performance and recent trends

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Abstract – In Italy, worker cooperatives, whose workers hold major control rights over collectively-owned assets, are the leading vehicle for the promotion and development of employee ownership. Worker cooperatives are present in all regions and in most economic sectors, employing about 506,000 workers and generating a turnover of about €22 billion. Despite their history and diffusion, the high prevalence of worker cooperatives in Italy is under-researched and -thematised, and requires new research. By leveraging unpublished primary and secondary data from *Centro Studi Legacoop* databank, the *Aida-Bureau Van Dijk* databank and the Cooperative Register of the Ministry of Economic Development, the paper reveals descriptive statistics of worker cooperatives and investigates their distribution across economic sectors and regions, their economic and financial performance, and their legislation. The paper demonstrates that older small- and medium-sized cooperatives located in central and north-eastern Italy perform best economically. However, in recent years, an increasing number of young cooperatives has emerged in South Italy thanks to favourable legislation, ad hoc funding and the diffusion of cooperative know-how. The paper sheds light on past and recent development trends of worker cooperatives in Italy, highlights their growth in South Italy and revitalises the debate on the drivers, structures and rationales of employee-owned enterprises in Italy. The findings generate implications for research and practice. Given the tendency of worker cooperatives to better protect jobs than investor-owned enterprises, the spread of these enterprises may help workers find better and more stable jobs, counter-cyclically mitigating the dangerous effects of macro- and meso-economic fluctuations and instability.

Introduction

Italian worker cooperatives (WCs) are employee-owned businesses whose worker-members hold major rights of control over collectively-owned assets. WCs are the main vehicle for the promotion and development of employee ownership in Italy, which is a core channel through which economic and industrial democracy is advanced in this and other countries, also contributing to labour protection, worker empowerment and the advancement of the social standing of industrial relations. They are present in all regions and in the majority of economic sectors, employing about 506,000 workers and generating a turnover of about 22 billion euros. Despite this important track record, scientific research on this topic is fragmented and readers lack a full understanding of the high prevalence and dynamics of WCs in Italy.

This paper offers a rigorous outline of the universe of Italian WCs and investigates the phenomenon in its main economic, size and qualitative indicators. It offers Italian and international readers unpublished data and insights into the birth and growth of WCs, their demographic structure, their sectoral and geographic distribution, their economic performance and their legal specificities. Although introductory, this analysis illustrates how Italian cooperatives have been able to overcome the barriers to employee ownership that cooperatives and employee-owned companies have suffered in other countries (Mygind and Poulsen, 2021). The paper investigates the following research questions: How has employee ownership developed in Italy? What are the main features of Italian WCs? How have Italian WCs managed to spread, root and grow across in all regions and economic sectors?

The joint research work was conducted by *Centro Studi Legacoop* and the University of Trento on behalf of the *Danish Business Authority*. The paper leverages data from *Aida-Bureau Van Dijk* and the Cooperative Register of the Ministry of Economic Development (CRMED), integrated by primary data collected by the *Centro Studi Legacoop*. Data cover 23,989 WCs employing 505,917 workers and generating a turnover of approximately 22 billion euros. WCs are not the only cooperative companies in Italy. Consumer, agricultural, bank and social cooperatives, among the many existing forms of cooperatives, populate the Italian cooperative landscape. As of late 2021, active cooperative enterprises and consortia numbered 54,361, employing a workforce of 1.21 million workers and generating a turnover of 121 billion euros. 44% of Italian cooperatives are WCs, making them the most common form of cooperatives in the country. WCs account for 42% of the employment generated by all Italian cooperatives and 18% of their overall turnover.

1. A snapshot of Italian WCs

As of the end of 2021, active WCs numbered 23,989, employing 505,917 workers, generating 22 billion euros in turnover and a value added of 10.6 billion euros. Overall, WCs employ 2.3% of Italian employees and generate 0.7% of the Italian value added. However, they do not populate all economic sectors, as they are absent from sectors such as financial and insurance activities, public administration and defence, the supply of electricity, gas, steam and air conditioning, the activities of households as employers and producers, the activities of extraterritorial organisations and entities. Taking this into consideration, WCs employ 2.8% of the employees of the economic sectors in which they are present and generate 1.2% of their value added.

Data on WCs were retrieved from the *Centro Studi Legacoop* databank, the *Aida-Bureau Van Dijk* databank and the CRMED. As a result of combining these data sources, complete information covers 21,622 out of 23,989 active WCs. The construction of the employed dataset follows this process. Firstly, data on all WCs as of late 2020 were extracted from the CRMED in November 2021. A pool of 57,567 WCs was initially identified. Secondly, information present in the *Aida-Bureau Van Dijk* database was used to remove inactive or ceased WCs. For the sake of this selection process, active WCs are: 1. enrolled in the CRMED; 2. not under insolvency procedures; and 3. have lodged at least one financial balance sheet at the Chamber of Commerce between 1/1/2019 and 31/12/2021(except for companies set up after 1/1/2019).

Information on the economic and financial performance of active WCs was not available for all WCs due to misalignments among databases. When 2020 data were unavailable, 2019 and 2021 data on balance sheets, employment and sectoral affiliation were employed. Active WCs as of late 2020 counted 23,989. When incomplete, missing employment data were integrated with a manual entry of information reported in documents, balance sheets and audit minutes of the *Centro Studi Legacoop* databank. Financial information on active WCs was accessible for all companies but a marginal group of 2,367 WCs, whose data were missing. Complete information on sample sizes is reported below each table.

Tables 1 and 2 report the descriptive statistics of WCs, including size, age, number of employees and value added. Data are reported in both absolute values and percentages. Table 1 reports data on the employment size classes of 21,050 WCs. Indirectly, Table 1 also reveals information on the labour productivity of WCs per size class. As shown in Table 1, almost 76% of WCs are micro enterprises with fewer than 10 employees, 18% are small enterprises with between 10 and 49 employees, 5% are medium-sized enterprises with between 50 and 249 employees and 1% are large enterprises with more than 250 employees.

Table 1. WCs, employees and value added per employment size class (absolute and percent values)

Size class	No. of WCs and percentages		No. of employees and percentages		Value added (EUR) and percentages	
Large	212	1.0%	253,225	50.0%	4,520,690,206	42.3%
Medium	1,126	5.3%	116,761	23.1%	2,817,763,605	26.4%
Small	3,785	18.0%	83,487	16.5%	2,142,326,763	20.0%
Micro	15,927	75.7%	52,444	10.4%	1,205,878,149	11.3%
Totals	21,050	100%	505,917	100%	10,686,658,723	100%

Notes: Data available for 21,050 out of 23,989 worker co-operatives. In orange, the number of WCs in the large enterprise category (employees and value added in percentage).

Source: Our elaboration on *Aida-Bureau Van Dijk*, *Centro Studi Legacoop* and CRMED data, November 2021.

The distribution of the labour force and value added is unbalanced among the considered size classes. On the one hand, large WCs make up only 1% of all WCs, but employ 50% of their labour force and generate 42% of their value added. Micro WCs, on the other, are 76% of all WCs, but only employ 10% of the workforce and generate 11% of value added. Small- and medium-sized WCs account for 18.0% and 5.3% of the total number, respectively. They employ 16.5% and 23.1% of all WC employees and generate 20.0% and 26.4% of value added of WCs, respectively. The labour productivity of large WCs, measured as value added per employee, is lower than that of all other size classes, while small WCs have the highest labour productivity. Large WCs generate €17,852 of value added per employee. In contrast, medium-, small- and micro-sized WCs generate €24,133, €25,661 and €22,994 of value added per employee, respectively.

Table 2 shows employment levels and value added by cohort. It includes data on 21,622 WCs and classifies these enterprises into six cohorts: younger than 5 years, between 5 and 15 years, between 15 and 25 years, between 25 and 50 years, between 50 and 100 years, and over 100 years. No information is available for 19 WCs. At the end of 2020, active WCs were on average 13 years old. 23% of them was younger than 5 years, 46% between 5 and 15 years old, and 31% older than 15 years. WCs aged between 25 and 50 employ 28% of total employees and generate 32% of total value added. WCs in this category generate three times more value added than the ‘under 5’ category. WCs aged between 5 and 15 employ 36% of employees and generate 30% of value added of all WCs.

Table 2. Number of employees and value added per lifespan cohort (absolute and percent values)

Years of activity	No. of WCs and percentages		No. of employees and percentages		Value added (EUR) and percentages	
≥ 100	33	0.1%	4,120	0.8%	473,098,029	4.4%
50 ≤ x < 100	400	1.8%	38,166	7.5%	1,191,085,250	11.1%
25 ≤ x < 50	2,857	13.2%	142,072	28.1%	3,432,302,381	32.1%
15 ≤ x < 25	3,596	16.6%	53,089	10.5%	1,175,539,282	11.1%
5 ≤ x < 15	9,859	45.6%	181,499	35.9%	3,231,905,406	30.2%
< 5*	4,858	22.6%	86,525	17.1%	1,173,629,384	11.0%
Unclassified	19	0.1%	446	0.1%	9,098,991	0.1%
Totals	21,622	100%	505,917	100%	10,686,658,723	100%

Notes: Data available for 21,622 out of 23,989 WCs. * The number of WCs aged less than 5 years is 7,225. No balance sheet data are available for 2,367 cooperatives set up after 01/01/2019.

Source: Our elaboration on *Aida-Bureau Van Dijk, Centro Studi Legacoop* and CRMED data, November 2021.

Table 2 confirms that the labour productivity of WCs under the age of 15 is lower than that of the other cohorts. The labour productivity of WCs under 5 years old is €13,564 in value added per employee, while that of WCs between 5 and 15 years old is €17,807. Together, these two cohorts account for 53% of employment and 41% of the value added of all WCs. In contrast, the labour productivity of WCs belonging to the remaining cohorts is always above €22,000 and increases with age. Overall, Tables 1 and 2 reveal that small WCs aged 15 years or older are the most productive in terms of value added per employee. Older WCs, especially those older than 25 years, are more productive than younger ones, probably because they are more capitalised, having preserved or increased their collective capital over several decades. Human capital accumulation and limited layoffs may also explain this difference (Borzaga, Carini and Tortia, 2022).

Labour productivity and employment are among the key indicators to assess the performance of these enterprises. The data in Table 3 summarise the annual growth in employment and the percentage change in wages for 8,667 WCs over the period 2016-2020. Employment levels grew steadily between 2015 and 2019, while growth slowed down in 2019 (+1%) and became moderately negative in 2020 (-3%) due to the socio-economic consequences of the pandemic, similar to many other enterprises in Italy and abroad. Table 3 also shows that wages grew steadily over the period 2016-2019, but the decline in wages in 2020 (-10%) is sharper than the decline in employment levels. The employment stability of Italian worker WCs is confirmed by data on production and economic performance over the 2016-2020 period. Production volumes and value added grew steadily between 2016 and 2019 at an annual rate of 4.7% and 6.0% respectively. In this period, value added growth was even higher than that of all other Italian companies, at 2%. In 2020, production volumes and value added decreased by 10.7% and 9.8%, respectively. That is, the decreases in production volumes, value added and wages in 2020 were relatively larger than the decrease in employment in the same year.

In this respect, WCs proved to be resilient firms during the early stages of the pandemic, as they provided employment stability through wage flexibility. In other words, it is confirmed that wages in WCs are more volatile than employment in recessionary cycles, which demonstrates a better ability of WCs to preserve human capital and withstand crises (Burdín, 2014; Borzaga, Carini and Tortia, 2022; Tortia, 2022b).

Table 3. Employees and wages (yearly percent variation)

	2016	2017	2018	2019	2020
Employees	9%	5%	9%	1%	-3%
Wages	8%	7%	5%	5%	-10%

Notes: Data available for 8,667 out of 23,989 WCs.

Source: Our elaboration on *Aida-Bureau Van Dijk, Centro Studi Legacoop* and CRMED data, November 2021.

The impact of the pandemic also emerges from start-up data. Table 4 shows the number of new WCs from 2012 to 2020. Despite continuous growth from 2012 to 2015, the number of new WCs suffered two major declines in 2016 and 2020. The drop in 2016 (-20%) is partially explained by the introduction of a new legal form in 2012, the simplified limited liability company (SLLC). Thanks to less bureaucratic and costly registration procedures, SLLCs gained a share of WC entries over the years. Apart from 2020, the number of new SLLCs grew steadily from 2014 to 2019, at an average rate of +26% per year. In contrast, with the only exception of 2017 (+2%), the number of new WCs decreased every year from 2015 to 2020, while the number of new limited liability companies (LLCs) decreased over the same period at an average rate of -1.5%. In 2020, the number of new WCs, simplified LLCs and LLCs was drastically reduced by the consequences of the pandemic.

Table 4. Birth of WCs, SLLCs, and LLCs by year (absolute values and yearly percent variation)

Year	No. of WCs and yearly percentage variations		No. of SLLCs and yearly percentage variations		No. of LLCs and yearly percentage variations	
2012	2,689		3,010		103,785	
2013	2,758	3%	11,888	295%	100,448	3%
2014	2,787	1%	19,570	65%	96,747	-4%
2015	2,910	4%	25,794	32%	97,811	1%
2016	2,316	-20%	28,221	9%	98,494	1%
2017	2,355	2%	32,436	15%	92,485	-6%
2018	2,301	-2%	33,139	2%	92,631	0%
2019	1,900	-17%	43,652	32%	92,150	-1%
2020	1,320	-31%	34,211	-22%	57,922	-37%

Source: Our elaboration on *Aida-Bureau Van Dijk, Centro Studi Legacoop* and CRMED data, November 2021.

2. Sectoral distribution of Italian WCs

Sectoral data offer additional insights into the specificities of the worker-cooperative phenomenon and advances scholars' and practitioners' knowledge about the economic and financial performance of these companies. Data on the sectorial distribution of Italian WCs is processed by the Chambers of Commerce and is accessible from the *Aida-Bureau Van Dijk* databank. The analysis is based on the NACE Rev. 2 statistical classification of economic sectors, which is consistent with Eurostat (2008).

Table 5 includes data on the number of WCs and their employees per economic sector, expressed in both absolute values and percentages. Table 5 also reports the share of Italian active companies made up of WCs and the share of Italian workers employed by WCs per economic sector – see data in brackets. Overall, WCs account for 0.6% of the companies in the specific economic sectors in which they operate. Table 5 reveals that 45% of Italian WCs cluster into three economic macro-sectors - 16.2% in construction and real estate (3,500 WCs), 14.6% in transportation and storage (3,156 WCs) and 14.4% in administrative and support service activities (3,120 WCs). Agriculture, forestry and fishing, manufacturing, and wholesale and retail trade sectors account for 2,247, 1,883 and 1,556 WCs, respectively.

More than half of the employment generated by WCs is absorbed by two sectors only, namely transport and storage (29.1%), and administrative and support service activities (26.3%) – which refers to the rental, cleaning, human resource management, office and event administration activities.

Approximately one-fourth of the employees work in construction and real estate (9.9%), human health and social work activities (8.6%) and wholesale and retail trade (7.8%) sectors. The last fourth of the employment is generated in the remaining ten sectors, as specified in Table 5.

Table 5. Value added per sector (absolute and percent values)

Sector	No. of WCs and percentages*		No. of employees and percentages†	
Accommodation and food service activities	1,171	5.4% (0.4%)	33,500	6.6% (2.4%)
Administrative and support service activities	3,120	14.4% (2.0%)	133,002	26.3% (9.8%)
Agriculture, forestry and fisheries	2,247	10.4% (0.5%)	15,905	3.2% (1.7%)
Arts, entertainment and recreation	859	4.0% (1.2%)	17,129	3.4% (9.9%)
Construction and real estate	3,500	16.2% (0.5%)	50,243	9.9% (3.0%)
Education	490	2.3% (1.4%)	3,060	0.6% (2.6%)
Human health and social work activities	364	1.7% (0.1%)	4,334	8.6% (0.5%)
Information and communication	1,300	6.0% (1.2%)	5,923	1.2% (1.0%)
Manufacturing	1,883	8.7% (0.5%)	24,374	4.8% (0.7%)
Mining, energy and water	148	0.7% (0.7%)	3,866	0.8% (1.2%)
Other services	460	2.1% (0.2%)	12,066	2.4% (2.6%)
Others	50	0.2% (0.1%)	171	0.1% (0.3%)
Professional, scientific and technical activities	1,304	6.0% (0.2%)	15,412	3.0% (1.2%)
Transportation and storage	3,156	14.6% (2.7%)	147,421	29.1% (13.1%)
Wholesale and retail trade	1,556	7.2% (0.1%)	39,441	7.8% (1.2%)
Unclassified	14	0.1%	70	0.1%
Total	21,622	100% (0.6%)	505,917	100% (2.8%)

Notes: Data available for 21,622 out of 23,989 WCs. *, in brackets, WCs as share of all Italian active companies per economic sector. †, in brackets, the share of the Italian employees in WCs per economic sector.

Source: Our elaboration on *Aida-Bureau Van Dijk, Centro Studi Legacoop*, CRMED and Eurostat data, November 2021.

Table 5 confirms that WCs are on average four times larger in size than all other companies since they account for 0.6% of companies and 2.8% of employees of the economic sectors in which they operate. On the one hand, this result is related to the structure of the Italian economic system, which is mostly populated by micro, individual and family run enterprises. On the other, this is related to the ultimate goal of WCs to protect and generate decent jobs – as many jobs as possible. That is, WCs show a greater propensity to invest in human capital and social relations, and mutualistic exchanges, which do not necessarily lead to high economic performance. With the only exception of the information and communication sector, in all NACE Rev.2 sectors the share of Italian employees absorbed by WCs is higher than that of all other companies. WCs operating in the sector of arts, entertainment and recreation activities are more than eight times bigger than their investor-owned counterparts. In this sector, WCs are 1.2% of operating companies, but they employ 9.9% of the sectoral employees.

Table 6. WCs and their value added per sector (absolute and percent values)

Sectors	Employees in percentages*	Value added (EUR) and percentages†	
Accommodation and food service activities	6.6% (2.4%)	493,519,957	4.6% (1.4%)
Administrative and support service activities	26.3% (9.8%)	2,693,735,485	25.2% (5.9%)
Agriculture, forestry and fisheries	3.2% (1.7%)	332,416,917	3.1% (1.0%)
Arts, entertainment and recreation	3.4% (9.9%)	199,517,133	1.9% (2.0%)
Construction & real estate	9.9% (3.0%)	1,098,904,074	10.3% (1.6%)
Education	0.6% (2.6%)	63,060,332	0.6% (2.1%)
Human health and social work activities	8.6% (0.5%)	98,461,644	0.9% (0.3%)
Information and communication	1.2% (1.0%)	174,657,769	1.6% (0.3%)
Manufacturing	4.8% (0.7%)	996,221,447	9.3% (0.4%)
Mining, energy and water	0.8% (1.2%)	166,771,223	1.6% (0.4%)
Other services	2.4% (2.6%)	177,836,639	1.7% (1.9%)
Others	0.1% (0.3%)	5,711,460	0.1% (0.1%)
Professional, scientific and technical activities	3.0% (1.2%)	194,873,454	1.8% (0.3%)
Transportation and storage	29.1% (13.1%)	3,807,728,312	35.5% (5.9%)
Wholesale and retail trade	7.8% (1.2%)	182,134,680	1.7% (0.1%)
Unclassified	0.1%	1,108,197	0.1%
Total	100% (2.8%)	10,686,658,723	100% (1.2%)

Notes: Data available for 21,622 out of 23,989 WCs.*, in brackets, share of Italian WCs employees per economic sector.†, in brackets, the share of value added generated by WCs per economic sector.

Source: Our elaboration on *Aida-Bureau Van Dijk, Centro Studi Legacoop*, CRMED and Eurostat data, November 2021.

Table 6 reports the sectoral value added generated by WCs. Notwithstanding the overall distribution across economic sectors, the 6,276 WCs in the transport and storage (35.6%) and administrative and support service activities (25.2%) sectors generate more than 60% of the value added of all Italian WCs. More precisely, 14.6% of the cooperatives which operate in the transport and storage sector generate more than 35% of the WCs' value added. Co-operatives belonging to these two sectors also account for almost 6% of the total value added in their economic sector. WCs operating in the construction and real estate and manufacturing sectors account for 10.3% and 9.3% of all WCs' value added, respectively, but they only account for 1.6% and 0.9% of the overall value added in each respective sector.

Tables 6 and 7 add further details concerning the economic and financial performance of WCs, by specifying their capital intensity and ROI values. Specifically, Table 7 reports the average capital intensity of WCs per economic sector. Capital intensity is measured as the ratio between cooperative fixed assets and the number of employees (worker members and non-member employees) and is expressed in euros per employee.

Table 7. Distribution of WCs per economic sector and capital intensity

Sectors	No. of WCs	Capital intensity
Accommodation and food service activities	1,043	14,645
Administrative and support service activities	2,729	5,783
Agriculture, forestry and fishing	1,780	42,996
Arts, entertainment and recreation	668	8,393
Construction and real estate	2,972	10,067
Education	378	5,260
Human health and social work activities	297	5,924
Information and communication	1,009	7,718
Manufacturing	1,678	18,727
Mining, energy and water	129	37,750
Other services	383	6,848
Others	35	5,545
Professional, scientific and technical activities	843	10,374
Transportation and storage	2,945	7,795
Wholesale and retail trade	1,333	11,677
Unclassified	10	1,579
Total	18,232	13,221*

Notes: Data available for 18,232 out of 23,989 WCs. *: 13,221 is the average capital intensity of all WCs whose data is available.

Source: Our elaboration on *Aida-Bureau Van Dijk, Centro Studi Legacoop* and CRMED data, November 2021.

Table 7 shows that the average capital intensity of WCs in the agriculture, forestry and fishing (€42,996 per employee), and mining, energy and water (€37,750 per employee) sectors is almost three times the average capital intensity of all WCs in Italy, which amounts to €13,221 per employee. Instead, the average capital intensity of the most populated sectors – namely, construction and real estate (€10,067 per employee), administrative and support service activities (€5,783 per employee) and transportation and storage (€7,795 per employee) – is below the average capital intensity of all active WCs. In the case of administrative and support services, the average capital intensity is 44%

of the total average. WCs operating in the manufacturing sectors account for almost 9% of all active WCs in Italy and their average capital intensity is €18,727 per employee.

Table 8 reports data on the return on investments (ROI) of 7,332 WCs as a measure of the profitability of these companies. In addition to variations in returns, ROI values also vary due to variations in invested assets. WCs with the highest ROI values belong to sectors such as information and communication (7.1%), education (7.7%) and others (8.7%). WCs with ROI values above the average ROI value of all Italian cooperatives (5.3%) are also in the administrative and support service activities (6.8%), construction and real estate (6.4%), professional, scientific and technical activities (5.4%), transportation and storage (6.4%), and wholesale and retail trade (6.3%) sectors. Besides the two WCs in the unclassified category, the lowest performing sectors are accommodation and food service activities and agriculture, forestry and fishing, with ROI values of 2.2% and 2.3%, respectively. WCs operating in agriculture, forestry and fishing activities have the highest capital intensity of all WCs, but also display one among the lowest ROI value. The ROI figures of WCs demonstrate the vitality and profitability of these companies. In fact, the average ROI of all Italian companies was 3.09% in 2020 (Vicenza Chamber of Commerce, 2021), 2 percentage points below the average ROI of WCs. However, manufacturing WCs performed worse than Italian manufacturing companies. Indeed, while the ROI of WCs in the manufacturing sector was 4.3% in 2020, the ROI of all Italian manufacturing firms was 5.8% (Intesa San Paolo and Prometeia, 2021) and the ROI of medium-sized manufacturing firms was 8.2% in the same year (Unioncamere et al., 2022).

Table 8. Distribution of WCs per economic sector and ROI

Sectors	No. of WCs	ROI
Accommodation and food service activities	320	2.2%
Administrative and support service activities	986	6.8%
Agriculture, forestry and fishing	912	2.3%
Arts, entertainment and recreation	263	3.5%
Construction and real estate	1,139	6.4%
Education	159	7.7%
Human health and social work activities	119	3.1%
Information and communication	399	7.1%
Manufacturing	732	4.3%
Mining, energy and water	62	3.4%
Other services	127	5.1%
Others	9	8.7%
Professional, scientific and technical activities	433	5.4%
Transportation and storage	1,106	6.4%
Wholesale and retail trade	564	6.3%
Unclassified	2	- 2.2%
Total	7,332	5.3%*

Notes: Data available for 7,332 out of 23,989 WCs. *, weighted average computed using the number of WCs per sector as weights.

Source: Our elaboration on *Aida-Bureau Van Dijk, Centro Studi Legacoop* and CRMED data, November 2021.

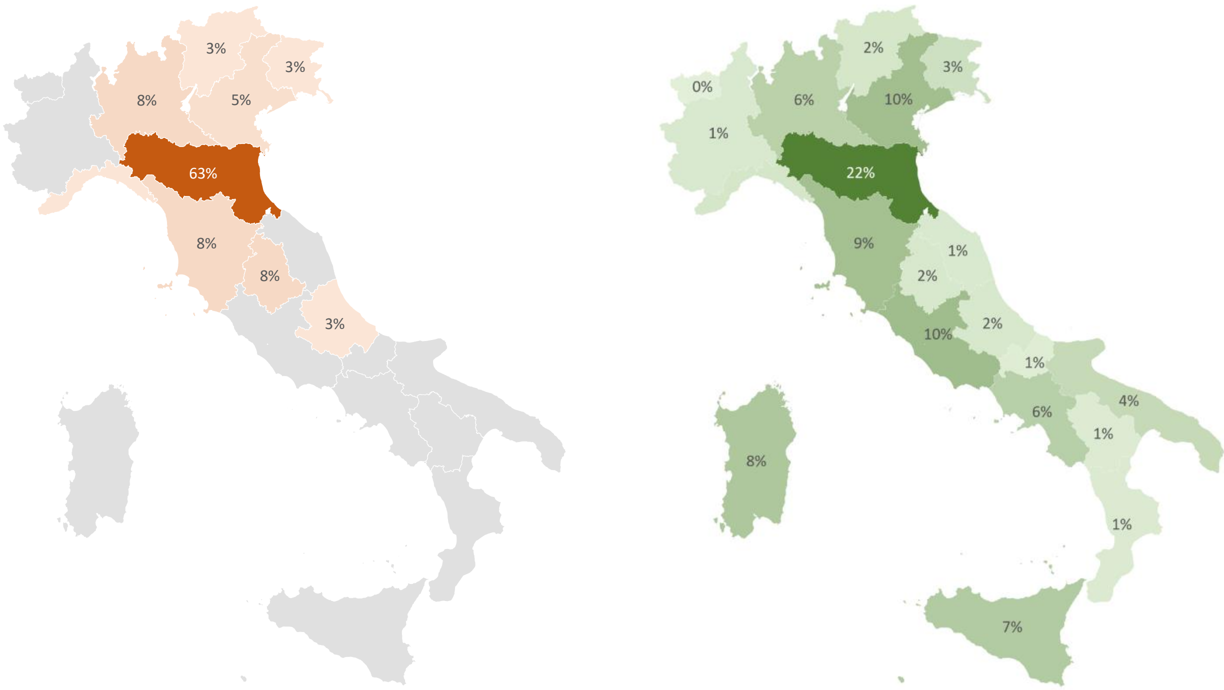
Overall, data from this section confirms that 45% of Italian WCs are concentrated in the construction and real estate, transport and storage, and administrative and support services sectors. The data also show that WCs in the transport and storage and administrative and support services generate more than 60% of the value added of all WCs, and that the profitability of WCs mirrors or even exceeds that of Italian firms. Section 3 provides further information on the geographical distribution of WCs in the Italian regions, such as the concentration of large and old WCs, the regional distribution of value added and the density per region.

3. Geographical distribution of Italian WCs

The distribution of WCs across Italy is uneven and relates to the regional specificities of the cooperative movement. Indeed, apart from a few cooperative experiments in northern regions – namely, Piedmont and Trentino-Alto Adige – in the late 1800s, the Italian cooperative movement rooted in the central and north-eastern regions thanks to both Socialist and Catholic mutualistic traditions (Borzaga, Depedri and Bodini, 2010). After World War II, the number of cooperative enterprises increased in Emilia-Romagna, Tuscany, Marche and Veneto due to the emergence of novel agricultural, consumer and WCs. These regions belong to the so-called *Third Italy* (Bagnasco, 1977) and differ from both northern industrial and southern agricultural ones. *Third Italy* regions are characterised by medium-high employment rates, a propensity to hand-crafted manufacturing productions and a higher involvement of public agencies in the economic affairs, such as activities of regional economic planning. The majority of business activities of these regions are manufacturing and craft SMEs, involved in traditional sectors and Made-in-Italy productions – i.e., leather, furniture, textile, glass and ceramic. There, industrial production has clustered in local agglomerations, better known as *industrial districts* (Becattini, 1991; Becattini *et al.*, 2003).

The long-lasting mutualistic traditions of central (Emilia-Romagna and Tuscany) and north-eastern Italy (Veneto and Trentino Alto-Adige) have generated industrial environments more open to cooperation and self-management compared to the other industrialised regions of the country. The cooperative-friendly environments of these regions have encouraged the growth and consolidation of WCs, cooperative consortia and associations of cooperatives. Map 1 shows the distribution of large and old WCs per region. Both the larger and older cooperatives are located in the Emilia-Romagna region and surrounding areas. Specifically, Emilia-Romagna accounts for 63% of large WCs and 22% of 50+ year-old WCs. Large WCs are also located in Tuscany (8%), Umbria (8%) and Lombardy (8%), whereas older WCs can also be found in Veneto (10%), Lazio (10%) and Tuscany (9%) – namely, the central and north-eastern regions. As seen in Map 1, the regional concentration of larger and older WCs reflects the regional cooperative traditions of Bagnasco's *Third Italy*, in that Emilia-Romagna, Tuscany, Umbria, Lazio and Veneto account for the majority of both larger (74%) and older (53%) WCs.

Map 1. Regional distribution of large cooperatives (left) and regional distribution of 50+ years WCs (right)

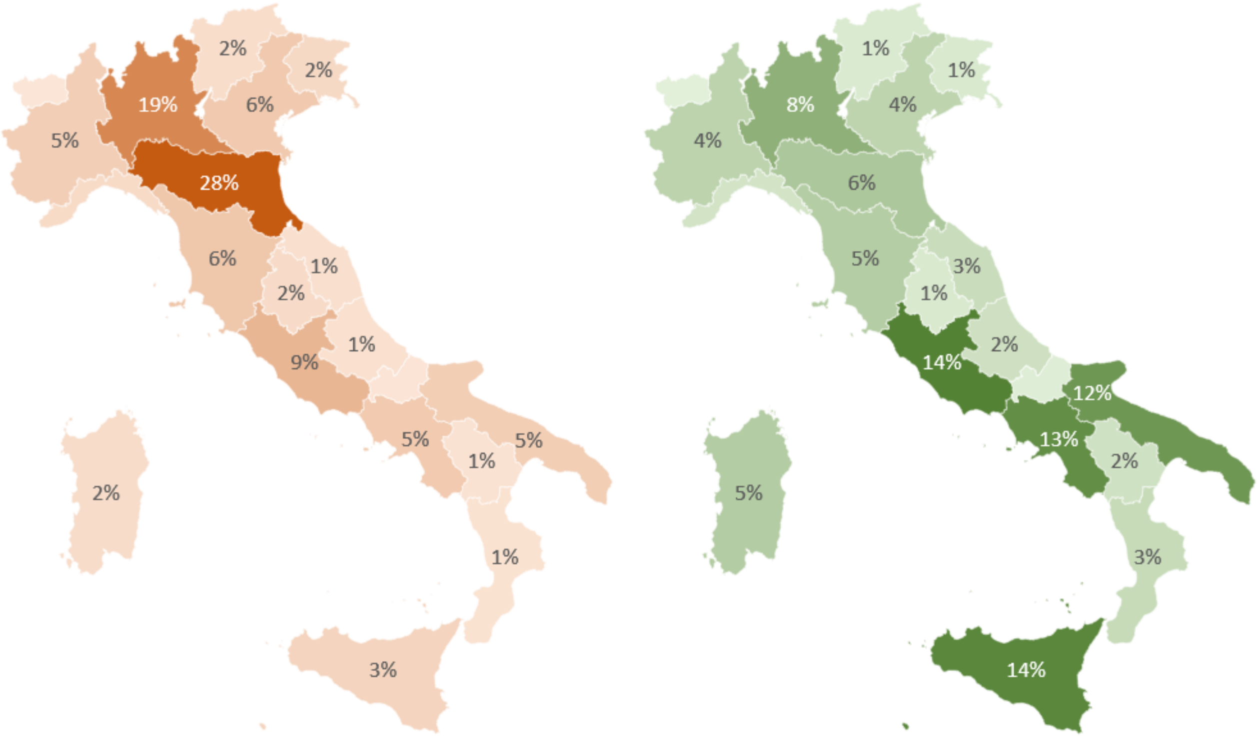


Notes: Left image - darker areas identify a higher concentration of larger WCs per region, expressed in % of Italian large WCs. Right image - darker areas identify a higher concentration of 50+ years WCs per region, expressed in % of Italian 50+ years WCs.

Source: Our elaboration on *Aida-Bureau Van Dijk, Centro Studi Legacoop* and CRMED data, November 2021

Map 2 shows the distribution of the value added generated by WCs per region. The map reveals that WCs in Emilia-Romagna and Lombardy generate 28% and 19% of the value added of all WCs, respectively (left image). It also shows that regions such as Veneto, Tuscany, Umbria and Lazio account for smaller shares, no more than 9% of the overall value added of WCs. Map 2 also reveals that 29% of Italian WCs are concentrated in the southern regions of Campania (13%). Puglia (12%), Lazio (14%) and Sicily (14%). While Emilia-Romagna accounts for 28% of the value added generated by WCs, only 6% of these companies are located within its regional borders. Conversely, while southern regions account for 20% of all WCs (including Calabria, Molise and Basilicata), the value added generated by WCs in these regions is 10% of the value added of Italian WCs. Sicilian WCs are 14% of Italian WCs, but generate only 3% of the value added of all WCs.

Map 2. Distribution of the value added of WCs (left) and distribution of WCs (right) per region



Notes: Left image - darker areas identify a higher concentration of value added generated by WCs, measured as the share of the value added of WCs in a specific region over the value added of Italian WCs. Right image - darker areas identify a higher density of WCs per region, measured as the share of WCs in a specific region over the total number of Italian WCs. In both images, the value added and the density of WCs in Liguria, Molise and Valle D'Aosta regions is 1%.

Source: Our elaboration on *Aida-Bureau Van Dijk, Centro Studi Legacoop* and CRMED data, November 2021.

The combination of the data of Maps 1 and 2 is essential to understand regional disparities. Large, old and high-performing WCs locate in the central and northern regions, such as Emilia-Romagna and Lombardy and, to a lesser extent, in Veneto and Tuscany. In contrast, small and medium-sized, young and underperforming WCs locate in the southern and insular regions, such as Sicily, Campania and Apulia. This is also due to the fact that southern regions have experienced a surge in the number of WCs in recent years, especially following the 2008-2010 crisis and its long-term consequences (Vita, 2018; Cori et al., 2021). WC start-ups may suffer from liabilities of newness and underperform compared to older WCs (Olsen, 2013). The increase of WCs in South Italy is also linked to the enactment of several legal acts supporting and financing the development of cooperative enterprises in these regions, and the spread of cooperative know-how in the area. This is the case, for example, of the Decree of 4.12.2014 of the Ministry of Economic Development, which favours the financing and development of cooperatives in southern Italy. Or, the adoption of regional laws supporting WCs in Basilicata (L.R. 12/2015; D.G.R. 1366/2018), Campania (D.G.R. 388/2015) and Lazio (L.R. 13/2018; D.G.R. 717/2019). Finally, this may be due to other legal provisions aimed at authorising the management of assets and economic activities seized from criminal organisations by cooperatives and other third sector organisations (Law 109/1996).

Table 9 provides precise data on the distribution of WCs between the five macro-regions of the NUTS-1 partition and the NUTS-2 regions. It also contains data on the number of employees and value added per region. The WCs located in North-East and North-West Italy, although representing no more than 25% of Italian WCs, employ about 55% of their employees and generate 56% of their value added. In contrast, the 7,011 WCs in South Italy, 32% of all WCs in Italy, employ 16% of employees and generate 13% of the value added of all Italian WCs.

Table 9 also provides information on labour productivity of WCs in the five NUTS-1 macro-regions. Labour productivity of WCs equals €28,315 and €19,370 of value added per employee in North-Eastern and North-Western Italy, respectively. The relatively high labour productivity of north-eastern WCs is mainly captured by WCs of Emilia-Romagna, which employ 98,689 employees and generate €2,961,252,225 of value added, or €30,006 per employee. The labour productivity of WCs in the central Italian regions is €22,314, while the one of southern and insular regions is €17,231 and €10,212, respectively. Thanks to the good performance of Emilia-Romagna, cooperatives in North-East Italy have the highest labour productivity of all Italian WCs. Data in Table 9 show that WCs in southern Italy are micro and small enterprises. They employ on average 11 workers per firm and are characterised by low labour productivity, lower than that of other macro-regions. In contrast, WCs in north-eastern and western regions employ on average 57 and 45 workers, respectively, and those in Central and Insular Italy employ 18 and 14 workers, respectively.

The information obtained from Maps 1 and 2, and Table 9 suggests that WCs are larger, older and more productive in northern Italy than in the South. Thanks to the history of the cooperative movement, widespread cooperative traditions, and a favourable institutional environment, WCs in Emilia-Romagna are larger, better performing, and more productive. Although smaller and less productive, WCs in the South are younger and may have greater growth potential. Here, the increase in number of WCs is due to socio-economic countercyclical reasons and testify the emergence of a new development trend of WCs in the country (Bianchi and Vieta, 2019). In addition to the legal and financial support they have enjoyed over the past decade, the emergence and consolidation of WCs in southern Italy reveals the unprecedented coping mechanisms workers are adopting to deal with stagnation, unemployment and the withdrawal of state support.

Table 9. Number of WCs, employees, value added and labour productivity per region

NUTS-1 and NUTS-2 regions	No. of WCs	No. of employees	Value added (EUR)	Value added (EUR) per employee
Centre	**4,976**	**87,517**	**2,007,141,862**	**22,934**
Lazio	3,122	50,421	1,002,719,470	19,887
Marche	589	5,492	135,169,434	24,612
Tuscany	1,026	24,272	647,756,493	26,687
Umbria	239	7,332	221,496,465	30,210
North-east	**2,473**	**141,800**	**4,015,097,886**	**28,315**
Emilia-Romagna	1,199	98,689	2,961,252,225	30,006
Friuli-Venezia Giulia	246	10,291	263,056,240	25,562
Trentino Alto-Adige	208	6,442	182,107,257	28,269
Veneto	820	26,378	608,682,164	23,075
North-west	**3,123**	**139,867**	**2,709,239,258**	**19,370**
Liguria	390	7,955	228,175,349	28,683
Lombardy	1,837	112,381	1,983,457,172	17,649
Piedmont	860	19,246	489,024,537	25,409
Valle D’Aosta	36	285	8,582,200	30,113
South	**7,011**	**79,618**	**1,371,901,514**	**17,231**
Abruzzo	479	4,963	118,879,816	23,953
Basilicata	445	2,987	75,813,064	25,381
Calabria	633	3,959	77,754,753	19,640
Campania	2,798	40,329	580,940,165	14,405
Molise	117	943	20,339,794	21,569
Apulia	2,539	26,437	498,173,922	18,844
Islands	**4,039**	**57,115**	**583,278,203**	**10,212**
Sardinia	1,055	7,651	209,665,429	27,404
Sicily	2,984	49,464	373,612,774	7,553
Totals	21,622	505,917	10,686,658,723	21,123

Notes: in bold, NUTS-1 regions.

Source: Our elaboration on *Aida-Bureau Van Dijk, Centro Studi Legacoop* and CRMED data, November 2021.

The previous sections shed light on the performance of Italian WCs. But how have co-operators managed to build such a consolidated co-operative environment? What solutions have co-operators, cooperative associations, and policy-makers implemented to support the cooperative movement as a whole and, specifically, WCs? To answer these questions, the following section discusses the specificities of Italian cooperative legislation: how this legislation works, what the benefits of WCs and cooperatives in general are, and how mutual funds work.

4. The Italian cooperative legislation

Italian cooperatives, among which WCs, are mutual-aid organisations designed to accommodate the unmet social, economic and cultural needs of collectives and communities (Borzaga *et al.*, 2019). Rather than maximising shareholder profits, cooperatives produce a series of benefits which transcend the profitability of companies (Charmettant and Renou, 2021), by delivering products and services of public interest (Borzaga *et al.*, 2019). As economic organisations that differ from traditional capitalist enterprises, Italian cooperatives benefit from specific pieces of legislation, which have been developed in accordance with Article 45 of the Italian Constitution of 1947 (Fici, 2010).

The Italian cooperative legislation is one of the most advanced among European and non-European countries. This legislation rules the conduct of members, the functioning of administrative and supervisory bodies of cooperatives, their fiscal benefits and the access to ad-hoc financial resources. The longevity and complexity of Italian cooperative legislation and its positive effects on the development of employee ownership in the country should not be underestimated. A sound cooperative legislation can sustain the cooperative sector and boost its evolution. In contrast, the lack of appropriate legal recognition can hinder the birth, survival and growth of these companies, thus undermining people's ability to set up alternative, democratic and sustainable business organisations (Cooperatives Europe, 2019). The legal understanding of the cooperative phenomena offers valuable insights into the prevalence of WCs in Italy. The growing interest towards the Italian cooperative legislation as a benchmark for upcoming legal initiatives in support of employee-owned companies, cooperatives and mutuals in other countries testifies the importance of such an analysis (Gonza et al., 2021; Mygind and Poulsen, 2021; Co-operative UK, 2021).

Italian cooperatives are socially-oriented and mutual organisations, whose legislation is rooted in the communitarian values of the post-WWII reconstruction. All the legal sources and bylaws which rule the functioning, obligations and rights of Italian cooperatives hinge upon Article 45 of the Constitution and are seconded by the Civil Code (Cooperatives Europe, 2019).

> The Republic recognises the social function of co-operation of a mutually supportive, non-speculative nature. The law promotes and encourages co-operation through appropriate means and ensures its character and purposes through appropriate controls (Constitution, Art. 45).

The Civil Code (Royal Decree 262/1942, CC hereafter) is the backbone of the Italian civil law system. Articles 2511 - 2548 of the CC regulate the general conduct and identify the general rationales, structures, rights and obligations of Italian cooperative organisations. Prescriptions of the

CC have been reformed over the years and are complemented by ordinary laws and ministerial decrees, among which the most noteworthy is the Legislative Decree 1577/1947, also known as the Basevi Law after its drafter. The Basevi Law grants credit and fiscal advantages to cooperatives while introducing duties concerning the prevalent mutuality, the distribution of profits and the dissolution of cooperatives. It specifically introduced the mechanism of cooperative indivisible reserves, or the possibility to secure cooperative surplus into cooperative capital. Information on the prevalent mutuality and indivisible reserves follows below. Both the Basevi Law and the CC were reformed and updated in 1992 with Law 59/1992, and in 2003 with Legislative Decree 6/2003. These pieces of legislation apply to all cooperative companies, including WCs.

Prevalent mutuality (Civil Code, Art. 2511), the core legal specificity that characterises 92.5% of Italian cooperatives, concerns enterprises that operate predominantly in favour of their members, providing them with products, services or employment opportunities at better conditions than those made available by the state or the market (Civil Code, Art. 2512). Prevalent mutuality is recognised when mutual exchanges with members exceed 50% of the total exchanges the cooperative makes with both members and non-members. In the case of WCs, prevalent mutuality implies that at least 50% of the gross cost of labour contracts is disbursed to worker members, in whatever form it is exercised - i.e., to pay employees, contractors or self-employed workers. Prevalently mutual WCs aim at providing members with employment opportunities at better conditions than those in the labour market (National Council of Accountants and Bookkeepers, 2016).

Members of WCs are, at the same time, (i) workers and (ii) beneficiaries of the activities of cooperatives with membership rights, which grant residual rights of control over the organisation. Hence, the relationship members maintain with WCs is twofold and it is regulated by Law 142/2002. As members, workers can take part in the mutualistic exchanges, in the management of cooperatives, and in the cooperative’s capital (Law 142/2002, art. 1, par. 2). As workers, members provide WCs with their labour force. Law 142/2002 specifies that worker-members can be either employees or self-employed workers, depending on the nature of their work provisions. If the relationship of a worker-member with a WC matches the relationship of an employee with a traditional company, then the worker-member is treated as if she is an employee with respect to employment relations, social security and fiscal domains. Otherwise, she is treated as a self-employed or a temporary worker. Work and membership relations are complementary.

All prevalently mutual cooperatives are subject to bylaws and mandatory clauses, whose definition is established in the CC (Fici, 2010). These companies are required to reinvest at least 30% of their revenues in collective indivisible reserves. Indivisible reserves are set aside internally, can be used to cover losses after the use of all other reserves (Law 6/2003) and cannot be distributed among the members. In addition, these cooperatives: (i) cannot distribute dividends above the maximum interest of interest-bearing postal bonds, increased by 2.5 percentage points; (ii) cannot remunerate the financial instruments offered to members above the maximum interest of interest-bearing postal bonds, increased by 4.5 percentage points; and (iii) in the event of the cooperatives' dissolution, must devolve the residual value of the assets to "Mutualistic funds for the promotion and development of cooperation".

Non-prevalently mutual cooperatives do not carry out the majority of the mutualistic exchanges for the benefit of members. They are less constrained by law in terms of dividend distribution, remuneration of financial instruments and members' capital, and accumulation of reserves, but they cannot enjoy the same tax benefits as prevalently mutual cooperatives do. They are not required by law to accumulate indivisible reserves, and the residual value of the organisation can be distributed among their members upon dissolution.

Both prevalently and non-prevalently mutual cooperatives enjoy tax advantages in that they pay a reduced corporate tax on funds reinvested in indivisible reserves (Law 904/1977, Article 12). However, tax exemptions are greater for cooperatives with prevalent mutuality. The fiscal treatment of WCs is neither more convenient nor less unfavourable than the one of other cooperative categories. The fiscal treatment of prevalently mutual cooperatives is as follow: revenues not allocated to the indivisible reserves are subject to ordinary corporate taxation, which is set at 24%, similar to corporations which pay ordinary corporate tax on 100% of revenues. Prevalently mutual cooperatives pay corporate taxes on 43% of the revenues allocated to the indivisible reserves, implying that 57% of revenues allocated to the indivisible reserves are tax-exempt (Law 311/2004, Art. 1, para. 460; Decree Law 138/2011, Art. 2, para. 36-bis). Non-prevalently mutual cooperatives pay corporate tax on 80% of the revenues allocated to the indivisible reserves.

Besides the legal recognition and the tax advantages accorded by law, cooperatives also benefit from the resources and support granted by mutualistic funds (Law 59/1992). Mutualistic funds are not-for-profit financing organisations which provide financial resources, and legal and administrative support to cooperatives and mutuals. They provide projects of start-up and consolidation of cooperative companies with equity, grants or loans. The management of mutualistic funds is indirectly entrusted to the associations of cooperatives - *Legacoop* inspired by Socialist and Communist values, *Confcooperative* inspired by Catholic doctrines, and *AGCI* of Liberal and Republican ideas. Mutualistic funds accrue resources from affiliated cooperatives and the liquidation of residual assets of dissolved cooperatives. All cooperatives devolve 3% of their annual profits to mutualistic funds for the development of cooperative initiatives across the country (Law 59/1992). Annual contributions to mutual funds are tax-exempt.

Cooperative legislation provides WCs with the recognition necessary to overcome organisational barriers to employee ownership (Mygind and Poulsen, 2021). In Italy, the WC is a well-established organisational model, whose functioning, benefits and constraints are defined by law. Workers wishing to set up an employee-owned business can easily resort to the WC model without incurring in resource-consuming search costs to identify the appropriate legal vehicle for their activity. However, legislation alone is not sufficient to overcome the obstacles to set up WCs, since these start-ups require resources and expertise as well as adequate guidance in the cooperative model.

5. Cooperative start-ups and worker takeovers

The development of WC start-ups is often – but not necessarily – supervised by national associations of cooperatives (*Legacoop*, *Confcooperative* and *AGCI*) and their mutualistic funds, which superintend the development of cooperative business plans and their implementation. However, there are no private or public incubators specifically investing in WC start-ups or spin-off projects. Public agencies play marginal or no roles in crafting new WCs. In some instances, WCs receive the same support granted to all other companies, regardless of the differences in the legislation. In other cases, regional administrations have made available credit lines at subsidised rates to support the start-up of new cooperatives more broadly and their consolidation, as it happens in Tuscany, Lombardy, Campania, Lazio, Piedmont and Basilicata.

Apart from de novo WCs which are created from scratch, workers can achieve industrial democracy, economic participation and full employee ownership via worker takeovers (Lomuscio and Salvatori, 2021). Italian worker takeovers, or worker-recovered enterprises and worker buyouts, are democratic business-rescue proceedings aimed at solving the financial, managerial or succession crisis of a company (Vieta, Depedri and Carrano, 2017). The first-ever recorded worker takeover in Italy dates to 1952, a glass-making cooperative in Tuscany. So far, *Cooperazione Finanza Impresa* (CFI), a public institutional investor, *Centro Studi Legacoop* and *Euricse* have censused more than 330 worker-recovered enterprises, which salvaged more than 12,700 jobs from 1979 to 2014 (Vieta, Depedri and Carrano, 2017).

Italian worker takeovers benefit from specific pieces of legislation, which hinge upon Law 49/1985, also known as the Marcora Law after its drafter. Law 49/1985 commands institutional investors – i.e., CFI – to provide worker takeovers with legal, financial and administrative support, whether for start-up or consolidation purposes. In so doing, CFI offers debt and risk capital at subsidised rates to worker takeovers via publicly funded provisions. The amount of resources CFI can invest in each project is capped by the law and interventions cannot be in place for more than ten years. For a detailed analysis of Law 49/1985 and its history, see the *Euricse* report on Italian worker takeovers (Vieta, Depedri and Carrano, 2017, pp 59-61). Finance from the Marcora Law can be multiplied thanks to the involvement of mutualistic funds; the provisions of mutualistic funds and the ones of CFI are independent and complementary. Workers willing to set up a novel worker takeover can also resort to the capitalisation of their unemployment allowance, in accordance with Law 223/1991, and their accumulated severance pay. Financial provisions for cooperative worker takeovers are strengthened by the possibility workers have to exercise a right of first refusal on the assets of distressed companies whenever these companies are under insolvency procedures (Legislative Decree 145/2013).

Whether from scratch or conversions, the number of WCs in South Italy is surging compared to other regions, making this area a barycentre of cooperative development. 66% of WC start-ups in the five years between 2017 and 2021 are concentrated in 5 out of 21 regions – namely, Lazio, Lombardy, Apulia, Sicily and Campania. The three regions of Apulia, Sicily and Campania, in South Italy, account for 39% of all WC start-ups in that timespan. Southern regions have suffered more from the effects of the past socio-economic crises than northern ones and WCs are gaining traction in these regions. Interestingly, the share of WCs start-ups in central Italian regions, which are traditionally devoted to cooperation, is just a fraction of the overall number of WC start-ups. Tuscany, Emilia-Romagna and Veneto in North-East and Central Italy, headquarters of the Italian cooperative movement, only account for 4% of WC start-ups, respectively.

As mentioned in Section 3, the rise of WCs in South Italy is partially due to the enactment of favourable legislation, the provision of ad-hoc finance and the spread of cooperative know-how. The financing of start-ups is an asset to boost innovative and sustainable growth. However, cooperatives can suffer from under-investment and under-capitalisation issues (Furubotn and Pejovich, 1970; Tortia, 2003; Monteleone and Reito, 2018) due to institutional biases and mistrust of conventional lending institutions (Doucouliagos, 1995). Granting accessible finance at fair conditions is, thus, vital for the development of a sound cooperative movement. In this regard, the following section debates the internal and external financing mechanisms of WCs and cooperatives more broadly.

6. Membership and cooperative finance

In general, all co-operative companies can resort to both internal and external sources of financing. It is therefore essential for co-operatives to balance the provisions of these two sources in order to reach an acceptable level of capitalisation and, at the same time, avoid costly financial transactions - i.e.

high interest rates. This reasoning also applies to WCs, in which worker-members self-finance their companies through individual members' shares, the so-called *capitale sociale*, and indivisible reserves. Both are mandatory, even though the minimum amount of each individual share is only €25. According to the 'one person/one vote' rule, the acquisition of more shares does not confer additional or superior decision-making rights, but increases the *capitale sociale*, thus reducing the need to resort to external financing sources.

Members participate in the life of cooperatives by taking part in mutualistic exchanges (as beneficiaries and/or as providers of benefits for others), in decision-making activities and the distribution of the economic surplus. Being a member of a cooperative is a voluntary choice and cooperatives are open to all persons without any discrimination (Civil Code, art. 2516). WCs adhere to the same principles. There are no ad-hoc pieces of legislation which regulate the acquisition of the membership status in a cooperative. Each cooperative sets up its own criteria and procedures for the selection and admission of new members (Civil Code, art. 2527), which, though, cannot clash with cooperative principles rooted in the Italian Constitution and the CC. Members can quit a cooperative under the terms specified by Article 2532 of the CC or by the deeds of incorporation. Members can also be excluded from the general meeting in compliance with Articles 2526 and 2527 of the CC. In the specific case of WCs, withdrawing worker-members may rescind only their membership or only their employment relation. The entry and exit of members do not affect the deed of incorporation and individual shares are repaid to withdrawing members within one year.

Besides individual shares, all cooperative companies are required to reinvest at least 30% of their revenues into indivisible reserves of capital. Indivisible reserves serve as liquidity reserves which cannot be distributed among members and are used to cover losses after the use of all other reserves (Law 6/2003). In the event of the dissolution of cooperatives, residual indivisible reserves are devolved to the "Mutualistic Funds for the promotion or development of cooperation". In the event prevalently mutual co-operatives are transformed into joint stock companies or non-prevalently mutual co-operatives, the members will not be able to freely manage the indivisible reserves, which will be devolved to the mutual funds upon conversion. Non-prevalently mutual cooperatives, after having allocated the share of revenues to indivisible reserves, mutualistic funds or to cover previous losses, can allocate any residual proceedings to divisible reserves. Differently from indivisible reserves, divisible ones can be distributed among members as commanded by the deeds of incorporation. There are limitations on the distribution of these reserves to members. Such transactions are permitted only if the ratio between the shareholders' equity and the company's overall debt exceeds one quarter (National Council of Accountants and Bookkeepers, 2016).

Reserves are complemented with other three different instruments of cooperative finance: members' loans, cooperative participation shares, and subscriptions of investor members (La Loggia Albanese, 2003). Members' loans are intended to increase the financial participation of members without introducing any patrimonial and membership right. Members' loans are repayable at any time, must be used exclusively for the achievement of the social purpose of cooperatives, and are subject to a maximum remuneration equal to the interests of postal savings bonds increased by 2.5 percentage points. The amount of members' loans collected by cooperatives cannot exceed three times the sum of the *capitale sociale*, reserves and revenues reported in the last financial statement of each cooperative. Members' loans can reach up to five times the assets of cooperatives if at least 30% of their value is backed by a guarantee issued by banks, insurance and financial companies. Limits to the finance collected via members' loans do not apply to cooperatives with more than 50 members (La Loggia Albanese, 2003).

Both members and non-members, such as non-member employees, can acquire cooperative participation shares (*Azioni di partecipazione cooperative*), which aim at financing multi-year investment schemes for the development and modernization of cooperatives. Cooperative participation shares do not grant voting rights, but are privileged in the distribution of dividends and repayment of capital. The value of cooperative participation shares cannot exceed the book value of the indivisible reserves or the value of net assets certified by the last financial statement. At least 50% of cooperative participation shares must be offered as options to members and employees of issuing cooperatives.

Investor members are investors who acquire shares or financial instruments of a cooperative through risk or debt capital (Civil Code, art. 2526). Each cooperative decides the rights and duties of investor members via their deeds of incorporation. Article 2526 of the CC specifies that, all considered, investor members cannot have more than one-third of voting rights of a cooperative, and cannot elect more than one-third of directors and members of supervisory bodies of cooperatives. Rights and duties of investor members are regulated by Law 6/2003, the CC and the deeds of incorporation. The remuneration of cooperatives' financial instruments – i.e., shares, loans and subscriptions – is capped by law to the "maximum interest of postal bonds increased by 4.5 points" (Fici, 2010, p. 11), whereas the distribution of dividends on subscribed shares cannot be "superior to the maximum interest of postal bonds increased by 2.5 points" (Fici, 2010, p. 10).

Like all other companies, and in addition to the previous sources of finance, cooperatives can resort to financing from all types of credit banks. However, Italian cooperatives can also access specific sources of cooperative finance, lent by cooperative credit banks (*Banche di Credito Cooperativo,* BCCs). The provision of cooperative finance from cooperative banks follows two possible models.

The first has been mainly developed by one of the national associations of cooperatives, *Legacoop*, and is based on the direct control of affiliated cooperatives (borrowers) over affiliated cooperative banks (lenders), which are registered as anonymous limited liability companies. The most important case is *Unipol,* a holding operating in the insurance and banking sectors based in Emilia-Romagna, which is owned by the cooperatives affiliated with *Legacoop,* but also operates with all other business entities. As an insurance company, it uses the brands *Unipol-Sai Assicurazioni*, *Linear Assicurazioni*, *Linear Life*, *UniSalute* and *Arca Vita*. As of 2009, it was ranked as the fourth largest insurer in the country. *Unipol* is registered as a commercial bank, *Unipol Banca,* and, like *Unipol Sa*i, is listed on the Italian stock exchange.

The second notable model comes from *Confcooperative*, the second largest association of cooperatives in Italy. BCCs are mostly affiliated with *Confcooperative*. They are independent members of this association and are conceived by law as mutualistic local banks. BCCs usually provide financing to small- and medium-sized enterprises of local production systems, and have a privileged relationship with cooperative companies. However, they have no obligation to finance the cooperatives affiliated with national associations or other cooperatives. Differently from the previous model, independent BCCs are not directly controlled only and solely by associated cooperatives.

These financial instruments and mechanisms grant accessible finance to Italian cooperatives, including WCs. The inflow of financial resources does not depend on the entry of new members, since WCs can accumulate their financial resources in reserves and access external financing on fair terms. In addition, the exit of members does not undermine the financial stability of WCs. This is due to the fact that withdrawing members may only rescind their employment relation, thus maintaining their investments. And that shares of the *capitale sociale* are one among many different sources of capital and not even necessarily the most substantial. Flexible and complementary sources of financing can enable WCs to overcome the financial shortcomings generated by the entry and exit of members and the limited access to external financing (Mygind and Poulsen, 2021). Mutualistic funds, entrusted by the national associations, are essential for the provision of resources to both WC start-ups and consolidation initiatives. As of 2016, the assets of the four largest mutualistic funds in Italy were worth 717 million euros (European Economic and Social Committee, 2018).

7. Conclusions

This analysis is the first step towards a more accurate identification of the drivers and barriers of WCs in Italy, which are the leading vehicle for the promotion of employee ownership in the country. The paper has investigated the prevalence of WCs in Italy, which make up 44% of all cooperatives, employing 2.8% of the employees of the economic sectors populated by WCs and generating 1.2% of the value added of these sectors. Notwithstanding the application of favourable legislation at the national level, the analysis of the sectoral and geographical distribution of WCs reveals differences among economic sectors and regions. Partially, these differences are due to the history of the cooperative movement in Italy, which is rooted in the Socialist and Catholic traditions of the central and north-eastern regions (Borzaga, Depedri and Bodini, 2010), and to idiosyncratic local initiatives.

The results suggest that small and medium-sized WCs located in central and north-eastern Italy have the best economic performance. However, in recent years, young WCs are surging in southern Italy thanks to favourable initiatives, ad-hoc funds and the diffusion of cooperative know-how. Particularly in the aftermath of the Great Recession, and to cope with unemployment and state withdrawal, younger and smaller WCs have spread more in southern Italian regions than in those regions with sound cooperative traditions. The performance of WCs in the South is lower than that of WCs in other regions. Nevertheless, employment protection and stabilisation are sufficient to ensure the attractiveness of this organisational form.

Besides providing members with fair workplace conditions and decision-making power, WCs better preserve employment than investor-owned companies, showing this way their resilience and sustainability (Borzaga, Carini and Tortia, 2022; Tortia, 2022b). Despite the drops in production volumes, wages and value added due to the pandemic, Italian WCs were able to leverage wage flexibility to prevent job losses. The ability of these companies to proactively respond to emerging crises by maintaining employment levels is essential to promote sustainable regional and national strategies for recovery and growth (Kontkanen, 2022).

The analysis carried out in this paper can be usefully compared and contrasted with past research on WCs, as in the case of worker-recovered enterprises (WREs) by Vieta and colleagues (Vieta, 2015; Vieta, Depedri and Carrano, 2017). Both present and past research is consistent in relation to the geography of the phenomena. WREs that emerged on the basis of the legislative provisions of the Marcora Law and its reform (Laws 49/1985 and 57/2001) were mainly concentrated in central Italy, particularly in Tuscany (42), Marche (21), Emilia Romagna (20), Umbria (16), Veneto (13), and Trentino-Alto Adige (11). These regions correspond to the same geographic areas where, traditionally, WCs are stronger, as shown in Section 3.

In addition, data show that more than 20% of WREs have survived more than 20 years, that 70% of WREs have employed between 10 and 49 workers, and that 68% of WREs operate in manufacturing sectors (Vieta, Depedri and Carrano, 2017). While findings on the survival and age of WREs are in line with the analysis carried out in this paper, findings on the size and sectoral concentration of WREs and WCs differ. Indeed, the vast majority of WCs are micro-sized enterprises, smaller than the average WRE. Moreover, differently from WREs, 55% of WCs operate in the construction, transport, administrative and agriculture sectors. Interestingly, the emergence of WREs is positively correlated with economic downturns and negatively associated with periods of economic growth. Such a finding is partially in contrast with data on WCs, whose number of entrants is declining since the economic and financial turmoil following the Great Recession. Differences in the size, sector and business dynamic of WREs and WCs lie in the ultimate and diverse goals of these enterprises: differently from WCs, WREs explicitly tackle employment protection in times of crisis and tend to protect employment in the most endangered enterprises – namely, manufacturing SMEs which are neither big enough to navigate the market, nor able to proactively manage the challenges posed by international competition.

Future research interests could provide new and more relevant findings regarding the younger and smaller cooperatives that emerged in the aftermath of the Great Recession, especially in South Italy, where the weaker economic and financial performance WCs is somewhat offset by better dynamics, growing numbers, and diffusion in both traditional manufacturing and emerging service sectors. In addition, future lines of inquiry need to address the roles and impact of WCs in the post-capitalist economy, which has highlighted, for example, the growing importance of the platform economy, digitization, and combating climate change.

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Chapter 2

The Marcora Act framework:
the legislation of Italian worker takeovers

Abstract – In 1985, Italian policymakers enacted a law to favour the start-up and consolidation of worker takeovers to preserve the employment levels of distressed companies. Law 49/1985, also known as the Marcora Act after its drafter, provides cooperatives with financial resources to promote and consolidate worker-takeover operations. Despite its central role, the Marcora Act comes into force in conjunction with insolvency, industrial and social security laws. These seconding norms strengthen the provisions of the Marcora Act, but they also secure workers and companies with complementary and independent benefits. The corpus of laws which pertain to the Marcora Act framework is, however, loosely integrated, stratified and rooted in different law codes. To ease the access and interpretation of such legislation, this paper identifies the funding schemes in favour of Italian worker takeovers and the functioning of support mechanisms, and debates the pitfalls of the application of the Marcora Act framework.

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Introduction

Among cooperatives, worker takeovers (WTs) stand as an autonomous object of analysis (Diaz-Foncea and Marcuello, 2013). WTs are worker-led takeover operations which aim at either re-activating distressed companies or taking over going concerns (Paton, 1989). WTs are owned and democratically controlled by workers themselves, but, differently from employee-owned companies that have been created from scratch (Mirabel, 2021a), they take over already-existing business organizations or one of their branches – usually, the ones in which they were employed – and convert them into employee-owned companies (Delgado, Dorion and Laliberté, 2014). Thanks to the direct and profound involvement of workers, WTs differentiate themselves from other buyout strategies, such as leverage and management buyouts (Montalenti, 1991).

WTs are internationally known for being resilient and alternative strategies to contrast business closures and job losses in times of crisis (Calogirou *et al.*, 2010; Vieta, Depedri and Carrano, 2017; Antonazzo, 2019; Bassi and Fabbri, 2019; Orlando, 2019). In the process of preserving distressed companies and going concerns, job-threatened workers adopt democratic, self-managed and people-centred managerial practices, and achieve remarkable financial and economic performances (Mirabel, 2021b). WTs also generate positive externalities and provide advantages to companies, communities and regions in crisis (Vieta and Lionais, 2015; Castronovo, 2016): WTs scale worker ownership; tackle unmet social needs; provide jobs, goods, services and tax revenues to local communities; preserve the economic fabric of regions in crisis; and secure the transition of going concerns to new owners and managers – namely, the workers (CECOP-CICOPA, 2013; Delgado, Dorion and Laliberté, 2014; Rete Italiana Imprese Recuperate, 2021).

Italian WTs are prominent case studies. They boast 70 years of history and development in terms of growth in cases, viability of WT operations, variety of experiences, legislation, and support offered by public and private agencies (Vieta, Depedri and Carrano, 2017). Since 1952, almost 400 WTs have emerged in Italy, providing around 14,500 workers with sound and fair job opportunities across all regions and economic sectors (CFI, 2021; Rete Italiana Imprese Recuperate, 2021; Lomuscio, 2022). Italian experiences are mostly renowned thanks to the favourable legislation that has been implemented over the last 35 years, which favours the start-up, consolidation and development of WT operations.

The inception of these ad-hoc legal devices traces to the 1980s and, specifically, to Law 49/1985 (Aimar, 2018; CFI, 2021). To counteract the harsh economic conjuncture and to alleviate the socio-political tensions of the 1970s and 1980s, in 1985 Italian policymakers enacted an industrial legislation to favour the start-up and consolidation of WTs. Law 49/1985, also known as Marcora Act, aims at preserving companies and employment levels of distressed companies and going concerns via the provision of financial support to new-born worker and social cooperatives. Still, despite its central role, the Marcora Act comes into force in conjunction with insolvency, industrial and social security laws, which strengthen the financial provisions of the Marcora Act and secure workers and target companies with complementary and independent benefits (Vieta, Depedri and Carrano, 2017).

Thanks to its longevity, proven robustness and effectiveness, the legislation of Italian WTs has no equal worldwide. In face of this uniqueness, many legislative initiatives of other countries have sought to take inspiration from the Italian legal framework and, specifically, from the Marcora Act in order to support these resilient and pro-active initiatives. Among the most recent cases, the UK (Co-operatives UK, 2021; Rees, 2021), Slovenia (Gonza *et al.*, 2021; Ellerman, Gonza and Berkopec, 2022), Canada (Vieta, 2021) and Denmark (Mygind and Poulsen, 2021). The salience of WT operations is growing as these strategies address the preservation of companies and jobs affected by the pandemic (Ellerman and Gonza, 2020), and contrast the downturns of the economic crisis brought by the Russian-Ukrainian conflict (CFI, 2022a). The growing attention paid by the international audience, in conjunction with the scarcity of scientific and up-to-date publications on the topic, makes the Italian legislation of WTs an object worth investigating.

However, the corpus of laws and norms which pertain to the Marcora Act framework is loosely integrated and stratified. Over more than 35 years, the Marcora Act has undergone reforms, amendments and integrations to cope with the EU integration process and with major reforms of insolvency and social security laws. A summary of the legal mechanisms which have been developed to support the emergence and consolidation of WTs is reported in Table 1. In addition to ad-hoc regulations which specifically pertain to WTs, these organisations are subject to all ordinary laws that regulate the functioning of cooperative companies, the behaviour of cooperatives' members and the implementation of ad-hoc funding schemes.

The lack of integration and the stratification of the Marcora Act framework hinder the access of scholars and practitioners to the legislation of WTs and limit its comprehension. To solve these issues, this paper guides both Italian and international readers into the legislation of WTs, by addressing the sources of the legislation, the functioning of support mechanisms and the pitfalls of the application of the Marcora Act framework. In line with the doctrinal legal research methodology (Consultative Group on Research and Education in Law, 1983; Chynoweth, 2008), this paper provides an answer to the core research questions*: What is the legislation of Italian WTs? How do these legal mechanisms work?* In addition to the review of this legislation, the paper investigates the following research questions: *What are the financial schemes to support WTs? Are there any criticalities in the application of the legislation?* By unfolding the specificities of the Italian legal framework of WTs, the paper aims at fostering the debate on the sources of economic democracy and its support mechanisms.

Table 1. Law areas, core pieces of legislation and implications for WT operations

Law areas	Core pieces of legislation	Spheres of application
Insolvency law	Royal Decree 267/1942, Legislative Decrees 14/2019 and 118/2021	They regulate how workers bid for the residual assets of insolvent companies
Industrial law	Laws 49/1985 and 57/2001, Ministerial Decrees 04.12.2014 and 04.01.2021	They regulate the provision of finance to cooperatives and WTs
Social security law	Law 223/1991 and Legislative Decree 22/2015	They regulate the use of unemployment benefits as start-up capital for WTs
Other laws	Legislative Decree 112/1998, Law 59/1992	They regulate the functioning of regional and mutualistic funds for the development of cooperative and WT operations

This research contribution is innovative for five reasons. Firstly, the contribution informs international scholars, practitioners and policymakers about the specific functioning of the Italian legal framework of WTs and its recent reforms. Indeed, many outstanding research outcomes on the topic are in Italian, and language issues limit knowledge diffusion abroad. In addition, scientific publications in English on this topic are now outdated. A new research initiative is, thus, necessary to account for novel funding schemes Secondly, it presents the Marcora Act framework in its entire composition, by moving from insolvency laws to social security laws and funding opportunities. Thirdly, this paper provides an accurate historical background of the Marcora Act to better position this initiative within the political and social debate of the 1980s. Rarely previous research took into consideration the socio-political background of the Marcora Act, which, however, is essential to understand its functioning, the nature of the funding schemes and its goals. Fourthly, the paper analyses the economic and financial implications of legislation, by reviewing the sources of financing, the functioning of the financing mechanisms, and the interactions among funding schemes. Finally, the paper increases the awareness of the pitfalls, gaps and drawbacks of the Marcora Act framework, and identifies areas for potential adjustments and integrations. The identification of such limitations feeds the debate on the functioning of WT-supporting strategies and drives new legal initiatives towards fine-tuned applications.

1. Historical background of the Marcora Act

Early experiences of workplace self-management and occupations in Italy trace to the 1910s and 1920s, and predate the fascist era (Vieta, Depedri and Carrano, 2017). The conclusion of WWII brought novel socio-political tensions, which, in conjunction with the devastation left by the war, catalysed a new wave of labour struggles and occupations in the late 1940s and the early 1950s (Orlando, 2017). And yet, it was with the conclusion of the *Trente Glorieuses* and with the Oil crisis of 1973 that the debate on WTs got a political emphasis at the national scale. Indeed, albeit evocative and progressive, early experiences of workplace self-management were generally temporary and intended to improve workplace conditions via labour struggles and trade unionism (Vieta, Depedri and Carrano, 2017). The implementation of stable and radical changes in the control and ownership of companies was a marginal claim in that period. Differently, the number of WTs in Italy – whether just attempted or successful – started to grow at a stable rate from the 1970s onwards (Aimar, 2018; Lauria, 2021).

The 1970s was a decade of labour conflicts and advancements in workplace conditions, such as the passing of Law 300/1970, the Italian workers' statute. However, labour struggles were a threat to the governing Democratic-Christian party (Lauria, 2021). With the idea to counteract pickets, strikes and occupations, ruling policymakers debated alternative strategies to face mass layoffs, unemployment and the dissolution of the manufacturing fabric. Among the options, ministries and members of the parliament addressed the growing interest in worker cooperatives as a suitable compromise between workers' demands and the rising socio-political tensions. The history of Law 49/1985, "Measures for cooperative credit provision and urgent actions for preserving employment levels", is rooted in the troubled 1970s. The draft law was initially presented by Giovanni Marcora in May 1982 after years of groundwork, but it was not approved at that time due to the fall of the government. Giovanni Marcora was a member of the Italian parliament, also minister of agriculture and industry, and a leader of the conservative Democratic-Christian party (Aimar, 2018). He is considered the father of Law 49/1985, issued in 1985 and eventually named the Marcora Act after Marcora's death, which occurred in 1983. After the death of Marcora, the draft law was re-submitted twice at the parliamentary debate and it was finally issued on the 27th of February 1985 thanks to the endorsement of the socialist minister Gianni De Michelis (Aimar, 2018).

To mitigate both the socio-political conflicts and the rising unemployment, and inspired by the social catholic doctrine, Marcora opted for an economic solution grounded in mutualistic values: the cooperative (Aimar, 2018). In its essence, the measure was meant to provide financial support to dismissed workers willing to set up novel worker cooperatives. Indeed, in the late 1970s, Italy experienced a surge in the amount and variety of cooperative organizations, whose number grew from 75,000 in 1974 to 126,000 in 1980 (Orlando, 2017). Worker cooperatives were considered the proper devices to satisfy both the demands of workers, willing to increase their economic participation, and the necessity to safeguard employment levels and productive assets of failing companies without incurring labour conflicts.

The first-ever recorded WT in Italy dates to 1952, a glass-making cooperative in Tuscany (Ferraro, 2015). However, before the passing of Law 49/1985, the implementation of WT operations was marginal. Vieta *et al.* (2017) estimates that 29 WTs were created between 1979 and 1984 in Italy. Of those 29, only four of them had been retroactively financed via the Marcora Act provisions at least once in their lifetime. Differently, in the five years following the passing of the Marcora Act – between 1985 and 1989 – 78 new WTs had been put in place, almost three times the takeovers accomplished between 1979 and 1984. As of late 2014, 202 WTs and 12,700 workers countrywide, almost 80% of the Italian worker-takeover population at that time, benefited from the provisions of the Marcora Act (Vieta, Depedri and Carrano, 2017). Nowadays, more than 380 WTs have been censused by *Cooperazione Finanza Impresa* (CFI), and research institutes *Euricse* and *Area Studi Legacoop* (Bernardi *et al.*, 2022; CFI, 2022b; Lomuscio, 2022).

2. The Marcora Act and its reforms

The Marcora Act supports laid-off workers, who benefit from the *Cassa Integrazione Guadagni* (CIG) or other unemployment benefit schemes, in their attempt to rescue, take over and restart insolvent small and medium enterprises (SMEs) via the set-up of predominantly mutual cooperatives. The provisions granted by Law 49/1985 also support the start-up of predominantly mutual cooperatives made up of dismissed workers, independently from the rescuing and restart of a third-party failing company. The provision schemes granted by the Marcora Act stopped functioning in 1993, after an allegation by *Confindustria*, the Italian employers' federation. The allegation revolved around the lack of a repayment horizon for loans provided by CFI to target cooperatives, which urged the EU Commission to take measures against this funding scheme (Bernardi *et al.*, 2022). The notification turned into an infringement procedure issued by the EU Commission due to non-compliance with the EU State Aid Directive and with competition laws, and Law 49/1985 was then reformed in 2001 with Law 57/2001 (Lomuscio and Salvatori, 2021).

The Marcora Act is made up of two titles. Title I regulates the functioning of the revolving fund *Foncooper*. The revolving fund provides debt capital at subsidised rates to predominantly mutual cooperatives. The provisions were granted to cooperatives willing to carry out investment programs to increase productivity and employment levels, or the takeover of productive assets of failing companies (Pagani, 2020). Title II regulates the functioning of the *Special Fund*, the second financing tier of the Marcora Act. The original function of the Special Fund was to supply resources to cooperative institutional investors (Law 49/1985, Art. 16). These institutional investors were then entrusted to directly grant them to predominantly mutual worker cooperatives made up of dismissed workers. The provisions of the Special Fund were totally non-repayable. Worker cooperatives or consortia of cooperatives would receive "up to three times the share capital subscribed by the cooperative members and up to a maximum amount equalling three annual *Cassa Integrazione* [*Guadagni*] payouts for every associated worker" (Vieta, Depedri and Carrano, 2017, p. 61, italics in original). Vieta *et al.* (2017) offers a detailed, article-by-article commentary on Law 49/1985.

Over the last three decades, the Marcora Act underwent redefinitions and integrations. Provisions of the *Special Fund* have been constantly re-financed and enlarged to face the intensification of applications – see, for example, Legislative Decrees 181/1989 and 236/1993, and Laws 273/2002 and 232/2016. The re-financing of the Special Fund was also due to the necessity to strengthen the funding schemes of institutional investors in face of the devolution of *Foncooper*'s funding schemes to Italian regional administrations in 1999 (Pagani, 2020). Besides the re-financing dynamics, Law 49/1985 underwent a major reform in 2001, as a consequence of the infringement procedure issued by the European Commission. Law 57/2001 extensively amended the original version of the Marcora Act, by reforming Articles 1, 7, 8 and 17 of Law 49/1985, and abrogating Articles 3, 5, 6, 14, 15, 16, 18 and 19.

Law 57/2001 redefines the provision mechanisms of Titles I and II of Law 49/1985, redesigns the scope of the provisions themselves, and broadens the spectrum of beneficiaries of legislation. Specifically, Law 57/2001 forbids the supply of non-repayable grants; replaces non-repayable grants with risk-debt financing instruments, directly supplied by institutional investors such as *Cooperazione Finanza Impresa* (CFI); limits the provision of risk-debt capital to a maximum ratio of 1:1 compared to the capital subscribed by the cooperative members – as the time of the inception of Law 49/1985, this ratio was 3:1; caps the duration of the risk-debt participation of institutional investors, now minority shareholders, at a maximum of ten years; regulates the payback mechanisms of risk-debt provisions, by requiring cooperatives to refund at least 25% of the received provisions in the first five years of activity; addresses the provisions to small- and medium-sized worker and social cooperatives by financing their start-up and development (Pagani, 2017, 2020; Vieta, Depedri and

Carrano, 2017). The sources of the financial provisions implemented by the Special Fund are identified by Ministerial Decrees 04.04.2001, 16.04.2003 and 13.12.2005. These ministerial Decrees also stipulate that institutional investors would become investor members and minority shareholders of financed cooperatives via the acquisition of financial instruments issued by target cooperatives (Pagani, 2020).

Originally entrusted to transfer funds from ministerial sources to cooperatives' associations and mutualistic funds, now institutional investors play a key role in directly financing cooperative WTs and participating in their capital. Before 2019, CFI and SOFICOOP had been the two major institutional investors in Italy, had financed 536 cooperative companies – not just WTs – and had invested 282 million euros (CFI, 2021). In May 2019, the Ministry of the Economic Development mandated the merger between CFI and SOFICOOP, which resulted in the incorporation of SOFICOOP into CFI in October 2019 (Ministerial Decree 21.12.2019). Nowadays, CFI is the leading financial vehicle of the Marcora Act provisions. Originally a limited liability company, CFI turned into a second-tier cooperative in 2003 in response to the enactment of Law 57/2001, which commands institutional investors to be predominantly mutual cooperatives (Law 57/2001, Art. 12, Par. 7). Besides WTs, CFI finances and supports both start-up and consolidation projects of predominantly mutual worker and social cooperatives. The Italian Ministry of the Economic Development is the major shareholder of CFI and controls 98.6% of its capital. In addition to the Ministry of Economic Development, other 370 cooperatives are members of this second-tier cooperative, among which *InvItalia*, the Italian agency for inward investment and economic development, and Italian mutualistic funds (CFI, 2021).

3. Insolvency laws

Seconded by a spectrum of ancillary regulations, which range from labour market policies to fiscal incentives, the Marcora Act (Law 49/1985) is a sound industrial legislation that has proved effective over the last 35 years (CFI, 2021, 2022b; CGIL *et al.*, 2021). Measures and provision schemes implemented by, and in accordance with, the Marcora Act directly address the start-up of cooperative companies made up of dismissed or job-threatened workers. Workers take over some or all the assets of distressed companies and going concerns, and (re)start activities under self-management and collective ownership. Before takeovers take place, however, distressed companies are usually subject to one of the insolvency procedures provided for by the Italian legislation (Jensen, 2011; Lomuscio, 2022). It is, thus, crucial to understand the functioning of insolvency laws since they regulate the transfer and/or restructuring of distressed companies to worker cooperatives and WTs.

Insolvency laws regulate the liquidation or restructuring of distressed, insolvent and bankrupt companies. The enactment of insolvency laws usually predates the implementation of the Marcora Act's funding mechanisms. Indeed, the Marcora Act command institutional investors to prioritise the devolution of funds to WTs of distressed companies (Law 49/1985, Art. 17, Par. 5). Not all Italian WTs undergo insolvency procedures and not all the cooperatives supported by institutional investors stem from insolvent firms (Table 2). This is the case of successful companies which either suffer from inheritance and succession issues or are confiscated by public authorities from criminal organizations.

Table 2. Former companies and insolvency procedures

Type of insolvency procedure	No. of WTs	Percentage
Not under insolvency procedure	17	33%
Arrangement with creditors	6	12%
Bankruptcy	17	33%
Receivership	6	12%
Administration	2	4%
Confiscation from organised crime	3	6%
Total	51	100%

Notes: Survey data from 51 out of 117 active Italian WTs as of June 2021. In orange, four of the five insolvency procedures provided for by the Italian legislation, as reported by respondents of the survey.

Source: Lomuscio (2022, p. 7)

The Italian insolvency legislation applies to all companies and employers located in Italy. The legislation comes into force whenever an employer suffers an enduring crisis condition to the extent that she is not able to repay her debts in the present and in the near future (Rossi, 2019). Companies whose crisis is persistent are declared insolvent by creditors, prosecutors or employers themselves (Rossi, 2021). The Italian insolvency legislation encompasses five insolvency procedures: *fallimento* (failure), *concordato preventivo* (arrangement with creditors), *liquidazione coatta amministrativa* (receivership), *amministrazione controllata* and *amministrazione straordinaria* (administration) (Royal Decree 267/1942; Legislative Decree 270/1999; Legislative Decree 5/2006; Legislative Decree 169/2007; Law 119/2016).

The insolvent employer is subject to one of these five procedures according to the size of the company, its legal form, the financial performance of the company and its debt exposure, and the viability of debts' restructuring. Above all else, the severity of employers' exposure to debts determines the insolvency mechanisms that shall be put in place and, consequently, the magnitude and schemes of the liquidation of insolvent companies. Insolvency laws prioritise the satisfaction of creditors and the repayment of accrued debts via the restructuring of debts, the replenishment of the necessary capital, or via the partial or full liquidation of companies' assets. Insolvency procedures can also command the secondment or the removal of executive boards of insolvent companies on behalf of temporary administrators and receivers, who are appointed by judicial authorities. Insolvency laws also regulate how third-party agents bid for the acquisition and/or the rent of these companies' assets.

To keep business activities running, secure going concerns and protect employment levels (Magnani, 2017), Legislative Decrees 14/2019 and 118/2021 introduced negotiated restructuring mechanisms to anticipate the repayment of debts, and to facilitate the resolution of company crises by preventing companies from undergoing judicial trials (Sacco, 2019; Rossi, 2021). Negotiated crisis resolutions are non-judicial restructuring mechanisms which anticipate and bypass insolvency procedures by monitoring possible over-indebtedness situations and alerting restructuring experts and controlling boards. Bylaws mandate creditors, prosecutors and employers to anticipate the resolution of predictable crises, and to address judicial insolvency procedures only if negotiated and anticipated resolution mechanisms fail (Ricciardiello, 2020).

However, even before the reform of the Italian insolvency law, workers of dissolving companies have had little or no voice in judicial and extra-judicial negotiations of companies at risk or under insolvency procedures (Bovenga, 2021). The best satisfaction of creditors is still the legal and practical guiding principle to solve company crises for receivers and judicial administrators (Legislative Decrees 14/2019, Art. 4). Interests of workers are then taken into account if any wage dispute with previous employers exists; or else, if they can claim a credit. Once their credits are satisfied, if any, workers lose their claims on the assets of distressed companies. Additionally, if receivers and judicial administrators realize that distressed companies are no more viable, workers are then dismissed (Magnani, 2017). Receivers and judicial administrators are arbitrary gatekeepers, whose decisions are not subject to legal standards or norms, but to negotiations among creditors, debtors, trade unions and workers. However, due to institutional biases and a non-neutral institutional climate, which are adverse towards cooperatives and WT operations (Doucouliagos, 1995), the arbitrary agency of these actors drastically hampers the development of WT operations. Besides the protection of employment relations for going concerns under insolvency procedures (Bovenga, 2021), the Italian insolvency law offers no voice option to workers.

Rather, the Marcora Act framework provides a viable alternative to the top-down management of distressed companies under insolvency procedures via cooperative WTs, whose workers can exercise a right of first refusal on the assets of insolvent companies. The right of first refusal was included in

Article 14 of Law 49/1985, the original Marcora Act (Pagani, 2017). Yet, Law 57/2001, the Marcora Act's reform, abrogated that article. The right of first refusal for workers seeking to take over insolvent companies was then reintroduced with Law 9/2014. Nowadays, workers' right of first refusal only and solely applies to insolvent companies whose workforce is willing to establish cooperative WTs (Pagani, 2020).

4. Additional financing schemes

Law 49/1985 and its reforms regulate the basilar mechanisms which grant workers the necessary financial instruments to take over distressed companies or going concerns. There are, however, several pieces of legislation which integrate the Marcora Act measures and provide workers and cooperative members with further resources to accomplish their goals. The sources and amount of financing these schemes can provide are non-trivial and, in most cases, their volumes exceed the sole Marcora Act provisions. These are Law 223/1991 and its reforms, Law 59/1992, Legislative Decree 112/1998 and the associated regional decrees, and Ministerial Decrees 04.12.2014 and 04.01.2021.

4.1 Advances of the unemployment benefit and mutualistic funds

Law 223/1991 reforms and regulates the unemployment benefit schemes in Italy in the wake of the EU legal integration. It precisely regulates the functioning of the CIG – *Cassa Integrazioni Guadagni* – and of the *Indennità di mobilità*, the two core devices that had been put in place to contrast the consequences of redundancies, dismissals and temporary unemployment. Besides the general functioning of these schemes, Law 223/1991 also rules how workers can turn their temporary unemployment benefit *Indennità di mobilità*, supplied by INPS, the Italian Social Security Provider, into cooperatives' capital as a one-time prepayment of the benefit (Law 223/1991, Art. 7, Par. 5; INPS memorandum 67/2011). After the 2012 and 2015 reforms of unemployment-benefit legislation (Law 92/2012; Legislative Decree 22/2015), the possibility to capitalise the unemployment benefit provisions now refers to the so-called *NASpI*, the "New social security provision for employment" (INPS memoranda 145/2013, 94/2015 and 74/2017). The possibility of turning the unemployment provisions into cooperatives' capital is licit with respect to all cooperative forms and regardless of the employment relations workers appoint with the cooperatives they create (INPS memorandum 67/2011). The capitalised unemployment benefit is totally tax-exempt in compliance with Article 12 of Law 190/2019. In addition to the unemployment provisions, workers can also turn their accrued severance pay into cooperatives' capital. The invested severance pay is totally tax-exempt in compliance with Article 1, Paragraph 270 of Law 178/2020.

The financing schemes of Laws 49/1985 and 57/2001, together with the possibility to invest both the unemployment benefit and the severance pay into cooperatives' capital, are furtherly strengthened and complemented by (1) investments from mutualistic funds and (2) regional agencies for the economic development, which operate in accordance with Legislative Decree 112/1998. In compliance with Law 59/1992, mutualistic funds indirectly managed by cooperative associations, such as Legacoop's *Coopfond* or Confcooperative's *Fondosviluppo*, support the start-up and development of Italian cooperatives. Similarly to other institutional investors, mutualistic funds provide debt capital at subsidized rates, risk capital and grants to cooperative start-ups, consortia of cooperatives, already-established cooperatives and WTs. Mutualistic funds are autonomously managed and so are their financing initiatives. Cooperatives are free to affiliate with one or more associations of cooperatives and their respective mutualistic funds. Resources of mutualistic funds originate from the devolution of a 3%-share of the annual net profits of all affiliated cooperatives, which is commanded by the law (Law 59/1992, Art. 11). Additionally, mutualistic funds get further resources via the incorporation of the residual reserves of dissolving cooperatives, which cannot be redistributed among members and should be invested for the development of the cooperative movement (Law 59/1992). As of 2016, the assets of the four largest mutualistic funds in Italy amounted to 717 million euros (European Economic and Social Committee, 2018).

4.2 Regional initiatives

Besides mutualistic funds, WTs receive financial and administrative support from ad-hoc regional agencies. In compliance with the devolution of the *Foncooper* schemes to regions (Legislative Decree 112/1998), regional administrations have enacted specific local policies to support emerging WTs on a regional scale of intervention. Among the 20 Italian regional administrations, however, only three of them have enacted local policies in the wake of Legislative Decree 112/1998: Emilia-Romagna (Regional Decrees 415/2015, 103/2018, 187/2020 and 600/2022), Piedmont (Regional Law 23/2004, Regional Decrees 33-2829/2011, 17-1183/2015 and 20-4753/2022) and Lazio (Regional Decrees 1911/2001 and 171/2012; Regional Law 13/2018, Art. 4, Parr. 40-44; Regional Decree 717/2019). Regional revolving funds, whose management is entrusted to third-party organizations such as banks, channel the original *Foncooper*'s funds towards cooperative and WT operations.

All *Foncooper* regional agencies provide novel or already-existing cooperative companies, among which WTs, with debt capital for their start-up, development and consolidation operations. The functioning of regional revolving funds emulates the functioning of the original *Foncooper* fund (Law 49/1985, Title I), previously administered by *Banca Nazionale del Lavoro* (Vieta, Depedri and Carrano, 2017): each cooperative can obtain up to 2 million euros and use these resources to finance up to 70% of their investment plans; interest rates are capped by law at 25% of the European base interest rate and debt capital must be repaid within eight years; eligible expenditures also include investments in real estate properties, machinery, patents and wages. Emilia-Romagna's *Foncooper* is managed by *Artigiancassa S.p.A.* and *Unicredit S.p.A.* and was initially granted 84 million euros. The eligible expenditures of start-up, development and consolidation operations, variations of interest rates and repayment horizons of loans and grants vary according to Regional Decree 600/2022. Piedmont's *Foncooper* is managed by *Finpiemonte S.p.A.* and, at the end of 2021, it was worth 12,8 million euros. At first, Lazio's *Foncooper* was managed *by Coopercredito S.p.A.* – from 2012 onwards, by *Lazio Innova S.p.A.* – and it was granted 6 million euros per year. Lazio's *Foncooper* was active from 2001 to 2015 (Regional Decree 729/2015). In 2019, however, Lazio implemented a novel funding mechanism to support WTs.

Whenever regional administrations have not put in place specific pieces of legislation in favour of WTs in the wake of Legislative Decree 112/1998, they may have implemented ad-hoc supporting strategies, usually revolving funds. These are the cases of Veneto, Basilicata, Campania, Marche, Lombardy and, again, Lazio. While supporting and financing all cooperative companies located within their regional area of intervention, regional agencies and policies have demonstrated themselves able to fortify WT operations (Ferraro, 2015; Vieta, Depedri and Carrano, 2017; Lauria, 2021).

Veneto Sviluppo is the regional economic development agency of Veneto and specifically addresses the development of cooperative companies with a provision of 3,5 million euros per year (Regional Law 17/2005; Regional Decree 4489/2007). Each cooperative can obtain a maximum of 300,000 euros and must repay the loans within a maximum of ten years. In 2018, the regional administration of Basilicata enacted a revolving fund to preserve employment levels of companies located within regional borders via worker cooperatives and WT operations. Basilicata's revolving fund was financed with 3,9 million euros (Regional Law 12/2015; Regional Decree 1366/2018). Similarly, Lazio reinstated a revolving fund in favour of cooperative start-ups and WTs, precisely. Lazio's fund was granted 6 million euros, 2 million euros per year from 2019 to 2021 (Regional Decree 717/2019). Both Campania (Regional Decree 388/2015) and Marche channelled quotas of European Regional Development Funds and European Social Funds to the promotion and development of cooperative companies, with direct reference to worker buyouts and WTs (Ufficio Speciale Nucleo per la Valutazione e la Verifica degli Investimenti Pubblici Regione Campania, 2020). Finally, Lombardy has enacted a specific credit line to support cooperative companies and, indirectly, cooperative WTs (Regional Decrees 4097/2020 and 4478/2021).

4.3 The New Marcora Act

In addition to the provisions of the Marcora Act, Decree 04.12.2014 of the Ministry of the Economic Development, “New support regime for the start-up and development of small and medium cooperatives”, also known as the New Marcora Act, enacted a complementary source of financial resources for worker and social cooperatives (Rete Italiana Imprese Recuperate, 2021). Recently strengthened by Decree 04.01.2021 of the Ministry of the Economic Development, Ministerial Decree 04.12.2014 regulates a complementary financing scheme for the provision of debt capital at subsidized rates to small- and medium-sized cooperatives, regardless of their sector of activity (CFI, 2021). Resources of the so-called New Marcora Act are entrusted to CFI, which is nowadays the leading founding institution for WTs in Italy. Ministerial Decrees 04.12.2014 and 04.01.2021 multiply the financial resources that workers have at their disposal to a ratio higher than 1:1, a possibility that was revoked with the reform of the Marcora Act in 2001.

However, funding mechanisms of these Ministerial Decrees strictly depend on the provisions of the original Marcora Act (Laws 49/1985 and 57/2001): CFI resorts to the New Marcora Act provisions only and solely in proportion to the investment in equity it accords to cooperatives, and can provide debt capital up to five times the risk capital initially invested by CFI itself in each cooperative. All worker and social cooperatives which benefit from CFI equity can apply to the financing schemes of the New Marcora Act; or else, all worker and social cooperatives which apply to the subsidized financing schemes of the New Marcora Act also need to apply to and get the risk-capital investments accorded by CFI. These provisions of the New Marcora Act cannot exceed 2 million euros or five times the debt capital provided to each cooperative. The interest rate is 0% and each cooperative shall repay the debt in ten years maximum (CFI, 2021). CFI can finance either the start-up or the development of already-existing worker and social cooperatives.

5. Issues in the application of the Marcora Act framework

Albeit loosely integrated, the legal framework of WTs in Italy is wide and complex, and has provided around 14,500 workers with the necessary finance to start up and develop WT operations (CFI, 2021, 2022b; Rete Italiana Imprese Recuperate, 2021; Lomuscio, 2022). The implementation and functioning of this complex legal framework, however, are subject to gaps and pitfalls. This section analyses five of the shortcomings of the Italian legal framework of WTs. More precisely, the issues connected with the legislation concern (i) the consequences of the new insolvency law on the WT legal framework; (ii) the size of cooperative companies entitled to the Marcora Act provisions and their complementary schemes; (iii) the use of the lump-sum payment of the unemployment benefit as equity in new-born WTs; (iv) the implementation of regional policies and agencies; and (v) the lack of non-financial support.

5.1 The new insolvency law

As emphasised in Section 3, most Italian WTs emerge in the wake of the insolvency laws' enforcement (Jensen, 2011; Lomuscio, 2022), whose implementation affects the mechanisms and timings of WT operations. Thanks to continuous adjustments, the legal framework of WTs was granted an acceptable degree of coherency among all its components, including legal mechanisms that concern insolvency regulations (CFI, 2022b). The reform of the Italian insolvency law as to Legislative Decrees 14/2019 and 118/2021, however, introduced new devices for the crisis management of companies. As already mentioned, negotiated crisis resolutions anticipate insolvency procedures to the extent that employers can even avoid insolvency procedures thanks to the mediation of experts. Experts are skilled professionals who are selected by local Chambers of Commerce to provide going concerns with their expertise and, potentially, guide companies outside troubled waters.

Since companies would not be *de facto* subject to insolvency procedures, workers willing to achieve a takeover may have an even lower bargaining power than previously granted. This is because they cannot bid for residual assets of distressed companies. After all, companies are not technically subject to insolvency procedures. Additionally, workers cannot exercise the right of first refusal as to Law 9/2014, which only applies to companies under *fallimento*, *concordato preventivo* or *amministrazione straordinaria*, three of the five insolvency procedures regulated by law. While facilitating the resolution of companies, these decrees do not adequately provide workers with up-to-date tools to take over distressed business activities and *de facto* limit the alternatives workers, employers and experts have for resolving companies' crises.

5.2 The size of cooperative companies entitled to support

The provisions which are connected to the Marcora Act, the *Foncooper* regional agencies and the New Marcora Act address the start-up, development and consolidation of small- and medium-sized (SME) cooperatives. While the provisions of mutualistic funds and other funding schemes apply to all cooperative companies located in the corresponding areas of intervention regardless of their sizes, all measures linked to Law 49/1985 specifically address SMEs. SMEs are the backbone of Italian regional economies and labour markets (Trigilia and Burroni, 2009; ISTAT, 2022). They are strategic for national and regional economic development and, therefore, they are the target of a spectrum of policies and support actions by public authorities (Bruzzo, 2011). The Marcora Act is among these strategies and does not address the takeover of large companies. WTs of large companies, therefore, are not covered by specific support measures.

There are no more than 4,000 large companies in Italy out of 6,1 million companies (InfoCamere, 2022; ISTAT, 2022). Yet, they employ one-fourth of all Italian employees and generate one-third of the overall value-added of Italian companies (ISTAT, 2022). In addition, large companies and their branches are not immune to group restructurings, relocations, failures and closures, especially in the post-Covid scenarios. Among many other examples, this is the case of the Italian automotive industry and the slow but relentless withdrawal of *Stellantis* and *Fiat Chrysler Automobiles* from producing vehicles in the country (Calabrese, 2020; Pardi, 2021). The case of *GKN Driveline Firenze* mostly exemplifies how and to what extent large automotive companies are subject to restructurings even when financial performances are assured (Carta, 2022). And how WT operations may preserve employment levels and productive know-how when employers are not able to provide them (Collettivo di fabbrica GKN, 2022; *Un piano per il futuro della fabbrica di Firenze*, 2022).

5.3 The use of the unemployment benefit

The use of the lump-sum payment of the unemployment benefit as equity to be invested in new-born cooperatives' capital is common among workers involved in WT operations (Lomuscio, 2022). The use of the lump-sum payment of the unemployment benefit grants relatively abundant financial resources to workers before institutional investors provide them with additional multiplier capital (Vieta, Depedri and Carrano, 2017). Empirical evidence suggests that the financial resources from the use of the unemployment benefit, in conjunction with the ones provided by CFI, are the most employed and copious for WT operations (Table 3). The usage of the unemployment benefit as equity, however, determines practical and juridical drawbacks.

Table 3. Sources of start-up financing of WTs

Source of financing	No. of WTs	Percentage of start-up resources*
Personal savings	16	< 25%
Severance pays	9	25% ~ 50%
Use of the unemployment benefit	29	50% ~ 75%
Investor members	10	25% ~ 50%
Banks	14	25% ~ 50%
Previous owners	1	50% ~ 75%
CFI	27	25% ~ 50%
Mutualistic funds	9	25% ~ 50%
European funds	1	< 25%
Public tenders	2	50% ~ 75%
Total	40	100%

Notes: Survey data from 40 out of 117 active Italian WTs as of June 2021. In orange, the most employed and copious sources of financing of WT start-ups. *: on average.

Source: Lomuscio (2022)

Firstly, as the mechanism intrinsically suggests, the conversion of the unemployment benefit is possible only when workers are dismissed according to the law. Individual and collective dismissals are possible under specific conditions, such as in case of motivated restructurings, closures or insolvency procedures. In case of negotiated crisis resolutions, inheritance disputes or going concerns, however, workers are not entitled to unemployment schemes and, therefore, are not even entitled to the conversion of the unemployment benefit into cooperatives' capital. To tackle this issue, lawmakers recently introduced tax breaks for employers willing to hire workers, women and young adults from distressed companies or distressed regions (Laws 145/2018, 160/2019, 178/2020 and 234/2021). Tax breaks for social security contributions can be up to 100% or 6,000 euros per year per employee, for a maximum of 24 months (CFI, 2022b). However, tax breaks are of limited support to WTs since they come into force only after cooperatives are established. Additionally, benefits from tax breaks cumulate over time and generate higher advantages for companies that survive as long as the duration of the very same tax breaks – this should not be taken for granted in the case of start-ups.

Secondly, once workers opt for the lump-sum payment of the unemployment benefit, workers lose their claims to the following unemployment provisions unless they work for additional 13 weeks (INPS memoranda 145/2013 and 94/2015). However, to obtain the maximum length of unemployment benefits and the higher advantages that derive from them, workers must cumulate social security contributions – or else, they have to work – for four years, continuatively (Legislative Decree 22/2015). This means that if dismissed workers are entitled to the maximum length of the unemployment benefit – two years – and use it as equity in new-born cooperatives, they will benefit from another period of unemployment benefit of the same duration only if they consecutively work for additional four years. In a nutshell, by converting their unemployment benefit into cooperatives' capital, workers expose themselves to the risk of not having an equivalent, second-chance unemployment mechanism in case WTs are not successful in the beginning.

Thirdly, workers who opt for the lump-sum payment of the unemployment benefit and who affiliate with cooperative companies cannot enter an employment relationship with other companies and cannot exercise professional or autonomous jobs for a period which equals the length of the unemployment benefit granted to each worker (Legislative Decree 22/2015). Workers who disaffiliate from cooperative employment relations before the natural expiring date of their unemployment benefit are sanctioned by the Italian Social Security Provider. If violations of the norm exist, workers must repay the entire lump-sum payment of the unemployment benefit they initially received. This limits workers' mobility in the labour market and ties them down to cooperatives as long as workers are subject to the unemployment mechanisms. Difficulties in managing worker-members willing, or in need, to leave cooperatives can raise tensions among workers and managers, and these tensions can, eventually, undermine collective decision-making and workplace well-being. Or else, workers discouraged by a limited career horizon in the same cooperative, such as young workers, can opt out of WT operations to avoid an inflexible employment relationship.

Fourthly, and lastly, the use of the lump-sum payment of the unemployment benefit as equity to be invested in new-born cooperatives' capital distorts the enactment of human and social security rights. The protection against unemployment is a human right enacted by the Universal Declaration of Human Rights (United Nations, 1948, p. Art. 23, Par. 1). The protection against unemployment is also a social security and economic right, formalised by the International Covenant on Economic, Social and Cultural Rights (United Nations, 1966, p. Art. 9) and by the General Comment 19 of the UN Committee on Economic, Social, and Cultural Rights (UN Committee on Economic, Social, and Cultural Rights, 2007). It is well-recognized how leveraging the unemployment benefit to finance the start-up of cooperatives provides workers with the necessary resources to afford takeovers, bid for core assets and pay out wages, deferred payments and bills (Pagani, 2017; Vieta, Depedri and Carrano, 2017; Semenzin, 2019; CFI, 2021, 2022b; Lomuscio, 2022). However, opting for the lump-sum payment in place of the monthly unemployment-benefit provision is ethically and politically questionable (Calcagno and Mazzone, 2022). As emphasised before, using the unemployment benefit to finance the start-up of cooperatives leaves workers at risk of not being covered by the same unemployment mechanisms in case takeovers are not successful in the beginning. The conversion of the unemployment benefit into a lump-sum payment does not *de jure* eliminate the right of workers to unemployment protections. Yet, it intrinsically modifies how and to what extent workers individually benefit from provisions. On the one hand, workers, who are employees and receive a monthly salary in exchange for their workforce (Sylos Labini, 1978; Gallino, 2007), are *de facto* subject to two different sources of risks: they are subject to business risks, but also to the risk of zeroing their monthly earnings in case failures occur (Doucouliagos, 1995; Tognonato, 2016). On the other hand, workers, who suffer the most from closures and dismissals (CECOP-CICOPA, 2013; Delgado, Dorion and Laliberté, 2014), have to invest their only source of earnings to takeover distressed companies, going concerns or companies with no successors. The conversion of the unemployment benefit into a lump-sum payment increases distributive inequalities and exposes workers to an array of unbalanced risks.

5.4 The implementation of regional policies and agencies

The Marcora Act stands as the key piece of legislation and primary source of finance for Italian WTs, thanks to institutional investors such as CFI. Nowadays, however, CFI manages the provisions which stem from the second tier of Law 49/1985, the *Special Fund*. Indeed, *Foncooper*'s schemes were transferred to regional administrations in the wake of Legislative Decree 112/1998. Nevertheless, regional administrations have struggled to implement *Foncooper*'s schemes at the regional level and only three of them enacted regional *Foncooper*'s schemes accordingly. Despite the creation of secondary funding mechanisms to channel regional development funds, there is an evident lack of regional initiatives in the wake of Legislative Decree 112/1998. This perhaps explains why lawmakers commanded the transfer of residual 8,3 million euros from the former, national *Foncooper* fund to institutional investors (SOFICOOP and CFI) in 2012; funds which have not been employed for their intended scopes for more than a decade after the devolution of competences to regions (Law 134/2012).

However, due to their proximity to cooperatives, regional players and authorities can have a beneficial and non-trivial impact on the development of WT operations. The development of regional initiatives in support of cooperative WTs is of primary importance for workers, but also for communities and territories in crisis. The spectrum of initiatives Italian regions have deployed in addition to *Foncooper*'s schemes demonstrates how flexible regional initiatives can be and how diversified the resources they channel. The lack of *Foncooper* regional initiatives should be of primary importance for policymakers and regional agencies of local development, especially in the wake of the pandemic.

5.5 The non-financial support

The support granted to WTs is mainly financial. At different administrative levels and through various channels, the legal framework of WTs provides companies with a variety of financial instruments. While WTs, as all cooperatives, are also granted tax advantages, it is less clear whether, how and to what extent workers and new-born WTs benefit from other sources of support, such as legal, administrative, technical or managerial forms of support. Converting companies into employee-owned firms entails re-addressing and acquiring technical, administrative and managerial competencies (Rizza and Sermasi, 2008; Marchetti, 2013). This is of higher importance whenever workers face managerial inexperience. A lack of non-financial support may lead takeover operations to failure whereby workers are not accustomed to cooperative decision-making and managerial practices (Paton, 1989). It's not uncommon for managers and directors of new-born WTs to denounce a lack of cooperative spirit and participation (Ruggeri and Di Nepi, 2014). Equally, it's not uncommon to observe a de-mutualization of cooperative WTs, which, after the conversion into cooperatives, move back to traditional managerial practices. Or else, it's not even uncommon to observe worker cooperatives which adopt capitalist management techniques (Marchetti, 2013).

Legislative Decree 35/2005 partially modifies the Marcora Act by introducing the possibility for institutional investors (CFI) to devolve a fraction of public funds for consultancy and support activities. This fraction amounts to a maximum of 1% of those funds that had been invested in cooperative operations in the previous year (Law 49/1985, Art. 17, Par. 3). Thanks to this update, besides financial instruments, CFI is now able to supply additional support to worker cooperatives. Similarly, cooperative associations mentor and guide co-operators throughout the processes of conversion and restructuring. All forms of support are pivotal for the start-up, development and consolidation of WT operations. Nevertheless, tools and resources for non-financial support remain limited. As emphasised by Vieta *et al.* (2017), non-financial support for WTs is crucial to strengthen workers' skills and their ability to successfully run cooperative companies. Competencies and more efficient managerial practices are necessary to mitigate the withdrawal of institutional investors from cooperatives' capital and the potential liquidity crisis cooperatives may face after ten years of collaboration with institutional investors.

6. Conclusions

The paper summarises the nature, functioning and implications of core pieces of legislation which are part of the so-called Marcora Act framework. It provides evidence of the historical background of the Marcora Act, the composition of the Marcora Act framework and the pitfalls of its application.

The paper provides readers with up-to-date information on the legislation of Italian WTs and specifically analyses the practical implications connected to the financing of WTs. The analysis reveals what are the sources of financing, their use, the interactions among pieces of legislation, and the drawbacks of their implementation. The analysis suggests that policymakers should pay higher attention towards the interconnections between insolvency laws and the Marcora Act framework. Additionally, findings reveal a series of potentially harmful drawbacks, among which stand the size of WTs which are the target of support initiatives linked to the Marcora Act framework, the lack of regional initiatives, and the use of the unemployment benefit to capitalise the new ventures.

The lack of proper devices to support WTs of large companies undermines workers' ability to cooperatively mitigate closures, mass layoffs and dismissals of going concerns. To provide large-company WTs with higher financial support than the legal framework of WTs does, potentially new policies and actions should consider the involvement of sovereign wealth funds, such as *Cassa Depositi e Prestiti* and *InvItalia*. This is, for example, what trade unions, employers, public authorities and worker council agreed on with respect to the re-industrialization plan of the *GKN Driveline Firenze*'s plant in Campi Bisenzio, close to Florence (Collettivo di fabbrica GKN, 2022; *Un piano per il futuro della fabbrica di Firenze*, 2022).

The proximity to WT operations is a core asset for institutional investors and stakeholders. Close, informal and dense relationships among key actors of WT operations facilitate the diffusion of knowledge, confer legitimacy on WT projects and grant resilience to these organisations, especially in their early stages. While evidence suggests that the local scale of intervention is fundamental to bring the necessary support to WTs, regional support initiatives languish. Besides the efforts of the few regional administrations who have already made improvements in this direction, practitioners, policymakers and associations of cooperatives should lobby regional authorities to make regional initiatives more effective. In this regard, regional initiatives may encompass: the diffusion of information on WTs and their benefits, the diffusion of the already-present WT know-how among job-threatened workers, the set-up of ad-hoc credit lines, the implementation of fiscal incentives for both workers and former owners to facilitate WT operations, the set-up of ad-hoc regional agencies, the devolution of unused public real-estate properties to WT initiatives.

Finally, policymakers should consider the risks workers bear whenever they use their unemployment benefits to finance WT operations (Doucouliagos, 1995). To smooth and, potentially, erase these risks, policymakers can opt for at least three strategies. Firstly, policymakers can encourage workers, institutional investors and stakeholders to use alternative resources, connected to already-available sources of financing. That is, they should enlarge current provisions connected to the Marcora Act and/or ease access to such funds. Secondly, they can modify social security laws so that workers investing their unemployment benefit provisions may get a second-chance allowance. Thirdly, they can command institutional investors to issue guarantees or insurances to protect the investments of workers which stem from the lump-sum payment of the unemployment benefit. These three options entail minor integrations to the current regulations, but can assure workers the necessary financing at lower or zero risks, thus enhancing their commitment to WT operations.

The five issues reported in the previous section are not a direct threat to the functioning of the legal framework of WTs. However, one or more of these issues can undermine the implementation of its policies and support strategies. The enactment of legal and practical expedients to solve these issues can have beneficial effects on the diffusion of WT operations and their success rate, by smoothing procedures, facilitating the access to provisions, lowering the risks for workers and enlarging beneficiaries. Moreover, the diffusion of WTs generates non-trivial benefits and advantages not simply for workers, but also for their families, local communities and regions (Vieta and Lionais, 2015; Jossa, 2017). National and regional policymakers should pay higher attention to these gaps in the legislation to offer improved support mechanisms and, therefore, alternative strategies to cope with business closures, mass layoffs, inheritance issues and restructurings.

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Chapter 3

Going *collective*:

worker takeovers, entrepreneurship and collective actions

Abstract – Over the past two decades, policymakers, practitioners and researchers have collected abundant evidence on the ability of job-threatened workers around the world to preserve their jobs via takeover operations. Worker takeovers are effective strategies to safeguard employment levels, spread economic democracy and promote local development. Still, despite their solid performance and the benefits they bestow on workers and local stakeholders, worker takeovers are relatively rare in mature economies. Motivations of such a rarity are still debated. To advance such a debate, this paper questions the theoretical understanding of the entrepreneurial dynamics of worker takeovers. By synthesising evidence on the emergence of these organisations, this paper examines canonical conceptualisations of entrepreneurship and argues that the analysis of collective entrepreneurial actions provides a deeper theoretical and empirical understanding of the phenomenon than canonical theories of entrepreneurship do.

Introduction

Employee-owned enterprises are owned, democratically controlled and self-managed by workers (Putterman, 2006; Jossa, 2012). Both the financial participation and the decision-making power of workers vary from company to company, country to country and legislation to legislation. An employee-owned enterprise is one that operate "under the ultimate control of those who work in it" (Putterman, 2006, p. 1). Worker takeovers (WTs) themselves are employee-owned enterprises. WTs emerge when job-threatened workers catalyse and implement structural changes in the ownership and management of distressed companies or going concerns (Vieta, Depedri and Carrano, 2017). Examples of WTs include Italian worker buyouts (Vieta, Depedri and Carrano, 2017), Argentinian *Empresas Recuperadas por sus Trabajadores* (Ruggeri and Vieta, 2015), French *Sociétés Coopératives et Participatives* (Mirabel, 2021b), UK Employee-Ownership Trusts (Robinson and Pendleton, 2019) and Spanish *Societades Anónimas Laborales* (Mazzone, 2019). However, there are other examples of WTs around the world, some of which date back to the 1950s and are difficult to categorise.

Corporate restructurings, buyouts and takeovers are not new objects of research. WTs themselves have gained global prominence after the 2001 Argentine recession (Vieta and Lionais, 2015; Castronovo, 2020). WTs provide fair workplace conditions for workers, and prospects for economic and financial sustainability for companies, communities and regions affected by socio-economic crises (Paton, 1989; Vieta and Lionais, 2015; Dey, 2016; Jossa, 2017). WTs also ensure viable solutions against business closures, business transfers, mass layoffs and unemployment during economic crises by preventing the dissolution of jobs, business assets and regional economic fabric (Calogirou et al., 2010; Pendleton and Robinson, 2017; Antonazzo, 2019; European Commission - Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs, 2022). As the European Confederation of Industrial and Service Cooperatives suggests, these problems can be minimised if business transfers are worker-led and result in worker cooperatives (CECOP-CICOPA, 2013). This is because (i) workers may suffer more from business closures than employers; (ii) workers have business-specific skills and knowledge to make businesses work; (iii) worker-led business transfers are less traumatic for both owners and workers compared to business closures or other merger-and-acquisition strategies. In addition, WTs strengthen industrial democracy and promote the development of participatory practises among workers and local stakeholders (Ozarow and Croucher, 2014).

In contrast to worker-owned businesses that are created from scratch (Burdín, 2014), WTs replace closing or failing companies, and going concerns (Olsen, 2013). Workers take over those enterprises in which they were employed (Delgado, Dorion and Laliberté, 2014), or one of their branches, and transform them into employee-owned enterprises. Whether defensive, financial or participatory (Paton, 1989), workers achieve takeovers in agreement with other stakeholders and local community actors (Dey, 2016). Acquiring, reactivating and managing an enterprise activity in the form of WT is a process that involves a pluralism of agency, actors, resources and motivations (Gherardi, 1989; Jensen, 2011; Azzellini, 2018). Rescue and/or recovery practises supported exclusively by a single stakeholder are far from reality, as the necessary resources are dispersed (Corner and Ho, 2010; Borzaga and Tortia, 2017). To a greater extent than traditional enterprises, WTs rely on their local networks and endowment of social capital to mobilise resources, consensus and solidarity from local communities, other WTs, institutional investors or the cooperative movement as a whole (Vieta, Tarhan and Duguid, 2016; Antonazzo, 2019; Bianchi and Vieta, 2020). This pluralism also affects the management and ownership structures of WTs, as other stakeholders can participate financially and entrepreneurially whenever this is agreed to by workers or permitted by legislation (Vieta, Depedri and Carrano, 2017).

Yet, the pluralism of agency, actors, resources and motivations in the establishment of WTs has received little attention from scholars, form both empirical and theoretical stances. Despite the attempts to develop critical and alternative theories to debate the scarcity of labour-managed firms and WTs, little is known about how WTs emerge (Dey, 2016; Vieta, Tarhan and Duguid, 2016; Di Stefano, 2018; Charmettant and Renou, 2021). Frameworks and approaches to the study of entrepreneurship phenomena, such as collective entrepreneurship or entrepreneurship as practise, structures and rationalities of collective agency are blind spots in mainstream entrepreneurship research (Connell, 1999; Steyaert and Katz, 2004; Champenois, Lefebvre and Roneau, 2020; Dey, Fletcher and Verduijn, 2022). To examine the scarcity of WTs, this paper draws on theoretical domains such as theory of the firm and entrepreneurship. It explores the theoretical underpinnings of collective entrepreneurial undertakings and asks what theoretical implications we can derive from the evidence on the emergence of WTs. The paper tackles the following research questions: *How do WTs emerge and what can we learn from previous research on the emergence of WTs? Is this research consistent with canonical conceptualisations of entrepreneurial phenomena? How can we improve our practical and theoretical understanding of collectively driven entrepreneurial phenomena, of which WTs are a part?*

Besides the limitations in the study of collective entrepreneurial endeavours, a broader international debate on collective action has emerged in the wake of *Governing the Commons* (Ostrom, 1990) and later publications (Ostrom, 2000, 2010; Ostrom and Basurto, 2011). In contrast to those who claimed that it was impossible to solve the so-called “tragedies of the commons” (Olson, 1965; Hardin, 1968), Ostrom has shown that individuals can achieve efficient and optimal use of commons goods through self-governing collective institutions. However, a discussion of social dilemmas, rational choice, game theories and the management of commons is beyond the scope of this article. Rather, this paper shows how the analysis of collective actions, which are "social phenomena in which social actors engage in joint activities to demand and/or provide collective goods" (Baldassarri, 2011, p. 391), would provide theoretical insights into an alternative conceptualisation of entrepreneurial processes and practises, which include the entry of WTs (Connell, 1999; Spear, 2012; Vieta, Tarhan and Duguid, 2016).

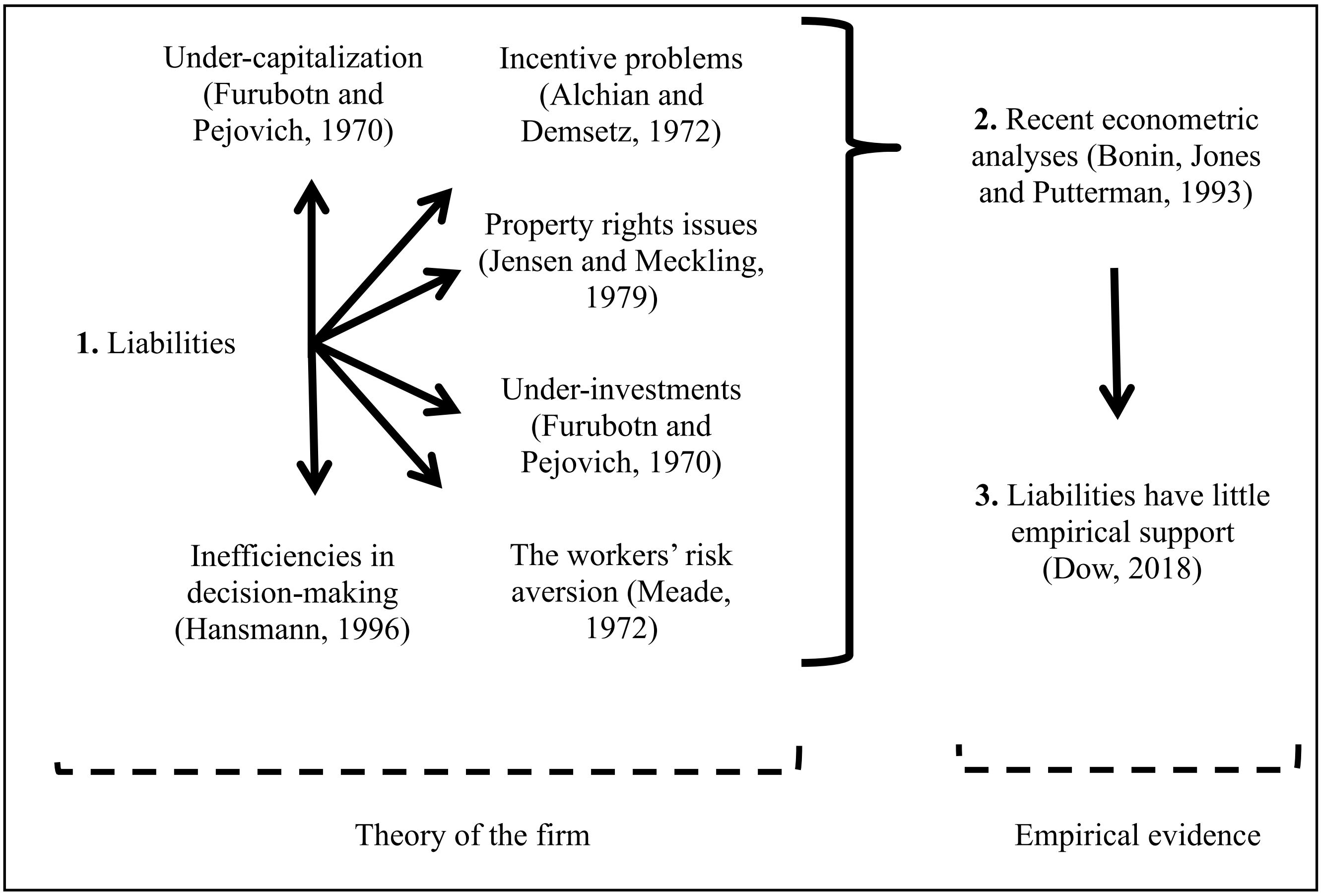
Entrepreneurial actions are a compelling angle from which to observe WTs as they trace back to actors, means and resources of entrepreneurial endeavour, governance systems, power structures, manifest motivations and entrepreneurial practises (Vieta, Tarhan and Duguid, 2016). Entrepreneurs' repertoires of actions vary from case to case and depend on factors such as sectors, industries, organisational structures and the scope of entrepreneurial activity itself (Diaz-Foncea and Marcuello, 2013). However, despite the differences in approaches to entrepreneurship, individual and collective actors are entrepreneurs precisely because they act accordingly and perform specific tasks: "Entrepreneurship is therefore about perceiving things differently, but also about getting things done. This combination of thinking and acting puts the concept of action at the centre of entrepreneurship studies" (Heino, Jussila and Goel, 2011, p. 87). It is not individual capabilities, motivations or preferences, but the collective nature of action (Jaeggi, 2018), the practise of organising economic and business activities that make collective actions and social practises the basis of entrepreneurial ventures (Gartner et al., 1994; Steyaert and Katz, 2004; Johannisson, 2011; Dey, 2016; Barinaga, 2017). Individual leadership, motivations, actions, preferences and characteristics play a role in the analysis of entrepreneurial ventures, even in the context of cooperatives (Block et al., 2013; Faigen et al., 2018; Bastida et al., 2022). Nevertheless, it is the collective dimension of entrepreneurial action that requires further scholarly attention.

The paper is structured as follows. Firstly, it identifies and summarises the evidence on the emergence of WTs (Gherardi, 1989; Paton, 1989; Diaz-Foncea and Marcuello, 2013; Vieta, Tarhan and Duguid, 2016; Di Stefano, 2018). Secondly, and beyond a purely descriptive synthesis of the literature to date, this paper argues that the evidence on the emergence of WTs falsifies the premises of prevailing, canonical entrepreneurship theories based on the nexus between *individual* and *opportunity* (Kitching and Rouse, 2017). Despite attempts to debunk individualistic reductionist approaches (Gibb, 2002; Steyaert, 2007), the idea that entrepreneurs are only and exclusively talented individuals who exploit commercial opportunities to create successful businesses is a living cultural and political artefact (Johnsen and Sørensen, 2017; Dey, Fletcher and Verduijn, 2022). In a departure from the neoclassical interpretation of collective action in economics (Ostrom, 1990; Ostrom and Basurto, 2011), this paper discusses alternative theories and methods for studying collective entrepreneurial action and the emergence of WTs.

1 Entrepreneurial behaviour of WTs

Employee-owned firms and WTs are relatively rare in mature economies (Ruggeri and Vieta, 2015; Jossa, 2017; Groot and van der Linde, 2017). Their dearth has been extensively discussed since the 1950s on theoretical and, more recently, empirical grounds, but no sound conclusion about their liabilities has been inferred. By questioning the scarcity of employee-owned firms, scholars put forward a list of conditions that were said to discourage the viability of these firms, among which incentive problems (Alchian and Demsetz, 1972), property rights issues (Jensen and Meckling, 1979), under-investment (Furubotn and Pejovich, 1970), workers' risk aversion (Meade, 1972; Doucouliagos, 1995), inefficiencies in decision-making (Hansmann, 1996), and difficulties in raising financial resources (Dow, 2003; Tortia, 2003). From the 1990s onwards, however, empirical and econometric studies have demonstrated that employee-owned firms are as efficient and competitive as capitalist firms (Bonin, Jones and Putterman, 1993; Craig and Pencavel, 1994; Fakhfakh, Pérotin and Gago, 2012; George, Fontanari and Tortia, 2019). The Conceptual map 1 summarises the development of the theoretical debate on the scarcity of employee-owned and -managed companies in the domain of theory of the firm. WTs themselves have become a distinct object of scholarly debate since the 2001 Argentinian economic crisis. Scholars demonstrated that employee-owned firms and WTs survive longer and fail less frequently than traditional investor-owned companies (Pérotin, 2004; Burdín, 2014; Vieta, Depedri and Carrano, 2017).

Conceptual map 1. From theoretical liabilities of LMFs to empirical evidence



By leveraging microdata on Uruguayan employee-owned and worker-managed firms, Burdín (2014, p. 226) highlights how, "in contrast to the theoretical pessimism regarding the viability of workers' control in market economies", the hazard of dissolution of worker-managed firms is 29% lower than for investor-owned companies. Interestingly, Burdín (2014, p. 223) points out that "the status of WMFs [worker-managed firms] significantly reduces the hazard of dissolution under both expansionary and recessionary macroeconomic conditions" thanks to employment stability and compensation flexibility. This hazard of dissolution is up to 46% lower for worker-managed firms than for investor-owned competitors operating in service sectors. Findings from Burdín (2014) are confirmed and enriched by the analysis of French worker takeovers of Mirabel (2021b). This paper shows that the dissolution hazard for worker takeovers – namely worker buyouts or WBOs – is even higher than for worker-owned and worker-managed firms.

> WBOs [Worker Buyouts] survive on average longer than newly created WOFs [Worker-Owned Firms], both unconditionally and conditionally on firm entry size. The hazard of exit is 32% lower for WBOs of sound conventional firms than newly created WOFs, 18% for WBOs of conventional firms in difficulty and 64% for WBOs of nonprofit organizations (Mirabel, 2021b, p. 225)

As Mirabel (2021b) suggests, WTs possess a survival advantage over *ex-novo* worker-owned companies, which themselves possess a survival advantage over investor-owned companies (Burdín, 2014).

Vieta *et al* (2017) analyses a sample of 248 Italian WTs which occurred between 1979 and 2014. This report shows that the average lifespan of surveyed WTs equals 13 years, "close to the average lifespan of all Italian firms at 13.5 years" (Vieta, Depedri and Carrano, 2017, p. 93). Additionally, it shows that 67.3% of Italian WTs have survived more than six years and striking "35.5% of all of Italy's WBOs [Worker Buyouts] in our database have existed for 16 or more years" (Vieta, Depedri and Carrano, 2017, p. 108). Vieta, Depedri and Carrano (2017, p. 121) observed that, from 1990 to 1999 and from 2008 to 2014,

> Italy's WBOs [Worker Buyouts] had an average birth rate of 7.71% compared to an average death rate of 4.18%, with an average growth rate of +3.73%. While this slightly exceeds the average birth rate of all Italian manufacturing firms in recent years, which is around 7.5%, this death rate is much less than the average death rate of all Italian firms at roughly 6.5%

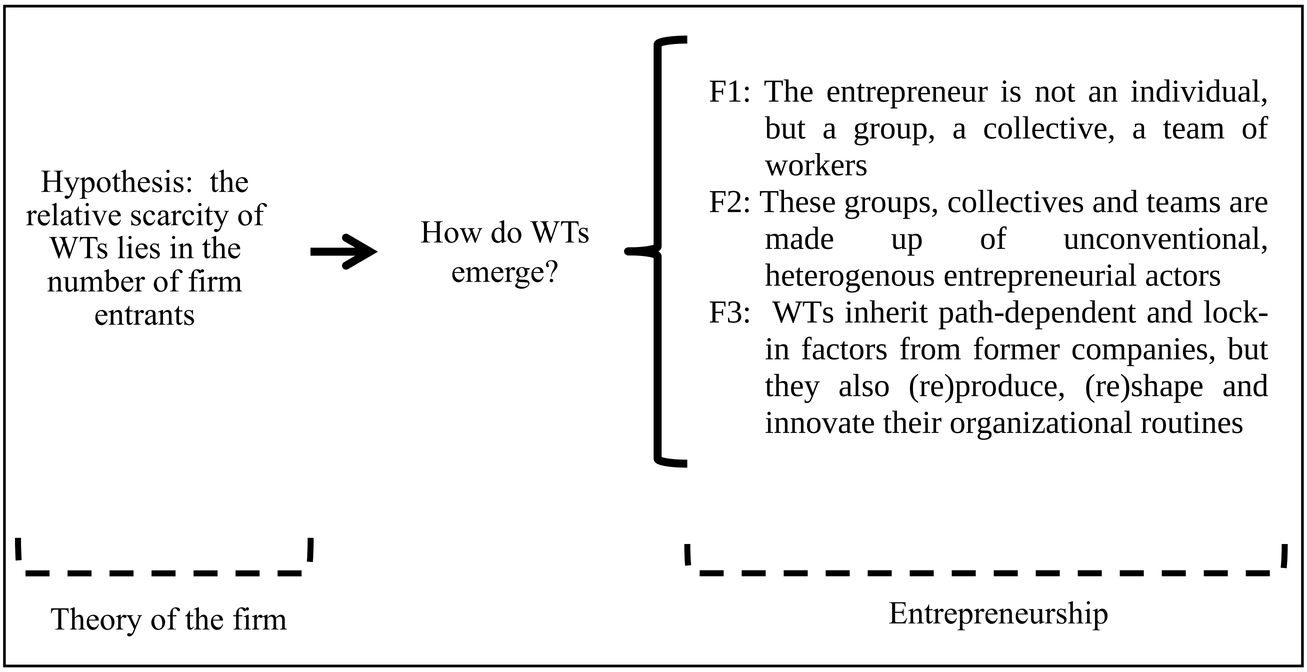
In contrast with previous research, Dow (2003), Podivinsky and Stewart (2007, 2012), and Monteiro and Stewart (2015) hypothesise that the relative scarcity of employee-owned companies, among which are WTs, lies in the number of firm entrants rather than in their survival and lifespan performances. Indeed, as reported in the above paragraphs, WTs have achieved remarkable economic, financial and organizational performances (Vieta, Depedri and Carrano, 2017; Mirabel, 2021b). Since the performance of employee-owned companies mirror the one of all other companies, the reasons why employee-owned companies and WTs are rare may lie in the whys and hows of the emergence of these companies. Despite being a niche in developed economies, there is enough previous research on the entrepreneurial endeavours of these companies to identify and synthetise preliminary findings on the emergence of WTs (Gherardi, 1989; Paton, 1989; Jensen, 2011; Diaz-Foncea and Marcuello, 2013; Dey, 2016; Vieta, Tarhan and Duguid, 2016; Vieta, Depedri and Carrano, 2017; Di Stefano, 2018; Charmettant and Renou, 2021). Whether defensive or financial, rescue or "phoenix", job- or firm-saving proceedings (Paton, 1989), WT entrepreneurial experiences show commonalities across epochs and places. Indeed, in WT contexts,

F1. *The entrepreneur is not an individual, but a group, a collective, a team of workers* (Diaz-Foncea and Marcuello, 2013; Di Stefano, 2018) *and engaged stakeholders* (Gherardi, 1989), who operate and perform entrepreneurial tasks accordingly to their very collective nature.

F2. *These groups, collectives and teams are made up of unconventional, heterogenous entrepreneurial actors*, among which workers, trade unions, cooperative associations, local authorities and local community members (Jensen, 2011; Dey, 2016; Vieta, Depedri and Carrano, 2017). They are both inside and outside the formal economy, they pursue heterogeneous motivations and interests, and they are not trained or used to be entrepreneurs – quite the opposite, workers are trained to be employees and obey hierarchical management (Ellerman, 1990, 2021; Dey, 2016).

F3. Unlike start-ups and *de novo* employee-owned firms which are created from scratch, *WTs inherit path-dependent and lock-in factors from former investor-owned companies*, such as tacit knowledge, productive know-how, organizational routines, market positions and client portfolios (Paton, 1989). *But they also (re)produce, (re)shape and innovate their own governance schemes, finance mechanisms and productive setups via novel organizational routines* (Gherardi, 1989; Vieta, 2019).

Conceptual map 2. From theory of the firm to entrepreneurship



The Conceptual map 2 identifies the shift from the domain of theory of the firm to the one of entrepreneurship and condenses the reasoning . F1, F2 and F3 show that WTs are far from being textbook examples of start-up companies. Quite the opposite, the emergence of WTs differs from canonical assumptions on the creation of novel enterprises. Indeed, these findings inherently clash with canonical assumptions of mainstream entrepreneurship whenever entrepreneurial undertakings are presented as individualist, elitist and opportunity driven. Precisely, findings F1, F2 and F3 conflict with entrepreneurship theories which adopt a methodological individualistic stance (Venkataraman, 1997; Eckhardt and Shane, 2003). They also clash with theories and approaches that conceive entrepreneurial phenomena as purely interest-driven or fully rational, such as opportunity- or necessity-driven entrepreneurship (Fairlie and Fossen, 2019). On the one hand, F1 and F2 contrast with what has been defined as the individual-opportunity nexus (Eckhardt and Shane, 2003), with reductionist approaches and with dualistic, polarized conceptions of entrepreneurial motivations. On the other hand, F3 positions the debate on the entry of WTs within the theoretical boundaries of entrepreneurship: WTs are novel and innovative organisations which transform already-existing organisational routines in order to make companies operate differently (Schumpeter, 1942; Connell, 1999).

2 Beyond the individual-opportunity nexus

In entrepreneurship, the heroic autonomous entrepreneur is still a golden standard (Harper, 2008; Heino, Jussila and Goel, 2011; Johnsen and Sørensen, 2017; Ashman, Patterson and Brown, 2018). Mainstream entrepreneurship and media are soundly anchored to the *romantic* notion of the entrepreneur, "portrayed as [a] hardworking, risk-taking, exceptionally talented and entirely praiseworthy" person (Ashman, Patterson and Brown, 2018, p. 474), who chases personal freedom, emancipation, personal responsibility and autonomy (Scharff, 2016). According to this view, individuals exploit commercial opportunities and take advantage of allocative inefficiencies to generate successful business ventures (Shah and Tripsas, 2007; Haefliger, Jäger and von Krogh, 2010). While acknowledging the necessity to investigate group, community or tribe dynamics (Haefliger, Jäger and von Krogh, 2010; Ashman, Patterson and Brown, 2018; Guercini and Cova, 2018), even advocates of unconventional entrepreneurship rely on the ideal-type of the individual entrepreneur, as in the cases of user, accidental, lifestyle or tribe-member entrepreneurs (Shah and Tripsas, 2007). Despite the attempts to deflate the bubble of methodological individualism in entrepreneurship and other disciplines (Steyaert, 2007), the idea that individuals are the very units of analysis in entrepreneurship research is a powerful socio-political construct (Johnsen and Sørensen, 2017).

Individuals become entrepreneurs by exploiting commercial opportunities (Kirzner, 1979; Venkataraman, 1997; Eckhardt and Shane, 2003). Entrepreneurial opportunities are innovative usage of unexploited resources which create higher returns or profits than previously known resources' combinations (Drucker, 1985). Unrecognized opportunities remain latent till individuals somehow discover and exploit them, by turning them into innovations (Eckhardt and Shane, 2003). In this regard, opportunity search, recognition and discovery are pivotal mechanisms for entrepreneurial ventures, such that "opportunity has perhaps become the *central* organising concept in the study of entrepreneurship" (Kitching and Rouse, 2017, p. 559, italics in original) and "without an opportunity, there is no entrepreneurship" (Short *et al.*, 2010, p. 40). According to this view, opportunities are the *sine qua non* of entrepreneurship, the prime mover of entrepreneurial undertakings (Williams and Williams, 2014). The analytical relationship between methodological individualism and opportunity-driven entrepreneurship is at the core of the individual-opportunity nexus (Eckhardt and Shane, 2003).

As the literature puts forward (Gibb, 2002; Steyaert, 2007; Kitching and Rouse, 2017), though, the individual-opportunity nexus is a theoretical artefact with issues. On the one hand, scholars emphasised how entrepreneurial undertakings are to a greater extent the result of interacting actors than the outcome of individuals acting alone (Johannisson and Nilsson, 1989; Gartner *et al.*, 1994; Connell, 1999; Harper, 2008; Heino, Jussila and Goel, 2011; Johannisson, 2011; Spear, 2012; Vieta, Tarhan and Duguid, 2016; Johnsen and Sørensen, 2017). On the other, recent critical publications dispute whether and how the concept of opportunity provides a clear direction for improving theories and empirical research in entrepreneurship (Steyaert, 2007; Williams and Williams, 2014): "Opportunity studies simply do not cumulate to provide, or support, a progressively developing theorisation of entrepreneurial action" (Kitching and Rouse, 2017, p. 560). Indeed, the concept of opportunity has poor ontological and epistemological foundations (Kitching and Rouse, 2017), and is flawed by retrospective sensemaking and hindsight biases (Steyaert, 2007). The connection between methodological individualism and opportunity research, discovery and exploitation, provides but a weak theoretical construct. Findings from Section 1 corroborate the critiques of the individual-opportunity nexus. Precisely, F1 and F2 falsify canonical entrepreneurship approaches rooted in methodological individualism and the idea that WT entrepreneurs are merely opportunity-driven.

Job-threatened workers are free to decide *individually* whether to create or join WTs (Di Stefano, 2018). Yet, when facing unemployment, workers can also look for job offers elsewhere. They can even set up non-cooperative firms to prevent job losses, such as limited liability companies. So, why do workers create employee-owned ventures? How do they do that? And why do they opt for cooperative coordination mechanisms? Faigen *et al.* (2018) and Bastida *et al.* (2021) illustrate how individual skills, backgrounds and resources affect induvial choices about joining employee-owned companies. However, evidence suggests that WTs are joint entrepreneurial endeavours, which are pursued by groups and collectives of workers and engaged stakeholders (Paton, 1989; Delgado, Dorion and Laliberté, 2014; Vieta, Depedri and Carrano, 2017). As Diaz-Foncea and Marcuello (2013, pp. 246–247) argued,

> A weakness of the models described by Hansmann (1996) is that they often reflect early research that tended to overemphasize the entrepreneur as a heroic individual … this view is not completely accurate in that entrepreneurship need not be an individual process and often has a social dimension beyond the purely economic purpose

As Heino and co-authors stated – to paraphrase Reich (1987) – collective entrepreneurial undertakings cannot be interpreted as the sum of individual entrepreneurial endeavours, since motivations, preferences, social identities and group dynamics make collective entrepreneurial actions qualitatively different from individual ones (Heino, Jussila and Goel, 2011). The differences between individual and collective (entrepreneurial) actions require an appropriate theoretical understanding, which is often neglected in mainstream entrepreneurship (Gartner *et al.*, 1994; Baldassarri, 2011; Spear, 2012).

> A conspicuous aspect of the reclaimed factories is that their occupants resumed production, but did so under radically different conditions. After their previous bosses had abandoned the enterprises (Rossi 2015), the workers used their newfound ‘liberties’ to establish relationships amongst their co-workers characterized by solidarity (Lavaca Collective 2007) and an ethos of mutual support (Monteagudo 2008) (Dey, 2016, p. 571)

By debating the concept of *destituent entrepreneurship* and leveraging evidence from Argentinian worker takeovers, Dey (2016) argues that workers’ and communities’ entrepreneurial efforts are immanently collective for they are driven by a “collective desire to create alternative realities according to one’s own rules” (Dey, 2016, p. 573).

3 Beyond opportunity and necessity entrepreneurship

F2 suggests that pure opportunity-driven conceptualization of entrepreneurial undertakings is not robust to WT experiences. This is so because opportunity-driven entrepreneurship is not sensitive to the multi-stakeholder nature of WTs, which entails a pluralism of agency, motivations, interests, resources and objectives (Mitchell, Agle and Wood, 1997; Bonazzi, 2002; Wamsler, 2017). Adopting opportunity-driven conceptualizations of entrepreneurial undertakings without a proper understanding of this pluralism flattens the richness of entrepreneurial experiences and neglects less powerful voices of marginal stakeholders, who do not necessarily chase opportunities’ research, discovery and exploitation. Indeed, as the literature put forward, trade unions, local authorities, community members, other companies and workers themselves commit to WT strategies in pursuit of a spectrum of goals (Gherardi, 1989; Paton, 1989): workers may attempt to retain their jobs; local authorities may want to preserve local companies; community members may sympathise with workers and their claims; trade unions may want to gain socio-political power over competing trade unions or employers' associations; and so forth. Differences in motivations and goals of stakeholders can hardly be subsumed into conceptualizations of entrepreneurial phenomena as entirely opportunity-driven.

Critical scholars claimed that the concept of opportunity is also impoverished by a lack of clarity (Williams and Williams, 2014; Kitching and Rouse, 2017). This is mainly due to the fact that opportunities in mainstream entrepreneurship are both unnoticed, latent profit possibilities which exist independently from any observer; and subjective profit-making prospects which gain ontological attributes only when entrepreneurs search and discover them (Shane, 2000; Eckhardt and Shane, 2003). This paradox is a recurrent and under-thematized leitmotiv of mainstream entrepreneurship.

> The opportunity concept has arguably become an empty signifier, a catch-all construct … the term opportunity simply redescribes activities such as having a business idea; acquiring, combining and mobilising resources; networking with stakeholders; creating new ventures; and achieving a product sale – but contributes nothing to enhance understanding (Kitching and Rouse, 2017, pp. 560–568)

The reductionist critique moved to opportunity entrepreneurship extends to all other interest-driven, fully rational explanations of entrepreneurial phenomena (Champenois, Lefebvre and Ronteau, 2020). Quite often scholars describe the emergence of employee-owned firms and WTs as the (deterministic) outcome of necessities in times of crisis (Conte and Jones, 2015; Monteleone and Reito, 2018). Indeed, WTs counteract firm closures and job losses throughout harsh macro-economic downturns (Vieta, 2019). In a counter-cyclical and resilient manner, WTs attempt to protect employment levels precisely when failures and closures of companies are more frequent. The "pushed into entrepreneurship" dynamic of reluctant entrepreneurs is also known as necessity entrepreneurship (Williams and Williams, 2014). As in the case of opportunity entrepreneurship, however, necessity entrepreneurship fails to capture the intrinsic pluralism that characterises the praxis of converting and re-activating distressed companies via WTs. Conceptualising WTs as necessity entrepreneurship is not accurate. WTs do not solely prevent the closure of failing, insolvent or bankrupt companies, whereby workers may be willing to preserve their jobs while facing the threat of medium- or long-term unemployment (Monteleone and Reito, 2018). As Gherardi (1989) points out, WT strategies are endowed with diverging meanings and interpretations, which vary across different regional and national socio-cultural contexts. "Last resort" options, whose connotation overlaps with the concept of necessity entrepreneurship, do exist. Nevertheless, WTs are also conceived as social inventions, creative options and alternative accepted possibilities (Paton, 1989; Di Stefano, 2018), depending on

> The roles and attitudes of several actors in this process of social problem solving: national and local government authorities, trade unions, former owners, support agencies, co-operative associations and employees behave in different ways according to each country and within different legal and financial frameworks (Gherardi, 1989, p. 31)

The reductionism critique of opportunity entrepreneurship as well as the ontological and epistemological concerns of Kitching and Rouse (2017) also permeate the concept of necessity entrepreneurship and its compound, opportunity vs. necessity entrepreneurship (Williams and Williams, 2014; Fairlie and Fossen, 2019). As Williams and Williams (2014) emphasises, the opportunity vs. necessity entrepreneurship excessively simplifies the analysis of complex and dynamic entrepreneurial motivations. Firstly, because

> Motivation is just one aspect of the reasons for starting a business and is contingent on both the circumstance of the entrepreneur as well as the type of entrepreneurship in which they are engaged. It is highly unlikely that the originating motivation is itself a causal condition. Rather, … this originating motivation is more a product of the social, economic and spatial context in which entrepreneurs find themselves and an outcome of the type of entrepreneurship available to them (Williams and Williams, 2014, p. 36)

Secondly, because entrepreneurial motivations are time-dependent and fluctuate over time. Thirdly, because both opportunity-driven and necessity-driven motivations may simultaneously coexist in the same entrepreneurial project and there might not be a prevailing component. And fourthly, because "the dichotomy [opportunity versus necessity] generally privileges the opportunity entrepreneurs and denigrates necessity entrepreneurs" (Williams and Williams, 2014, p. 36).

4 Collective actions from institutional economics to entrepreneurship

In contrast to the primacy of methodological individualism, a growing body of literature has started exploring the dimensions of collective entrepreneurship, among which are "network ties, path dependence, social context, local origins, community dynamics and joint conceptualization of entrepreneurial opportunities" (Burress and Cook, 2009, p. 4). Several definitions, corresponding to different research areas and rationales, have been offered to capture the meanings of collective entrepreneurship over time. Burress and Cook addressed and summarized distinct uses of this notion in their 2009 working paper, by collecting evidence from 240 articles published from 1964 to 2008 (Burress and Cook, 2009). Besides the review they offered and the taxonomy they created, Burress and Cook noted that "persistent variations in use of the term collective entrepreneurship" are not sufficiently counterbalanced by the "attempts to define the concept being addressed" (Burress and Cook, 2009, p. 26). Indeed, "research on collective entrepreneurship is still very limited, and there is currently a lack of consensus on the definition of collective entrepreneurship" (Yan and Yan, 2017, p. 4). As Connell did before debating the meanings of collective entrepreneurship (Connell, 1999), tackling collective entrepreneurship also implies debating the descriptor *collective* in economics and, specifically, its compound *collective action*.

The contemporary debate on collective actions in economics traces back to the seminal works of Mancur Olson (1965) and Garrett Hardin (1968) about social dilemmas and collective-action paradoxes – or else, about the failure of collective action whenever individual uncertain benefits hinder cooperation.

> Collective-action problems occur when individuals choose actions—such as whether to build and maintain an irrigation system—in an interdependent situation. If each individual in such situations selects strategies based on a calculus that maximizes short-term benefits to self, individuals will take actions that generate lower joint outcomes than could have been achieved (Ostrom, 2010, p. 155)

This topic has been recently revitalized by the work done by Elinor Ostrom in *Governing the commons* (1990) and later publications(Ostrom, 2000, 2010). By leveraging rational choice theory, game theory and new institutional economics (Ostrom, 2010; Ostrom and Basurto, 2011), Ostrom offered a theoretical framework to solve social dilemmas and grasp the governance of common-pool resources through the deployment of collective actions. Specifically, she analysed effective, successful and even unsuccessful collective-action arrangements, "communities of individuals [who] have relied on institutions resembling neither the state nor the market to govern some resource systems with reasonable degrees of success over long periods of time" (Ostrom, 1990, p. 2). The fortune of her writings is huge and well-motivated. After a long debate on the inevitability of tragedies of the commons, Ostrom demonstrated that "CPRs [Common-Pool Resources] provide theoretical and empirical alternatives to the assertion that those involved cannot extricate themselves from the problems faced when multiple individuals use a given resource" (Ostrom, 1990, p. 21). Indeed, "many analysts … still presume that are all dilemmas in which the participants themselves cannot avoid producing suboptimal results, and in some cases disastrous results" (Ostrom, 1990, p. 24). By leveraging everyday evidence about cooperation and collective action in absence of market- or state-enforcement norms, she confuted the so-called zero-contribution thesis – or else, "rational, self-interested individuals will not act to achieve their common or group interests" (Ostrom, 2000, p. 137). In contrast to theoretical predictions of no cooperation in common-pool resource situations, Ostrom demonstrated that collectives of individuals can achieve efficient uses of common goods through the establishment of self-organized, self-enforced and self-governed collective action institutions (Ostrom, 1990).

In developing her analytical framework, Ostrom contested several assumptions of the standard, neoclassical rational choice theory (Ostrom, 2010).

> To have one theory—rational choice theory—that explains how individuals achieve close to optimal outcomes in markets, but fails to explain why anyone votes or contributes voluntarily to the provision of public goods, is not a satisfactory state of knowledge in the social sciences

In highly complex and uncertain environments, individuals behave differently as standard rational choice theory predicts (Ostrom, 2010; Manzo, 2013; Lara, 2015). The discrepancies between empirical evidence and theoretical predictions required Ostrom to rethink rational choice theory's assumptions, specifically concerning preference completeness, complete information, instrumental rationality, computationalism and utility maximization (Ostrom, 1990, 2010; Ostrom and Basurto, 2011; Lara, 2015). Blending the tradition of rational choice theory with the study of social norms and their evolution – grounding her framework on field and laboratory experiments – Ostrom "accepts, rejects, improves and revises the achievements of the [rational choice] theory", while achieving the construction of "a syntax and grammar of institutions using the methods of the theory of rational choice" (Lara, 2015, p. 591).

In contrast to theories of choice which advocate the existence of unique and optimal institutional solutions, Ostrom recognized that "many solutions exist to cope with many different problems" and that "the capacity of individuals to extricate themselves from various types of dilemma situations varies from situation to situation" (Ostrom, 1990, p. 14). In place of fully computational, self-interested actors, Ostrom depicted individuals who "try to solve problems as effectively as they can", given that they "have very similar limited capabilities to reason and figure out the structure of complex environments" (Ostrom, 1990, p. 25). In reaching an appropriate theoretical understanding of collective action, Ostrom created what herself called "a very broad conception of rational action"

(Ostrom, 1990, p. 37), where individuals make choices and adopt strategies in constrained situations with bounded rationality capabilities.

Debating the management of common-pool resources is, however, out of the scope of this paper and this piece of research. In addition, notwithstanding the critiques of the standard conception of rational choice theory, Ostrom's work remains anchored to a neoclassical interpretation of individual choices and actions: collective actions are "dilemmas" instead of the normal behaviour of human beings; individual choices are the only building blocks of collective actions; individuals are rational or quasi-rational. Yet, not all collective action settings occur as social dilemmas, choices are not the only metrics to understand collective agency and rationality is not a precondition for action (Boudon, 1998, 2003; Connell, 1999; Navarra, 2008; Ermakoff, 2010; Jaeggi, 2017): "[individual] choice is no longer the sole useful rubric to understand participation in collective efforts" (Bimber, Stohl and Flanagin, 2012, p. 78). Albeit evocative, the work done by Elinor Ostrom on the analysis of collective actions hardly finds an application in the study of the emergence of WTs in that it neglects forms of collective agency as core units of analysis, and it implies that actions are rational and, consequently, intentional.

In agreement with Connell (1999), Bimber and co-authors (2012), Navarra (2008) and Baldassarri (2011), the theoretical perspective adopted in this paper diverges from both standard and Ostrom's rational choice theories. Actions are *collective* when they reveal the agency of two or more people who are driven by a common understanding of agency itself (Navarra, 2008; Baldassarri, 2011; Fligstein and McAdam, 2011). The agency of people involved in collective actions and the meanings associated with those actions are socially embedded and context-specific (Jaeggi, 2017). Collective actions are situated events (Connell, 1999): they are time- and place-specific socio-cultural artefacts which take place across organizing contexts and shape organizations via processes of organizing and sensemaking (Weick, 1988; Johannisson, 2011; Catino, 2013). Even if not always in a rational and intentional manner (Jaeggi, 2017), stakeholders achieve collective actions through mechanisms of coordination. When the interactions of actors are rooted in social and mutualistic values such as trust, reciprocity and fairness, then cooperation is put into practice as a coordination mechanism, and cooperative-like organizations may rise (Connell, 1999; Borzaga and Tortia, 2017).

5 Collective entrepreneurship

Definitions of collective entrepreneurship that have been offered over time are not immune to the critiques developed in Sections 2, 3 and 4. Many scholars employed conceptualizations proper to mainstream entrepreneurship to tailor their definition of collective entrepreneurship. This is the case of Mourdoukoutas (1999, p. 90), which argues that collective entrepreneurship

> is about structures that afford the opportunity and the incentive to individuals both inside and outside conventional corporations as well as individuals across corporations to share and integrate technical and market information for the discovery and the exploitation of new business

The definition Mourdoukoutas (1999) offers is theoretically consistent with traditional entrepreneurship since it rests on canonical premises about the role of individual entrepreneurs in exploiting business opportunities. Again, Yan and Sorenson (Yan and Sorenson, 2003, p. 37) states that collective entrepreneurship is a

> synergism that emerges from a collective and that propels it beyond the current state by seizing opportunities without regard to resources under its control (Stevenson and Jarrilo 1990); the collective capability of both identifying and responding to opportunities are important components of collective entrepreneurship

Even if Yan and Sorenson (2017) opens to collective agency, it does not abandon the idea of opportunity discovery and exploitation.

As Kitching and Rouse (2017) puts forward, the ambiguities that characterise the individual-opportunity nexus and the opportunity vs. necessity entrepreneurship obstacle the development of alternative entrepreneurship theories and obscure different conceptualizations of entrepreneurial actions and motivations. “[W]hile agreeing with others that action – not opportunity – should be the focus of attention” (2017, p. 560), Kitching and Rouse proposed “a new non-opportunity-based framework for studying entrepreneurial action” (2017, p. 560), which rejects the centrality assigned to the concept of opportunity and grounds entrepreneurship research “on entrepreneurial action and the structural and cultural conditions that enable, motivate and constrain it” (Kitching and Rouse, 2017, p. 569). Their approach bypasses the employment of the concept of opportunity and avoids reducing the variety of entrepreneurial activities to opportunity discovery, recognition and exploitation.

A definition of collective entrepreneurship sensible to collective actions while robust to the critiques developed so far is the one by Connell (1999), which pays close attention to collective entrepreneurial actions and social values rather than individual motivations and opportunities. In Connell (1999, p. 19), collective entrepreneurship

> combines business risk and capital investment with the social values of collective action. It is an event that exists when collective action aims for the economic and social betterment of a locality by means of some transformation of social norms, values, and networks for the production of goods or services by an enterprise

This definition moves away from conceptualisations of mainstream entrepreneurship by addressing the operational contours of entrepreneurship and collective agency. By acknowledging that collective actions are socially embedded and cooperatively pursued, the definition Connell (1999) offers steers towards social value creation and the "social betterment" of communities. In their study on Canadian cooperatives and cooperative entrepreneurship, Vieta, Tarhan and Duguid leveraged Connell's definition to remark the centrality of collective actions in entrepreneurial dynamics. In a clearer manner than Connell did, Vieta *et al* (2016) emphasises how collective risk-taking and resource-pooling actions embedded in social dynamics constitute the very basis of collective entrepreneurship.

The analysis of collective entrepreneurial agency overcomes the limits of those approaches which are grounded in the individual-opportunity nexus or opportunity vs. necessity entrepreneurship. This paper identifies three main advantages of adopting a collective action-centred approach to the study of entrepreneurial phenomena. Firstly, a definition of collective entrepreneurship centred on collective actions bypasses the centrality of the entrepreneur meant as a heroic hardworking individual (Gartner *et al.*, 1994). Whoever the entrepreneurs are and whatever their backgrounds, skills and capabilities, exploring collective entrepreneurial agency implies considering the dynamics of organizing contexts and their complexity, the pluralism of voices, resources, interests and strategies of stakeholders, and the social embeddedness of entrepreneurial practices. Secondly, and connected to the previous point, collective entrepreneurial agency is achievable even in pursuance of heterogeneous interests and motivations. To make collective action effective, dissimilar motivations should co-exist or align over time. Yet, joining an entrepreneurial project does not require each stakeholder to share the very same motivation; or else, stakeholders' preferences need not be homogenous and stable over time. The fact that stakeholder motivations in collective organizations such as WTs are heterogeneous challenges theoretical explanations which conceive entrepreneurial phenomena as exclusively interest-driven or fully rational.

Thirdly, the analysis of collective entrepreneurial actions grounds the theoretical inquiry in more robust ontological and epistemological foundations than canonical entrepreneurship theories do. Kitching and Rouse (2017, p. 565, italics in original) points out that "conceptual slippage is evident in shifts between what are referred to as *objective* opportunities, on one hand, and *potential* or *perceived* opportunities, on the other". Scholars inappropriately refer to opportunities and opportunity discovery, recognition or exploitation in place of fine-tuned descriptions of entrepreneurial actions, by generating theoretical confusion about subjects and objects of entrepreneurship research. Under canonical premises about entrepreneurship, opportunities are, at the same time, objective entities instrumentally exploited by sharp entrepreneurs who leverage already-existing profit-making situations to generate new means, ends, or means-ends relationships (Eckhardt and Shane, 2003); and subjective, possible or potential profit-making situations which turn into real lucrative ventures only when entrepreneurs recognize and exploit them (Shane, 2000). This misconception generates theoretical and empirical issues in operationalising concepts, defining and accessing the research field, and interpreting data and results. As Kitching and Rouse (2017, p. 569) puts forward, “Beliefs, actions and circumstances are distinct kinds of object and need to be distinguished conceptually in order that their causal connections can be identified in studies of actual, concrete cases”. Necessity entrepreneurship and opportunity vs. necessity entrepreneurship suffer from similar ontological and epistemological biases. In these cases, the identification of opportunities and necessities is neither provided a-priori nor driven by theory, and it comes with an ex-post cognitive assessment by researchers which is subject to hindsight biases. In contrast, the analysis of collective actions is robust to these issues for it makes entrepreneurial phenomena analytically explorable, by decomposing entrepreneurial phenomena into smaller units of analysis and observation – namely, actions and bundles of actions. Differently from opportunities and necessities, (collective) actions have stronger ontological and epistemological foundations in light of realistic, discursive, interpretative, narrative, phenomenological, constructionist and practice-based theoretical traditions (Steyaert, 2007; Kitching and Rouse, 2017; Champenois, Lefebvre and Ronteau, 2020).

6 Researching collective entrepreneurial endeavours

Moving away from traditional conceptualizations of entrepreneurship research and grounding a theoretical understanding of entrepreneurial phenomena in the analysis of collective actions – as collective entrepreneurship does – has its own advantages, as already seen in the previous section. The interest in collective actions in entrepreneurship, though, is not exclusive to collective entrepreneurship scholars. Recently and besides collective entrepreneurship studies, critical scholars have started debating the advantages of investigating collective agency and entrepreneurial practices as a way to enhance the theoretical and empirical understating of entrepreneurial endeavours (Steyaert and Katz, 2004; Steyaert, 2007; Johannisson, 2011; Champenois, Lefebvre and Ronteau, 2020; Teague et al., 2021). In contrast to the primacy of methodological individualism and fully rational, interest-driven justification of entrepreneurial undertakings, scholars keen on the *Entrepreneurship* *as Practice* (EaP) approaches have shown that the analysis of entrepreneurial actions and practices offers more coherent, less ambiguous and less biased interpretative frameworks of *entrepreneuring* phenomena than canonical analytical perspectives (Johannisson, 2011). EaP approaches move beyond the limits of canonical conceptions of entrepreneurship. Firstly, these approaches bypass the traditional conceptualization of entrepreneurs as individual agents by acknowledging the very collective and relational nature of (entrepreneurial) practices.

> Drawing on the fact that a practice (*praxis*) is rooted in collectively shared understandings (Reckwitz 2002) and that entrepreneuring is fundamentally collective (Johannisson 2011), we call for an extension of the entrepreneurship-as-practice perspective to practitioners other than entrepreneurs, who are engaged in the entrepreneurial ecosystem (Isenberg 2010), and who hold such collectively shared knowledge (Champenois, Lefebvre and Ronteau, 2020, p. 302)

Secondly, EaP approaches do not neglect the processual and relational dynamics of *entrepreneuring* as canonical conceptualizations do. Indeed, EaP scholars tend to emphasise the processual essence of practices as bundles of actions and activities (Kemmis, McTaggart and Nixon, 2014) and address them as the core objects of analysis in place of individual skills, motivations, preferences or dispositions (Johannisson, 2011).

> we invite scholars to consider and analyse not only 'single/specific practices' but rather 'bundles of practices' – such as bundles of artefacts and materials … we invite researchers to further explore the processual and relational natures of practices and to connect them stronger with 'structural practices (Champenois, Lefebvre and Ronteau, 2020, p. 303)

Thirdly, EaP approaches deconstruct the mainstream narrative of entrepreneurship as a rare, praiseworthy and elitist activity. In contrast, EaP approaches position *entrepreneuring*, the practice of performing entrepreneurial endeavours, in the everydayness of life: since "entrepreneurship is a matter of everyday activities rather than actions of elitist groups of entrepreneurs" (Steyaert and Katz, 2004, p. 180), "[EaP] plays down entrepreneuring by associating it with everyday life and not with heroic achievements, only to re-establish it as a fundamental human activity" (Johannisson, 2011, p. 147).

Reimaging the objects, subjects and dynamics of entrepreneurship research via alternative conceptualizations of entrepreneurial phenomena, as collective entrepreneurship and EaP do, command a renovated interest in unconventional, less practised research methodologies. EaP scholars endorse the employment and development of a broad array of context-oriented methodologies and approaches to empirical research (Chiles, Bluedorn and Gupta, 2007; Johannisson, 2011). In social sciences, methodologies are not neutral with respect to the subject of analysis and the narrative they produce as outcomes. As suggested by EaP scholars, qualitative, in-depth, interactive and engaged research methodologies should be preferred, such as action research (Kemmis, McTaggart and Nixon, 2014).

Witnessing a change in the study of entrepreneurial phenomena, knowing that theoretical and methodological alternatives are available, scholars should also re-address their research initiatives in search of a social and economic betterment of people, communities and regions. Following Schumpeter, scholars, policymakers and practitioners have conceived and interpreted entrepreneurship as a socio-economic force driving economic development (Schumpeter, 1942; Connell, 1999; Chiles, Bluedorn and Gupta, 2007). Yet,

> Despite the growing rhetoric, there would appear to be no common agreement as to what pursuit of entrepreneurship and the enterprise culture means. It can only be inferred from public policy 'initiatives' that it means: the emergence of more small businesses; associated higher rates of small business creation; more fast-growth firms and technology-based businesses; social entrepreneurship, enterprise in public organizations and, increasingly, a basis for tackling social exclusion (Gibb, 2002, p. 235)

This paper argues that, in light of the findings from WTs and in contrast to traditional conceptualizations of entrepreneurship, *entrepreneuring* is a social and collective phenomenon. Still, it is less clear whether and how the recognition of the very collective nature of entrepreneurial endeavours would favour policies, actions and future research studies on behalf of social and collective actors, such as organizing groups, teams, collectives and communities (Dey, 2016). Via a pluralism of critical approaches and context-oriented methodologies, researchers are now able to tackle the everydayness of organizing activities on local or *meso* levels of analysis – something that Fligstein and McAdam (2011) would call Strategic Action Fields and Johannisson (2011) Organizing Contexts. The analysis of entrepreneurial endeavours of WTs has offered valuable insights into the deconstruction of canonical assumptions in entrepreneurship. Still, for their ability to foster democracy, preserve employment levels throughout socioeconomic crises, and support regions and local economies, WTs are also outstanding subjects of analysis for those scholars willing to foster the social and economic betterment of people and localities via their engaged research activities.

7 Conclusions

> For those who want to shift the locus of analysis away from the entrepreneur or the individual-opportunity nexus, the possibilities are vast (Steyaert, 2007, p. 472)

Taking over and recovering a business activity implies the coordination and, eventually, the cooperation of several heterogeneous actors, from employees and trade unions to former owners and local community members (Vieta, Depedri and Carrano, 2017). These stakeholders participate, contribute and share the necessary resources, information and knowledge to make takeovers successful and long-lasting. Where the governance is enlarged to comprehend these supportive stakeholders, firm boundaries become blurred and permeable to inter-organizational collective actions (Bimber, Stohl and Flanagin, 2012, chap. 3; Catino, 2013; Birchall and Sacchetti, 2017). Apparently, collective actions are intrinsic to WTs in every phase of their start-up and development, and they are crucial for WTs' emergence. However, entrepreneurial collective actions and the socio-economic outcomes they generate are under-researched and under-theorised.

This paper grounds on two distinct theoretical domains – namely, the theory of the firm and entrepreneurship – and contributes to both. It moves from the debate on the relative scarcity of labour- and worker-managed firms in mature economies to the discussion on the theoretical foundations of entrepreneurship and, precisely, collective entrepreneurial actions. Indeed, this paper emphasises how the analysis of entrepreneurial dynamics of WT may provide valuable insights into the relative scarcity of these firms, whose numbers remain small even in presence of benefits, good performances and positive externalities for workers, communities and regions. At the same time, the validity of this analysis goes beyond the WT phenomenon and extends to the theoretical underpinnings of canonical entrepreneurial approaches.

This paper enriches the debate in the theory of the firm's literature about labour- and worker-managed firms and their scarcity, which has been addressed since the late 1950s (Ward, 1958; Vanek, 1970, 1977; Meade, 1972). By enucleating and synthesising findings on WTs and their performances, this paper argues that the number of WTs in mature economies is small due to their entrepreneurial specificities and the exiting entry barriers they face. Indeed, F1, F2 and F3 show that WTs are far from being textbook examples of entrepreneurial undertakings and, consequently, they may be subject to non-neutral treatments from both private and public agencies, such as credit banks, which are keener on traditional business structures (Paton, 1989; Doucouliagos, 1995). Indeed, evidence of the longevity and survival performances of WTs confirms that WTs themselves align with or even outperform traditional companies, such as public or limited liability companies. On top of that, WTs provide workers with property and control rights, which entail the possibility for workers to appropriate the residual earnings of companies (Cuomo, 2014). The reasons why WTs, as labour- and worker-managed firms, are relatively rare, though, have nothing to do with their economic, financial and organizational performances. Rather, due to their atypical entrepreneurial arrangements, WT operations face mistrust and ideological preconceptions, which hinder the viability of these solutions and the willingness of workers to undertake collective entrepreneurial endeavours (Paton, 1989).

This paper also contributes to the development of entrepreneurship theories, by endorsing alternative conceptualizations of entrepreneurial undertakings and alternative research strategies. The contribution this paper offers is twofold. On the one hand, the analysis highlights how canonical premises of mainstream entrepreneurship are not enough robust to F1 and F2, and emphasise the inadequacies of individual, opportunity- and necessity-driven conceptualizations. On the other, this paper demonstrates how the analysis of collective entrepreneurial actions provides entrepreneurship theories with sound theoretical foundations. Thanks to the evidence provided by WT research studies, this paper shows that entrepreneurship frameworks that rest on methodological individualism are unable to capture the pluralism of actors, agency, interests and resources:

> We cannot assume that incentives and mechanisms that foster individual entrepreneurship will stimulate collective entrepreneurship. In the same manner, we cannot assume the outcomes of individual entrepreneurship will mirror the outcomes of collective entrepreneurship in terms of economic growth, innovation, and social development (Burress and Cook, 2009, p. 25)

Similarly, frameworks that hinge exclusively upon concepts of opportunity entrepreneurship or opportunity vs. necessity entrepreneurship are equally inadequate because they oversimplify complex entrepreneurial dynamics.

In antithesis to and beyond canonical conceptualizations of entrepreneurship, this paper demonstrates the usefulness of comprehensive frameworks grounded in collective entrepreneurial actions and practices – namely, collective entrepreneurship and EaP. The literature on collective entrepreneurship emphasises how risk-sharing and resource-pooling (Connell, 1999; Vieta, Tarhan and Duguid, 2016), and decision-making actions (Bijman and Doorneweert, 2010), are essential determinants of collective entrepreneurial projects. Additionally, and specifically for WTs, collective actions shed light on the praxis of taking over distressed business activities from a labour perspective, by providing workers, and not just an elite of individuals (Steyaert and Katz, 2004), with the status of entrepreneurs (Dey, 2016).

The reasoning developed here may lead to an improved operationalization of the concept of collective action and, hence, to an improved understanding of the entry and exit dynamics of labour- and worker-managed firms. These implications should become even more relevant outside the scholarly debate, as a way to discuss alternative organizational, entrepreneurial and managerial solutions to counteract emerging socio-economic crises, as in the case of the COVID-19 pandemic and its striking consequences. Future lines of inquiry should deepen the democratic governance mechanisms of takeover and restructuring processes; the collective bargaining practices among workers, trade unions, cooperatives’ federations, local authorities and employers; the ownership and management models associated with collective entrepreneurial endeavours; the analysis of local economies, their social, political and cultural architectures, and the outcomes collective entrepreneurial endeavours generate at the local and regional levels; the analysis of institutions, laws and social norms of *entrepreneuring*, whether in WT environments or not.

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Chapter 4

Cooperative strategies for business regeneration: Italian worker takeovers

Abstract – In Italy, job-threatened workers facing company crises have the chance to safeguard employment levels, productive know-how and companies' assets from their dissolution. Indeed, workers can leverage cooperative, self-managed organizations to take over distressed or insolvent companies, and turn them into democratic enterprises, while achieving remarkable economic and financial performances. However, despite decades of innovative and effective recovery experiences in emerging socio-economic crises in Italy, the entrepreneurial, organizational and managerial mechanisms of worker-led business takeovers are under-researched and, partially, unclear. Via a mix of qualitative and quantitative methodologies, this research sheds light on the praxis of converting investor-owned enterprises into cooperatives. The research delves into patterns, rationales, resources and governance schemes of companies going collective, and unfolds how these collective undertakings ground in the local socio-economic fabric to access the necessary resources, support and solidarity. Findings confirm the potentiality of worker-led business takeovers for the survival and development of companies, territories and communities in crisis.

Introduction

In the fields of cooperative and employee participation studies, worker takeovers (WTs), also known as worker buyouts, worker-recuperated or worker-recovered enterprises (Vieta, Depedri and Carrano, 2017), stand as an autonomous object of analysis. WTs address the recovery of going concerns and distressed companies, whose crises are mostly due to recessions, restructurings or inheritance and succession issues. In these cases, either in presence of labour struggles or negotiated agreements, companies or one of their branches are leveraged by and transferred to employees (Vieta, Depedri and Carrano, 2017). Via the conversion into worker-owned and worker-managed enterprises of distresses enterprises and going concerns, workers acquire the major ownership and control rights of target companies (Mirabel, 2021a). Other minor share- or stake-holders can take part in the takeover operations whenever this is agreed to by workers or permitted by legislation (Vieta, Depedri and Carrano, 2017).

WTs are social and business initiatives grounded in mutualism and cooperative principles, and generate goods and services to fulfil unmet needs of workers, local communities and territories such as the preservation of jobs, local enterprises and local economies (Castronovo, 2016; Vieta, 2019). WTs have provided effective solutions to business crises and business transfer issues to companies, communities and regions (Calogirou *et al.*, 2010; Pendleton and Robinson, 2017; Kontkanen, 2022), by granting fair workplace conditions and prospects of economic and financial sustainability (Jossa, 2017). Supported by an array of local and regional stakeholders, WTs achieve business regenerations by using innovative combinations of economic, social and cultural resources, and by developing unorthodox entrepreneurial strategies (Vieta and Lionais, 2015; Bianchi and Vieta, 2020). Well-known practices of worker-managed business regenerations have occurred in European, Latin and North American countries, commonly in the form of worker cooperatives, worker buyouts, ESOPs or employee ownership trusts (Ruggeri and Di Nepi, 2014; Vieta, Depedri and Carrano, 2017; Robinson and Pendleton, 2019).

In contrast to pessimistic theoretical predictions, WTs have achieved remarkable economic, financial and organizational performances (Pérotin, 2004; Fakhfakh, Pérotin and Gago, 2012; Burdín, 2014; Vieta, Depedri and Carrano, 2017; Mirabel, 2021b). However, like other worker- and labour-managed firms, WTs are relatively rare in mature economies. Dow estimates that “labor-managed firms occupy a small niche in developed economies, accounting for at most 3–4 per cent of total firms, employment, assets, and sales” (Dow, 2018, p. 65). Authors suggest that the relative scarcity of these companies in mature economies is more likely to be due to the higher entrance barriers WTs face compared to traditional, investor-owned enterprises rather than to their performances or liabilities (Doucouliagos, 1995; Podivinsky and Stewart, 2007, 2012; Olsen, 2013; Mirabel, 2021b).

The emergence of labour- and worker-managed firms, among which WTs stand, is usually described as countercyclical (Podivinsky and Stewart, 2012; Conte and Jones, 2015; Monteleone and Reito, 2018). Indeed, WTs contrast business closures and dismissals via job preservation and business recoveries exactly when market failures strike harder (Vieta, Depedri and Carrano, 2017). However, not all WTs have emerged in the wake of a company's crisis, as in the case of the lack of successors in family businesses or the relocations and restructurings of sound companies (Paton, 1989). Rather than a pure pushed-into-entrepreneurship explanation of WTs' entry mechanisms (Williams and Williams, 2014), scholars identified the existence of a spectrum of different context-oriented mechanisms behind the emergence of WTs worldwide (Gherardi, 1989; Paton, 1989).

> Although, as participative WTOs [worker takeovers] they have great deal in common, they are not the same sort of event. In Italy they are a classic Italian compromise – in the case, between principles of the market and of solidarity. In Spain they represent a pragmatic exploration of a populist socialism. By contrast, in Britain they are a (dubious) 'last resort' and in West Germany a form of industrial deviance. Finally, in Denmark they have appeared as social inventions, while in France in the early 1980s they had the character of an ideological deduction (Gherardi 1988). Such variations suggest there are different sorts of WTO prompted by rather different motivations (Paton, 1989, p. 34)

Companies' attributes, regional dynamics, institutional environments, socio-cultural contexts, macro-economic trends and conjunctural circumstances trigger and shape WT operations in a way that, even if comparable, WTs are different due to the very mechanisms behind their emergence.

In face of the outstanding socio-economic results WTs generate and the effective coping mechanisms they oppose to an incumbent crisis, this paper asserts the need for a deeper understanding of WTs' entry dynamics to explain the small occurrence of these companies, as suggested but not adequately investigated by well-known scholars in the field of economics of participation (Dow, 2003; Podivinsky and Stewart, 2012). This research addresses the well-known question "Why are labour-managed firms rare in mature economies?" (Bonin, Jones and Putterman, 1993; Dow, 2003, 2018; Podivinsky and Stewart, 2007) via a cutting-edge, qualitative-quantitative perspective and an innovative angle. It investigates how WTs emerge by analysing the processes and practices of salvaging, rescuing, re-starting or acquiring distressed companies and going concerns, and converting them into cooperative organizations. Specifically, this research poses the following research questions: How do WTs emerge in Italy? Who manages the conversion? Which resources do workers employ to achieve takeovers? And which forms of collective engagement do workers and stakeholders deploy?

There are two main reasons to choose Italian WTs as units of analysis. Firstly, Italy claims a longstanding cooperative tradition (Borzaga, Depedri and Bodini, 2010) and it is internationally renowned for its cooperative and WT experiences, their history and their sound legislation (Jensen, 2011; Vieta, Depedri and Carrano, 2017). Secondly, at least three different databases on Italian WTs have been created over time thanks to previous research and day-by-day activities of institutional investors – namely, Cooperazione Finanza Impresa's, Euricse's and Legacoop's databases. These databases were generated on a separate account, use multiple data sources and data cleaning methodologies, and provide researchers with a fundamental richness of data on Italian WTs.

Findings from this research advance our knowledge of the emergence of WTs and inform scholars, practitioners and policymakers about actors, resources and strategies for cooperative business regenerations. While econometric analyses proved WTs to be as efficient and competitive as limited or public liability companies (Pérotin, 2004; Fakhfakh, Pérotin and Gago, 2012; Burdín, 2014; Vieta, Depedri and Carrano, 2017; Mirabel, 2021b), scholars are hardly able to account for the specificities of the emergence of WTs and to use this knowledge to tackle the scarcity of LMFs at both theoretical and practical scales. Indeed, the acquisition of such knowledge generates theoretical and practical potential contributions. On the theoretical side, the novelty of this paper lies in the merger of the research domain of theory of the firm with the one of entrepreneurship. Specifically, this paper advances our understanding of the universe of LMFs and WTs by adopting novel operationalisations of the concept of collective entrepreneurship – namely, collective decision-making, resource-pooling and bargaining actions (Gijselinckx, 2009; Heino, Jussila and Goel, 2011; Kitching and Rouse, 2017). The adoption of a conceptualisation of collective entrepreneurship rooted in the analysis of collective actions has two core advantages: it overcomes the methodological individualism of mainstream entrepreneurship research and grounds the analysis on more robust epistemological and ontological foundations than traditional conceptualisations do (Williams and Williams, 2014; Kitching and Rouse, 2017). Besides theoretical ones, findings from this piece of research have practical implications. Specifically, this paper advances scholars' and policymakers' knowledge about structures, rationales and practices of cooperative business regenerations. In so doing, the paper sheds light on the patterns of emergence and development of WTs as a way to adjust existing policies and support strategies, and to better address employment protection and economic democracy in Italy via sound and viable WT operations.

1 Theoretical background

The debate on structures, functioning, outcomes and viability of worker- and labour-managed firms traces to the mid-to-late 1950s (Ward, 1958). At that time and in the following decades, scholars delved into the comparison between socialist and capitalist companies, their economic and financial performances, and their decision-making structures (Dow, 2018). At that time, scholars agreed that socialist, employee-owned or -managed companies were theoretically and *de facto* burdened with productivity and decision-making disincentives, and that capitalist firms outperformed socialist ones (Bonin, Jones and Putterman, 1993). These liabilities were believed to be at the very basis of the scarcity of labour-managed firms also in capitalist countries. Thanks to recent econometric analyses, however, scholars proved that the theoretical liabilities of labour-managed firms had little empirical support: “The decades of the 1960s–1980s saw a burst of theoretical speculation that generally did not hold up well under empirical scrutiny” (Dow, 2018, p. 65). Scholars demonstrated that both labour-managed firms and WTs mirror or even outperform capitalist companies in terms of productivity (Levine, 1990; Fakhfakh, Pérotin and Gago, 2012; Mirabel, 2021b), resilience (Antonazzo, 2019), survival rates (Pérotin, 2004; Olsen, 2013; Vieta, Depedri and Carrano, 2017) and dissolution hazard (Burdín, 2014).

Notwithstanding the high-quality econometric analyses that have been carried out in recent years and their results, the debate on the scarcity of labour-manged firms in capitalist economies is still open. By acknowledging the robustness and potentialities of labour-manged firms and WTs for job-threatened workers, companies and local communities in crisis (Vieta and Lionais, 2015; Jossa, 2017), recent studies started exploring how labour-manged firms emerge as a way to tackle the relative rarity of these firms in mature economies (Podivinsky and Stewart, 2007, 2012; Monteiro and Stewart, 2015). Previous research accounts for both the individual (Faigen *et al.*, 2018; Bastida *et al.*, 2022) and the collective determinants (Diaz-Foncea and Marcuello, 2013; Dey, 2016) of the emergence of labour-manged firms and WTs. However, since takeover operations entail the engagement, coordination and cooperation of several heterogeneous actors – from employees and trade unions to former owners and local community members – a collective-action lens should provide more valuable insights into the emergence of WTs than an individualist one (Connell, 1999; Navarra, 2008; Baldassarri, 2011; Dey, 2016; Champenois, Lefebvre and Ronteau, 2020).

Paton (1989) classifies WTs depending on the whys, how, who and what of takeovers. WTs are *defensive* when workers, trade unions and local authorities strive to prevent the closure/failure of large companies. WTs are *financial* when the acquisition of major ownership and control rights of workers is a by-product of the acquisition of financial instruments of target investor-owned enterprises, which are consequently converted into cooperative-like organizations. WTs are *participative* when workers themselves lead a grass-root conversion of small-and-medium distressed companies or going concerns. Features of WT operations vary accordingly to the size, the roles of the workforce and trade unions, the management structure of new-born companies, the outcome and the visibility of WTs (Table 1).

Table 1. Defensive, financial and participative WTs

	Defensive WT	**Financial WT**	**Participative WT**
Size	Large	Large	Small- and medium-sized
Role of the workforce	Campaigning	Source of capital; shareholders	Planning, lobbying, source of finance, management
Role of trade unions	Guardian and controllers of the enterprise	Representing the workforce and brokers in the negotiations	Advisory assistance
Management structure	Attenuated, union dominated	Conventional, participative on occasions	Participative of self-managing
Outcome	Collapse or decline with success unusual	Varied; employee ownership often temporary	Varied, but overall quite good; comparable with other small firms
Visibility	National	Regional	Local

Source: Paton (1989), p. 8

WTs can also be classified depending on the scopes of WT operations (*job-saving* or *firm-saving* WTs), the point of decline of former and distressed companies (*conversions*, *rescues* or *phoenixes* WTs) or the conversion strategies WTs adopt (*labour-conflict*, *negotiated* or *ESOP* WTs) (Paton, 1989; Vieta, Depedri and Carrano, 2017). These definitory criteria often overlap and demonstrate how complex and varied the WT phenomenon is. The complexity at the basis of the WT experiences reflects the heterogeneity of entry mechanisms, drivers and context specificities. Entry mechanisms and context specificities have been rarely addressed by scholars due to the very same difficulties in delimitating the phenomenon under investigation on theoretical and practical grounds. However, researching WT entrepreneurial endeavours may offer original and cutting-edge insights into the debate on the scarcity of labour-manged firms in mature economies. Additionally, unfolding the praxis of converting distressed companies or going concerns into labour-managed firms can provide practitioners and policymakers with additional tools to polish and improve support activities, and boost economic democracy and local development strategies.

Indeed, takeover operations exclusively undertaken by stand-alone individuals are far from reality. Rather than pure individual projects, WTs entail a pluralism of needs, agency, voices, resources and interests which transcends individual endeavours: "the descriptor collective is utilized in three primary ways: (1) to recognize multiple parties engaged in entrepreneurship; (2) to refer to the type of economic good generated by the entrepreneurial process; and (3) to denote asset ownership" (Burress and Cook, 2009, p. 5). To a greater extent than traditional firms, WTs rely on cooperative movements and associations, local networks and social-capital endowments to mobilize resources, consensus and solidarity from a broad and various array of stakeholders (Vieta, Tarhan and Duguid, 2016; Antonazzo, 2019; Bianchi and Vieta, 2020). In agreement with workers, these stakeholders negotiate and steer WT operations to generate a series of common benefits through the supply of products and services of public interest (Charmettant and Renou, 2021).

Collective agency permeates different spheres of WT operations – entrepreneurial, governmental, financial, organizational and managerial – all of which are functional and necessary to the start-up and development of successful WTs. However, scholars suggested that WTs face higher barriers and obstacles as entrants than traditional, investor-owned companies (Paton, 1989; Doucouliagos, 1995; Ellerman, Gonza and Berkopec, 2022). These barriers limit workers' entrepreneurial endeavours, hinder the number of WT firms' entrants and, consequently, drive the scarcity of WTs and LMFs in mature economies (Podivinsky and Stewart, 2012).

> while some risks are intrinsic to the nature of entrepreneurship, other risks associated with alternative organization structures are correlated with the prevailing institutional arrangements and entrepreneurial climate. […] while risk aversion is a natural behavioral trait, the degree of risk aversion is also shaped by the prevailing institutions. All societies develop a set of institutions that reinforce the status quo. The prevailing institutions [of market economies] reinforce the reproduction of CMFs [capital-managed firms] and hinder the formation of LMFs (Doucouliagos, 1995, pp. 1097–1098)

Collective actions are essential to cope with multiple sources of risk in WT entrepreneurial operations – i.e., business risk, income variance and employment risk. Collective actions are also essential to pool the necessary resources in start-up phases – first and foremost, capitals – whenever WTs and LMFs face non-neutral institutional climates and non-neutral capital environments.

> Given that LMFs are relatively unknown, prospective financiers perceive LMFs to bear higher risks. Accordingly, financiers will: (1) not be willing to loan capital to LMFs; (2) loan at higher rates of interest than to CMFs; or (3) loan under more stringent conditions. Thus, the initial unequal distribution of capital locks LMFs into an unfavorable financing position relative to CMFs [capital-managed firms] (Doucouliagos, 1995, p. 1108)

Sharing risks and pooling resources would not be effective if workers and their stakeholder networks would not self-organize their actions via participatory and democratic governance mechanisms. Together with collective resource pooling and risk-sharing activities, decision-making practices represent the third domain of investigation in the analysis of collective entrepreneurial endeavours.

Collective entrepreneurship is a loosely defined theoretical construct (Connell, 1999; Burress and Cook, 2009; Yan and Yan, 2017). In its essence, collective entrepreneurship refers to the ability of collectives – two or more individuals and organizations – to start-up economic initiatives grounded in social values, mutuality and cooperative principles (Gijselinckx, 2009; Bijman and Doorneweert, 2010; Heino, Jussila and Goel, 2011; Vieta, Tarhan and Duguid, 2016). These entrepreneurial endeavours are not *collective* simply because the entrepreneur is a compound of different stakeholders. They are *collective* because stakeholders collectively agree to share dispersed resources and ideas for the socio-economic betterment of groups, communities and localities. In this case, *collective* is also *social* in that the practices and actions are rooted in solidarity and mutualism (Spear, 2012; Vieta, Tarhan and Duguid, 2016). Albeit the "persistent variations in use of the term collective entrepreneurship" (Burress and Cook, 2009, p. 26) and the potentially disturbing confusion these variations may generate on theoretical grounds, collective entrepreneurship stands as the theoretical backbone of the present research.

2 Data, methodology and empirical strategy

2.1 Data

Data to survey the emergence of WTs were retrieved from three different data sources. *Cooperazione Finanza Impresa* (CFI) is the main institutional investor and provides finance to WTs in the wake of the enactment of the Marcora Act. The Marcora Act, or Law 49/1985, is the key legal device to financially support WT operations. CFI is entitled to manage the public provisions enacted by the Marcora Act and to invest them in cooperative projects in the form of equity and debt capital. Thanks to its role, CFI has privileged access to WTs' data whereby it traces all WT experiences which have been supported with the Marcora Act's provisions. As estimated by Vieta *et al.* (2017), almost 80% of Italian WTs have received financial support from CFI or analogous institutional investors. Over time, CFI has accrued data on most of the 301 WTs it has financed (CFI, 2021b), such as company names, dates of birth/of financing, type of intervention (takeover, start-up or consolidation), amount of resources invested, macro-sectors, regions and numbers of employees. All this data was collected for the sake of internal reporting. As of February 2021, CFI's dataset included detailed data on 238 WTs and general information (name, region, number of employees) on additional 63 WTs.

Thanks to past collaborations and previous research, CFI data is at the basis of Euricse's and *Centro Studi Legacoop*'s datasets. Euricse's dataset was built between 2013 and 2015 by Vieta and co-authors (2017). It comprises data on 257 WTs, 77% of which were retrieved from CFI's data. Euricse's dataset represents the first scholarly attempt to create an up-to-date, reliable, scientific and comprehensive dataset of Italian WTs. It was created by merging data sources from public agencies, cooperative associations, territorial institutions and national and regional newspapers. Vieta and co-authors (2017) collected data on 30 different indicators per WT operation by leveraging the AIDA-Bureau Van Dijk's and Chamber of Commerce's databases. The third dataset was created by Centro Studi Legacoop in 2020 (Centro Studi Legacoop, 2020; Bernardi, Cori, Granata, Keti, *et al.*, 2022) and it comprises data on 323 Italian WTs which occurred between 1987 and 2019. It is based on CFI data as well as *Legacoop*'s, *Coopfond*'s, *Soficoop*'s and *Federazione Trentina della Cooperazione*'s databases. Similarly to *Euricse*'s case, the *Centro Studi Legacoop*'s dataset was expanded with data from the *Aida Bureau van Dijk*'s databank. In the past years, *Eurice*'s and *Centro Studi Legacoop*'s datasets had been independently administrated and, where possible, updated by the respective research centres.

Albeit similar in structures, scopes and indicators, *Euricse*'s and *Centro Studi Legacoop*'s datasets relied on partially different data sources, elaborations and filtering criteria, and they were both partially incomplete, respectively. The survey this paper is based on was created only after the merger of the two datasets. Data stored in the new dataset was crosschecked with information available on the *Aida Bureau van Dijk*'s databank and updated with new WTs, founded in the first semester of 2021. Data on newly established WTs were retrieved from CFI website, media websites and direct interactions with cooperative associations. The resulting dataset comprises information on 381 WTs; as of June 2021, 117 of them were active and traceable.

2.2 Methodology and empirical strategy

Investigating the structures and rationales of collective entrepreneurial agency of Italian WTs is not an easy task. Firstly, WTs are just a few firms compared to the overall number of active and inactive enterprises in Italy – more than 4 million companies (ISTAT, 2021). Identifying and getting in touch whit these enterprises require patience and a time-consuming inquiry among institutional and non-institutional databases. Secondly, the WT phenomenon in this country dates to the 1950s – the first ever recorded WRE in Italy, an isolated case, dates to 1952 (Ferraro, 2015). Since 264 WTs were closed or inactive at the time the research was issued, it was impossible to reach out to them and collect data on the entry and exit dynamics of these closed firms. Thirdly, firms which have been restored and taken over from 2010 and backward may have lost memory of what happened in the establishment of the new companies. This is so because cooperative members present at the time the new companies were established may not correctly remember the sequence of events which occurred in past years; or else, because senior cooperative members retired and were replaced by new members and managers, not fully aware of what happened at the time the WT operations were conducted.

In addition to these limitations, which exist independently from the selected methodology, the study was furtherly complicated by the COVID-19 pandemic and the following restrictions on movements and contacts. Designed as a qualitative-quantitative study, this research work leverages an anonymous, structured and web-based survey to investigate WT entrepreneurial strategies in Italy (Andrews, Nonnecke and Preece, 2003). The qualitative-quantitative questionnaire is meant to reconstruct agency, stakeholdership, motivations and resources' mobilization in the establishment of new WTs in an exploratory fashion. Being numerous in-field case studies not feasible due to the pandemic, the online survey methodology provided a viable and effective solution to the impossibility to get into face-to-face contact with respondents, interviewees or gatekeepers. Survey techniques in times of COVID-19 have been successfully employed also in other disciplines, such as psychology (Mazza et al., 2020) and medicine (Geldsetzer, 2020).

Independently from the COVID-19 epidemic, the web-based online survey technique has both advantages and disadvantages (Matsuo et al., 2004; Wright, 2005). Online surveys are time- and cost-efficient since they allow dozens of respondents to simultaneously fill out the questionnaire with basically no economic costs (Wright, 2005). Additionally, the survey software can store and elaborate collected answers, by drastically reducing the time reserved for data cleaning (Andrews, Nonnecke and Preece, 2003). However, the implementation of web-based online surveys raises four different issues. Firstly, not all participants are keen on or able to correctly fill out an online questionnaire, whenever respondents lack appropriate digital skills. This limitation can lower the response rate and, consequently, weaken the research findings (Wright, 2005). Secondly, researchers cannot modify the templates of the online survey platform, and respondents cannot introduce pieces of knowledge which were not included in the original template of the survey (Andrews, Nonnecke and Preece, 2003). Thirdly, online respondents cannot directly interact with researchers, whose communication is always mediated through the online survey platform, emails or calls. Lastly, researchers employing online survey methodologies are not able to control or at least account for the environmental conditions in which respondents fill questionnaires in (Andrews, Nonnecke and Preece, 2003).

Notwithstanding these limitations, given the restrictions imposed by the pandemic, both cost- and time-efficiency were essential for selecting the web-based anonymous survey. The web-based survey is not the only technique which suffers from the lack of digital capabilities of respondents, the physical distance between respondents and researchers, and the impossibility to override barriers imposed by software templates. In contrast, the web-based survey allows geographically and temporarily dispersed respondents to autonomously fill out the questionnaire, while interacting with the researcher via other channels, such as emails or phone calls.

The questionnaire was developed via the Lime Survey platform and it is made up of 79 structured questions divided into five sections: introduction, the present-day cooperative, the transition, the former company, and concluding comments. Of these 79 questions, 29 are multiple-choice questions, 22 are array-type questions, 12 are close-ended questions, 6 are binary questions, while the remaining are open-ended, numerical and Likert-scale questions. The survey was administrated via emails from July to September 2021. Survey emails were forwarded by pre-notification emails in June, while additional responses were induced via both follow-up emails and phone calls (Newby, Watson and Woodliff, 2003). The survey was tested with two pilot questionnaires in mid-June 2021; in both cases, answers were compliant with expectations and their results were subsequently aggregated with replies from all other respondents.

The unit of analysis of the research is the cooperative as an economic and social entity and each active WT was asked to fill out only and solely one questionnaire. A total of 51 complete questionnaires were collected from as many companies, approximately 44% of active WTs. In line with the theoretical framework described in Section 1, cooperatives were asked to provide information on three dimensions of their entrepreneurial endeavours: collective resource-pooling, decision-making and bargaining actions. These three dimensions provide an operationalisation of the concept of collective entrepreneurship which is in line with previous research (Connell, 1999; Gijselinckx, 2009; Vieta, Tarhan and Duguid, 2016). Actions, and collective actions specifically, are a compelling angle from which to observe entrepreneurial phenomena since they provide an unbiased interpretation of how people generate innovative organisations and business activities (Vieta, Tarhan and Duguid, 2016; Kitching and Rouse, 2017; Charmettant and Renou, 2021).

To account for collective decision-making actions, the survey investigates who are the involved stakeholders, when they embark on WT operations, what type of support they provide and what type of commitment they exhibit during the operations. This information is essential to delve into the structure of the decision-making bodies of WTs, such as general assemblies and boards of directors, and to identify who takes managerial decisions. To investigate rationales and forms of collective resource-pooling actions, the survey explores the sources of start-up finance of WTs, the capital structure of these companies and the core expenditure areas, including information on the strategies of acquisition and leasing of residual assets of distressed companies and going concerns. Such information is strongly intertwined with the agency of involved stakeholders. Additionally, to explore the bargaining actions of workers, the questionnaire tackles the forms of participation, negotiation and confrontation among stakeholders, the role of trade union organisations, and the bargaining and participatory activities among workers, local authorities and intermediary bodies, such as associations of cooperatives or employers. The survey also aims at collecting data on the judicial and administrative procedures undertaken by distressed companies before the establishment of WTs. This information provides researchers with additional details on the background of WT companies to account for different entry dynamics. Information on collective decision-making, resource-pooling and bargaining actions are seconded with descriptive data on the size, background, geographical distribution and age of surveyed WTs.

3 Results

This section reports the survey's results, obtained by the analysis of the 51 collected questionnaires. Data from the survey are presented in four main sub-sections: *Descriptive statistics*, *Governance and stakeholders*, *Resources* and *Envisioning the collective*. *Descriptive statistics* reveals key features of Italian WTs, their size, age, origin and the geographical distribution across the country. *Governance and stakeholders* delves into the management of WT operations and the formal governance of WTs. This sub-section interrogates data about the leadership of the workforce in the start-up and management of WTs, the governance of WT operations and the formal governance of WTs. *Resources* deals with the use of financial resources accrued by workers and their partners in the start-up of WTs, the sources of start-up finance they leveraged and, thus, the structure of start-up capital of WTs themselves. Finally, *Envisioning the collective* debates on how negotiations, participatory patterns, confrontations and deliberations were handled by workers and their stakeholder networks. This last sub-section discusses the nature of engagement of trade union organisations and the unionisation of the workforce of WTs.

3.1 Descriptive statistics

All 51 surveyed WTs are cooperative companies. On average, surveyed WTs are small-sized enterprises that employ 42 workers, of which 19 are worker-members and 23 are non-member employees. The size of WTs varies from a minimum workforce of 3 worker-members and 3 employees to a maximum of 78 worker-members and 91 employees. All considered, the 51 surveyed WTs employ 958 worker-members and 1,181 non-member workers, for a total of 2,139 workers.

Table 2. Former companies, causes of closure

Causes of closure	No. of WTs	Percentage
Insolvency, bankruptcy	29	57%
Company/group restructuring	12	23%
Confiscation from organised crime	3	6%
Inheritance issues	1	2%
Offshoring	1	2%
Other*	5	10%

Notes: in orange, are the main causes of closure of former companies. *: conflicts between owners, patent expiry, voluntary liquidation

As shown in Table 2, 29 surveyed WTs originate from the actual or announced closure of insolvent or bankrupt companies; 12 WTs were born in the wake of companies' restructuring processes and the related business divestments; 3 WTs originate from the confiscation of assets from the organised crime and the mafia; the remaining originate from inheritance issues, offshoring operations, conflicts between owners, patents' expiry and voluntary liquidations. In contrast to other European and non-European countries (CECOP-CICOPA, 2013; Delgado, Dorion and Laliberté, 2014; Vieta, 2021; Vieta *et al.*, 2021), only one WT originates from difficulties in the intergenerational succession of owners.

The different background of distressed companies from which WTs originate entails a stark variation among the judicial and administrative procedures distressed companies would be subject to, which, consequently, determines different insolvency treatments and different takeover strategies. The type of insolvency procedure which applies to former companies affects the terms of dismissals, the management of going concerns and companies under administration, the intensity and processes of liquidation of the assets, and how third-party agents such as workers can bid for the residual assets.

Table 3. Former companies, type of insolvency procedures

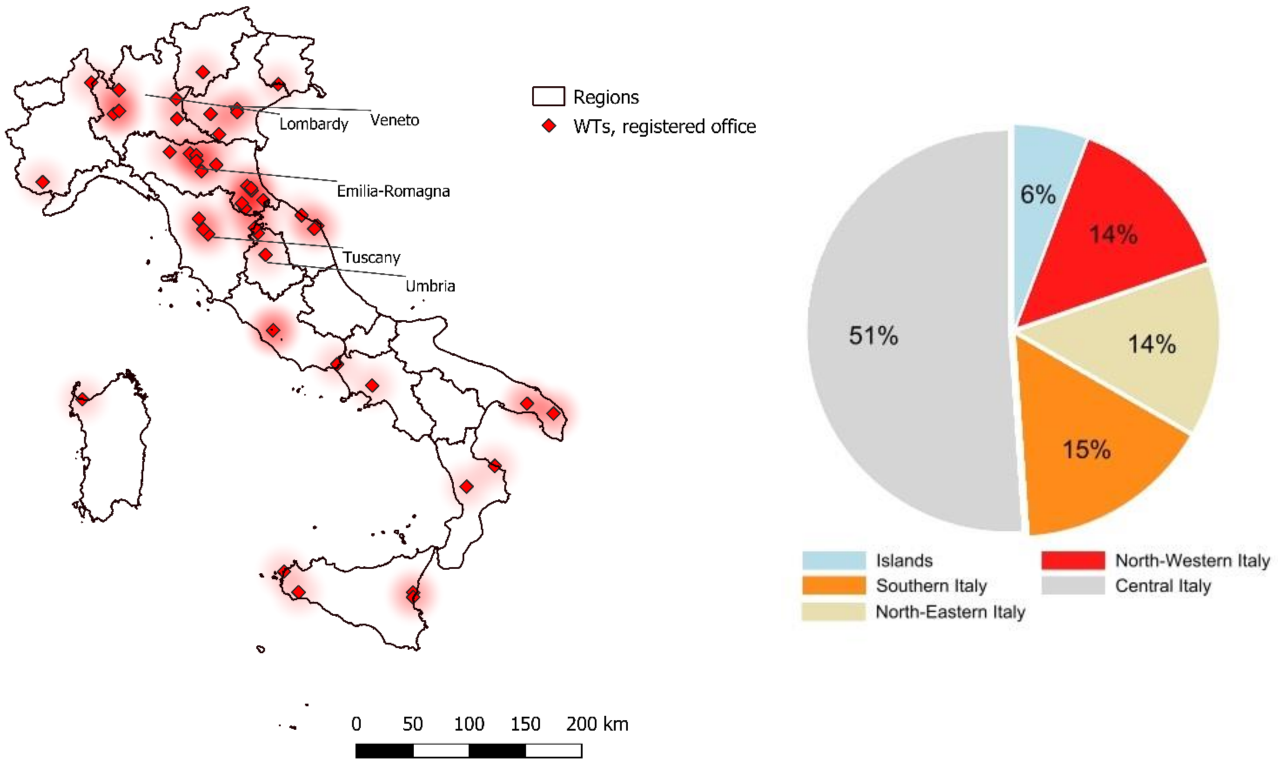
Type of insolvency procedure	No. of WTs	Percentage
Not under insolvency procedure	17	33%
Arrangement with creditors	6	12%
Bankruptcy	17	33%
Forced liquidation	6	12%
Administration	2	4%
Confiscation from organised crime	3	6%

Notes: in orange, insolvency procedures provided for by the Italian legislation

Table 3 reports the type of insolvency procedures faced by surveyed companies. One-third of WTs originate from companies that were not under insolvency procedures, whereas 31 WTs originate from companies which were subject to one of the procedures listed in Table 3, and 3 WTs occurred in the wake of the confiscation of companies from criminal organisations. Precisely, 17 WTs were established following the bankruptcy of former distressed companies, 6 WTs in the wake of arrangements with creditors, 6 WTs in the wake of forced liquidation and 2 WTs originate from companies under judicial administration. WTs which originate from companies confiscated from criminal organizations underwent different judicial and administrative procedures than for companies undergoing insolvency procedures and, thus, they are listed separately in the table. Readers may not a discrepancy between Tables 2 and 3 concerning the number of surveyed WTs subject to insolvency procedures – 29 in Table 2 and 31 in Table 3. This is because Table 2 reports the primary causes of closures of former companies. Primary causes of closure different from insolvency and bankruptcy might lead in any case to one of the possible insolvency procedures reported in Table 3.

The geographic distribution of surveyed WTs conforms to analyses, reports and descriptions offered in past years (Vieta, Depedri and Carrano, 2017; Orlando, 2019). Chart 1 shows the detailed location of the surveyed WTs in Italy and their concentration via a heat map (in red). Chart 2 shows data for the five identified macro-regions (North-East, North-West, Centre, South, and Islands). As of Charts 1 and 2, 26 WTs are located in central Italian regions, of which 14 are in Emilia-Romagna; 7 WTs are located in north-eastern Italian regions, of which 6 are in Veneto and 1 is in Trentino Alto-Adige; 7 WTs are located in north-western Italian regions, of which 5 in Lombardy and 2 in Piedmont; the remaining 11 WTs are located in Southern Italy (8 cases) and in the islands of Sicily and Sardinia (3 cases).

Charts 1 and 2. Italian regions and macro-regions, the location of surveyed WTs and a spatial heat map

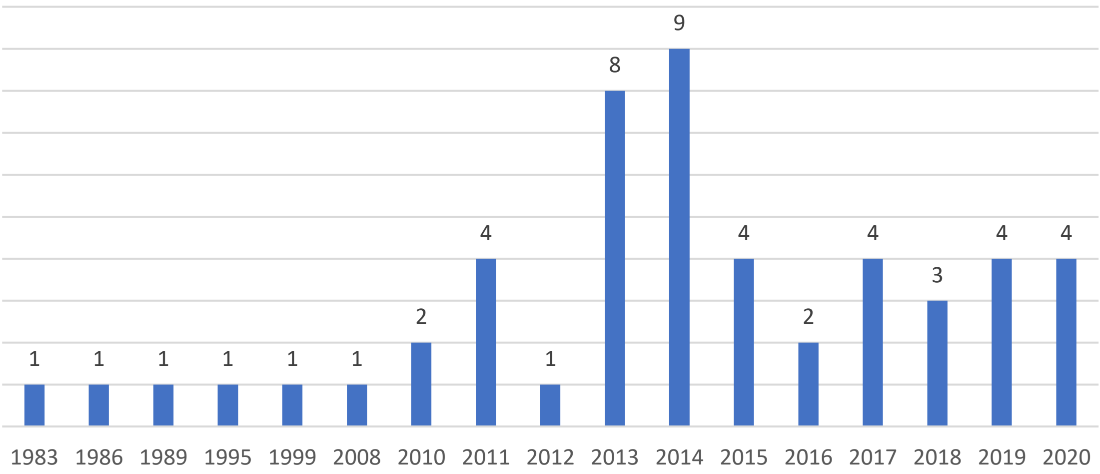


Notes: On the left, Chart 1. Regional borders are in black. Red diamonds represent the location of the registered offices of surveyed WTs. The white-to-red heat map represents the density of WTs per municipality to emphasise the co-existence of multiple WTs in the same municipality: darker areas identify a higher concentration of WTs. Surveyed WTs concentrate in Emilia-Romagna, Lombardy, Veneto, Umbria and Tuscany. On the right, Chart 2

Source: Author's elaboration with QGIS and MS Excel software.

In the central Italian region of Emilia-Romagna, most of the surveyed WTs are located in the provinces of Forlì-Cesena (5 cases), Modena (3 cases) and Rimini (3 cases). Outside Emilia-Romagna, the number of surveyed WTs is relatively high in the north-western province of Milan (3 cases) and the central province of Ancona (3 cases). The geographic distribution of surveyed WTs aligns with the geographic distribution of cooperative companies in the regions of the so-called 'Third Italy', the heart of both socialist and catholic cooperative traditions (Bagnasco, 1977; Orlando, 2019; Lomuscio and Salvatori, 2021). Among surveyed WTs, 29 of them are located in the same registered office and production sites of former companies, 7 re-located their registered offices, while 15 re-located both their registered office and production sites.

Chart 3. Number of surveyed WTs per year of birth, 1983 - 2020



Source: Author's elaboration with MS Excel software.

Foundation dates of surveyed WTs range from 1983 to 2020, but the majority was established in the wake of the 2008-2010 financial crisis, as clarified by Chart 3. Only five surveyed WTs occurred before 2008: three WTs occurred in the 1980s (1983, 1986 and 1989) and two in the 1990s (1995 and 1999). One-third of surveyed WTs were established between 2013 and 2014, as many as 17 out of 51. This can be due to the harsh socio-economic conditions generated by the financial crisis of 2008 and the following sovereign debt crisis, which increased the exposure to the unemployment of thousands of workers. Precisely, 21 WTs were established between 2015 and 2020. Surveyed WTs are therefore companies which are on average just over 8 years old, although three of them are more than 32 years old. The prevalence of WTs born from 2013 onwards is not necessarily representative of the WT phenomenon in Italy. This may be the result of a selection bias: only those companies that retain a vivid memory of WT operations, i.e. those that arose most recently, filled out the questionnaire. To access more information about the whys of this selection bias, please return to the methodological Section 2.2.

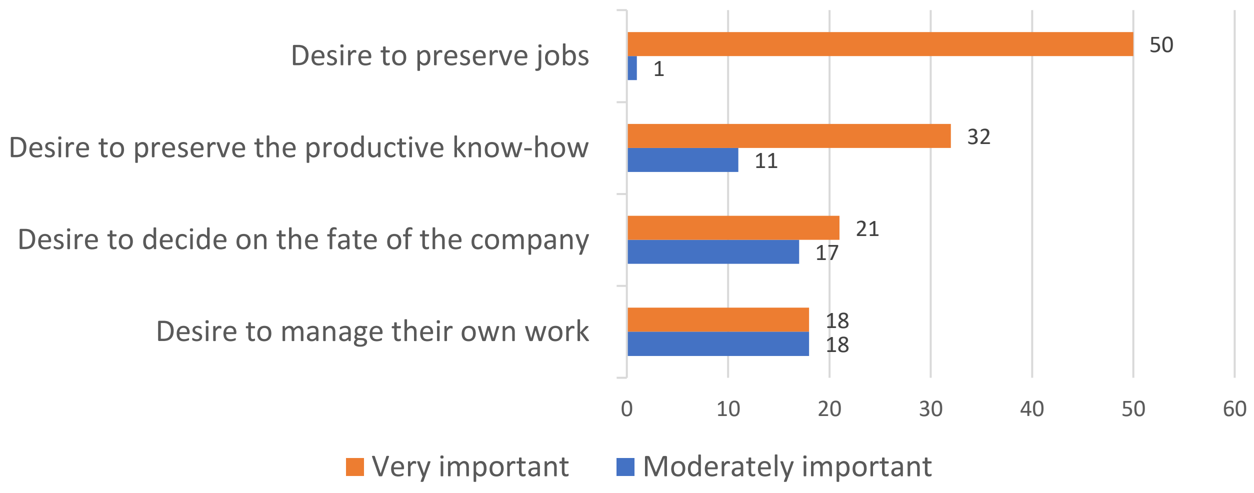
3.2 Governance and stakeholders

Preserving jobs and assets of dissolving companies or going concerns is a process that, although guided and delivered by workers, is animated by numerous voices, resources and motivations (Delgado, Dorion and Laliberté, 2014; Castronovo, 2016). The process of rescuing, recovering, restarting or creating a new cooperative enterprise in the form of a WT is more likely to be the result of the interaction among numerous stakeholders rather than the product of standing-alone individuals or entrepreneurs (Diaz-Foncea and Marcuello, 2013; Dey, 2016; Antonazzo, 2019; Mazzone, 2019; Bianchi and Vieta, 2020; Charmettant and Renou, 2021). Results from the survey confirm what has been already emphasised by earlier pieces of research: in Italy, WT operations are collective in nature since collective endeavours are intrinsic to the praxis of rescuing, re-starting or creating WTs and converting them into cooperatives. The collective nature of Italian WTs also pertains to the governance mechanism of WT operations in that boards and assemblies reflect the engagement of a pluralism of stakeholders in the design of WT operations and their early implementation. The following sub-sections clarify the governance conundrum of WT operations by identifying the role of the workforce, the governance of the process of conversions, restructurings and salvages, and the formal governance of cooperative WTs.

3.2.1 The primacy of the workforce

In 95% of cases (48 cases out of 51), the machinery of WT operations was set in motion under the impetus of workers – albeit they did so via direct collaborations and interactions with associations of cooperatives, trade unions, managers and owners of former companies, and consultants such as notaries, receivers and accountants. This is partially in contrast with what has happened in other European and non-European countries, wherever trade unions, cooperative associations or former owners were the very initiators of WT operations on behalf of workers (Paton, 1989; Erdal, 2011; Robinson and Pendleton, 2019). The leadership of the workforce in Italian WTs directly tackles the needs and issues at stake whenever distressed companies are under liquidation or going concerns are closing. Among the motivations that drove workers to start and join WT operations are the desire to preserve their jobs, the desire to preserve the productive know-how, the desire to decide on the fate of the company, and the desire to manage their own work. Chart 4 summarises the key motivations which were marked as “very important” or “moderately important” among respondents and their relative frequency. Other motivations, such as the safeguard of historical brands, the possibility of workers investing financial resources in the new companies or the financial well-being of former companies, were reported as important or fairly important.

Chart 4. Core workers' motivations to adhere to WT operations



Source: Author's elaboration with MS Excel software.

The desire to preserve jobs and occupational levels is, by far, the main driver of the engagement of workers in WT operations in Italy. This can be due to two different forms of risk workers have to deal with: employment risk and wage risk (Doucouliagos, 1995). Workers may be more willing to partake in and undertake WT operations because of the difficulties of finding similar job positions in the labour market, especially throughout recessionist economic phases – employment risk. Or else, they do so because they fear that other job opportunities or the unemployment benefit schemes may drastically undermine their earnings since wages/unemployment payments are not sufficiently high – wage risk. At the individual level, both these explanations may positively affect the willingness of Italian workers to adhere to WT operations. Individual motivations are not sufficiently informative to fully understand collective entrepreneurial endeavours in the case of WT operations (Diaz-Foncea and Marcuello, 2013; Williams and Williams, 2014). There are other social, political and cultural motivations behind the collective decision of workers to create WTs. Among them, are the socio-political orientation of workers and their leaders, the unionisation of the workforce, the support granted from institutional investors and associations of cooperatives, favourable legislation and the legacy of workers with the socio-economic landscape in which they locate. Further details about the drivers of the emergence of WTs are revealed in the following sections.

Data reveals that WT operations are perceived as a marginal option for the majority of the workforce of former companies. On average, in between 25% and 50% of the workforce employed in former companies joined the start-up of WTs. However, involved workers demonstrated high commitment towards WT operations and the new-born cooperatives. Indeed, 75% of them became members of the new-born cooperatives. Getting membership in worker cooperatives entails providing own capital to new-born cooperatives via the acquisition of individual shares. Additionally, being a member implies bearing additional responsibilities regarding the management of cooperatives or holding a formal role in the boards. Getting the membership is also a bylaw of Law 49/1985, the Marcora Act, and its framework, which commands new-born cooperatives to be predominantly mutual. Predominantly mutual worker cooperatives must pay out at least 50% of the gross cost of labour contracts to worker members (Fici, 2010); to do so, the majority of the workforce should have the membership status. The membership status is also required whenever workers opt for the lump-sum payment of the unemployment benefit to be invested in the capital of a cooperative. As will be presented in detail in the following sections, the vast majority of WTs leveraged these unemployment-benefit mechanisms to capitalise the start-up of their cooperatives.

The share of the workforce who effectively joined WT operations is not entirely representative of the initial involvement of workers in the design of takeovers. In 24 cases, a share of workers and managers who were initially involved in WT operations left the projects during the processes of conversion, restructurings or re-starting of activities. In these cases, this leak involved on average between 25% and 50% of the workforce initially involved in WT operations. Respondents identified the complexity of WT operations (13 cases), the risk of losing the job anew (11 cases), the unwillingness to become members of cooperative companies (7 cases) and the acceptance of other job offers (7 cases) as the main motivations behind the leak of workers and managers from these 24 surveyed WTs. Such results shed light on the dark sides of WT operations and the whys of the unwillingness to take part in takeovers. On the one hand, the conundrum of bylaws and procedures of WT operations is an obstacle to accessing clear information (Vieta, Depedri and Carrano, 2017). Whenever support agencies and associations of cooperatives are not able to provide such accessible information, workers are less prone to invest time and resources in WT operations. On the other hand, cooperative WTs are perceived as risky options, if not inadmissible. The a-priori refusal of cooperative initiatives and the negative reputation of false cooperatives and cooperatives of convenience negatively affect the willingness of workers to adhere to WT operations. Eventually, workers of distressed companies and going concerns may not opt for WT solutions whenever the local socio-economic environment is not sensitive to cooperatives or whenever associations of cooperatives are not able to adequately inform workers about the benefits of these operations.

3.2.2 The governance of the process

Italian WTs originate from the crisis, closure or liquidation of former companies, whenever under insolvency procedures or going concerns. Before the establishment of WTs as legal business organisations, however, workers and their stakeholder networks undertake negotiations to identify which options and strategies have at their disposal. Among other options, workers and their stakeholders also ponder how to implement WT operations. The phase in between the announced or perceived crisis of distressed companies and going concerns, and the establishment of WTs as legal business organisations corresponds to the processes of conversion, restructuring, re-starting or creation of WTs themselves. The length of these processes varies from case to case. The survey confirms that these processes can last from 1 to 60 months. On average, these processes lasted 10 months, but for the majority of WTs these processes took less than that: 6 months for the 50th percentile of WTs and 12 months for the 75th percentile. The length of these processes is in line with findings from Danovi *et al.* (2018), which reveals that the set-up of arrangements with creditors in Italy lasts on average 10 months.

Before the closure of former companies and the set-up of WTs, workers of 31 future WTs experienced negotiations and confrontations which, on average, involved the participation of three different parties: previous owners (22 cases), trade unions (19 cases) and associations of cooperatives (10 cases). In specific cases and limited numbers, these negotiations also involved other individuals or organizations, such as consultants (9 cases), banks (2 cases), other private companies (2 cases) and not-for-profit associations (1 case). Interestingly, in four instances these ex-ante negotiations were handled by former owners in agreement with trade unions, banks and associations of cooperatives without the involvement of workers. Albeit uncommon in the Italian context, the direct involvement of trade unions and previous owners in crafting WT operations on behalf of workers is at the basis of many different WTs worldwide, such as in the case of British employee-ownership trusts (Pendleton and Robinson, 2017; Robinson and Pendleton, 2019) and Danish worker cooperatives (Paton, 1989). In 10 cases out of 31, negotiations came with confrontations and labour struggles, such as pickets and demonstrations (8 cases), strikes (7 cases) and occupations (5 cases). Confrontations also affected 7 companies which did not engage in negotiations among stakeholders and third parties before their conversion into WTs.

Ex-ante negotiations and confrontations were animated by a pluralism of voices and agency. Notwithstanding the differences among cases, such pluralism turned into multi-stakeholder governance of WT operations. Among the most active stakeholders in WT operations, were the associations of cooperatives (44 cases), Cooperazione Finanza Impresa or CFI (41 cases), credit banks

(37 cases) and cooperative credit banks among them (18 cases), and notaries and accountants (29 cases). In the second order, but not less important, come former managers (22 cases), trade unions (17 cases), former owners (13 cases) and regional administrations (12 cases). The nature of the stakeholders' intervention, the type of resources they contributed with, and the timings of their intervention vary from case to case. However, there are no reported cases whereby WT operations have been accomplished by workers alone. Such pluralism emerges from the identification of relevant stakeholders engaged in WT operations. These are: associations of cooperatives, CFI, cooperative and non-cooperative credit banks, revolving funds, notaries and accountants, former managers, trade unions, former owners, local community members, other companies, local and regional administrations, and EU agencies.

The engagement of stakeholders in each WT operation is context-specific and non-generalisable due to idiosyncratic features of interactions and the background conditions of former companies. However, regardless of case-by-case variations, stakeholders exhibit common trends in their engagement with WTs. Findings from this research show that stable bundles of stakeholders take part in WT operations at specific stages of the development of WT operations. Apart from the shared temporal horizon of their engagement with WT operations, the whys, whos, whats and hows of the commitment of stakeholders are stable over time and cases. Findings reveal the existence of two clear bundles of stakeholders: *first-in* and *second-in*.

The *first-in* bundle of stakeholders is usually composed of associations of cooperatives, notaries and accountants, and trade unions. These stakeholders were usually the first stakeholders who interacted with workers in the early phases of the development of WTs. They took part in WT operations before the proper establishment of novel cooperative companies and acted as a bridge between the former companies and the new WTs. These stakeholders offered legal and administrative assistance to workers and their undertakings, but they also provided some training to anticipate and prepare for the establishment of the new companies. Their degree of involvement is defined as low or medium – 2 on a scale that ranges from 1 to 5. The medium-low degree of involvement can be due to the fact that, rather than volunteering, these stakeholders intervened in WT operations at the direct request of workers, pledging for proper representation during negotiations, legal consultancies, training, and monetary and non-monetary support throughout confrontations. *First-in* stakeholders also demonstrated that solidarity and proximity matter when unpacking the involvement of local players and the support WTs received over time. Indeed, these stakeholders are mostly intermediate bodies, pro-labour representing organisations which are in close contact with workers and cooperatives in the everydayness of their activities.

The *second-in* bundle of stakeholders is usually composed of CFI, credit banks, including cooperative credit banks, managers and owners of the former companies, as well as regional administrations. They joined WT operations at a later stage compared to the *first-in* bundle when the idea of creating WTs was already taken. These stakeholders mainly provided financial resources, which are needed to bring the new cooperative projects to life. With a medium degree of involvement – 3 on a scale that ranges from 1 to 5 – CFI provided financial support and, to a lesser extent and with a lower degree of involvement, legal and administrative support to workers and their embryonal undertakings. Likewise, credit banks provided workers with financial support, but their degree of involvement was lower compared to CFI's involvement – 2 on a scale that ranges from 1 to 5. However, both credit banks and CFI intervened upon the direct request of workers. Interestingly, there were no substantial differences in behaviours, strategies and support activities between cooperative and traditional credit banks in motivations, degree of involvement and type of support provided to workers.

Managers and owners of the former companies joined WT operations with motivations and resources that were distinctly different from institutional investors, such as CFI, regional administrations or credit banks. Managers and owners were driven by the desire to preserve business activities and employment levels in target companies. However, differently from institutional investors, their engagement in WT operations was also driven by solidarity with workers and their endeavours, and friendship relations. Personal relationships conveyed a higher degree of involvement of these stakeholders, but they also facilitated the transmission of tacit knowledge to workers and the newly appointed boards. Unlike former owners, managers opted for WT operations also to acquire higher decision-making power and voice options. The managers of the former companies adhered to WT operations with a medium degree of involvement – 3 on a scale that ranges from 1 to 5 – and provided workers with administrative, operational and technical-productive support. Interestingly, former managers did not necessarily gain managerial roles in WTs. On the contrary, in 30 cases out of 51, managers of WTs were chosen from the workforce and in 17 cases the new managers held the same roles in the former companies. In the remaining 4 cases, WT managers were either the former owners (1 case) or were specifically hired (3 cases).

Among stakeholders of the *second-in* bundle also lie regional administrations and their agencies. Respondents declared regional administrations to be present in 12 cases out of 51 and active since the very early phases of WT operations. They mostly provided workers and their cooperatives with fiscal advantages and legal support. In one case, potentially via an ad-hoc revolving fund set up to favour WT operations – as the regional Foncooper fund (see Vieta et al., 2017 for details) – the related regional administration also supplied a WT with finance to cover up to 75% of its start-up capital/expenses. Driven by the willingness to protect local companies and local employment, regional administrations provided WTs with support with a medium-low degree of commitment – 2 on a scale that ranges from 1 to 5. As in the case of other stakeholders listed above, as public authorities, regional administrations intervened in WT operations upon workers' demand and, thus, showed less commitment to takeovers than other first-in, solidarity-driven stakeholders.

3.2.3 The formal governance

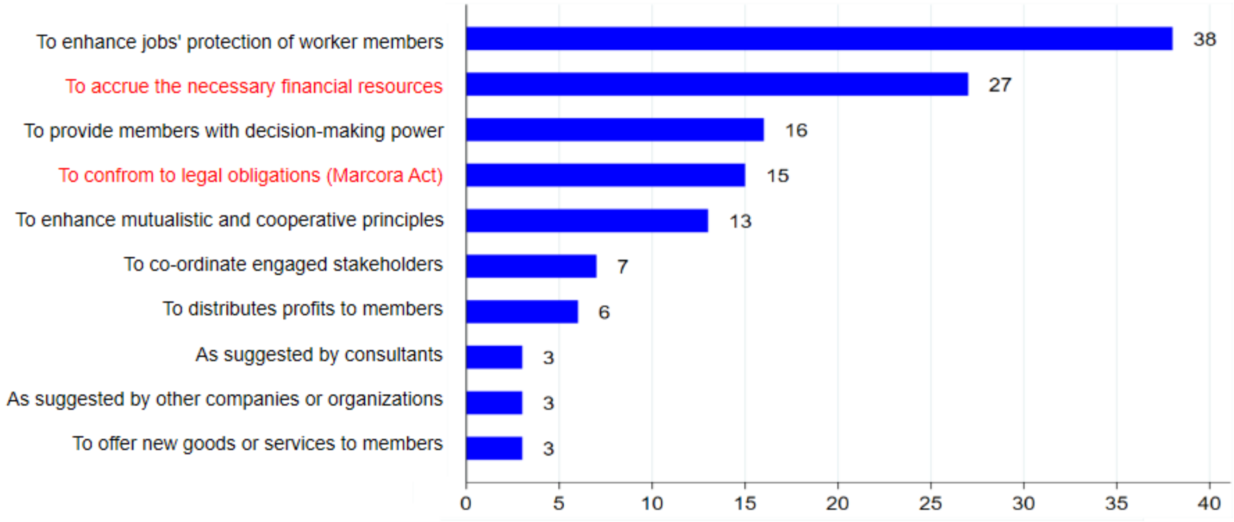
The formal governance of business organisations does not fully adhere to the heterogenous interplay of stakeholders, shareholders and third-party agents (Huybrechts, Mertens and Rijpens, 2014; Richter, 2018; Sepulveda, Lyon and Vickers, 2020). Findings from the survey corroborate this hypothesis and show how the formal governance of WTs partially grasps the negotiations and confrontations that occurred before the establishment of new cooperative companies. On the one hand, the formal governance of WTs is inherently multi-stakeholder (Borzaga and Spear, 2004; Spear, 2004; Spear, Cornforth and Aiken, 2009; Huybrechts, Mertens and Rijpens, 2014): general assemblies, boards and governing bodies of the majority of WTs include an array of stakeholders, from workers to institutional investors, associations of cooperatives and mutualistic funds. Only in 3 cases out of 51, the membership base of WTs was composed entirely of workers. On the other hand, the involvement and co-optation of stakeholders in general assemblies and boards of directors mirror the provision of financial resources to new-born WTs. Stakeholders who do not provide finance are generally excluded from the formal governance of WTs. As this sub-section clarifies, the dynamics of inclusion/exclusion from the formal governance of these companies is partially due to bylaws and norms which regulate the role of so-called "investor members" (Fici, 2010; Jensen, Tortia and Patmore, 2015). However, workers have multiple options in the setting up of organisational structures and, hence, they can bypass or modify the norms on the co-optation of non-finance providers in the boards and bodies of cooperatives.

The analysis reveals that two mechanisms are in place in the setting up of the formal governance of WTs: (1) the sole co-optation of finance-provider stakeholders in the formal governance of WTs at the expense of other supportive stakeholders, and (2) the co-optation of stakeholders who belong to the *second-in* bundle of stakeholders at the expenses of *first-in* ones. Among the many and varied stakeholders who joined WT operations, four of them have been generally granted a seat in general assemblies of WTs. These are: CFI (31 cases), one among the three leading associations of cooperatives (16 cases), other cooperatives, private companies and suppliers (9 cases), and mutualistic funds (6 cases). In 22 cases out of 51, two or more stakeholders are co-opted in general assemblies. As an example, CFI rarely participates in general assemblies of WTs as the only external stakeholder. Rather, its involvement goes hand in hand with the involvement of associations of cooperative and mutualistic funds, which second the activities of CFI, provide additional capital and guide workers in the managerial mechanisms of cooperative companies.

Respondents also revealed that, in marginal instances, clients, cooperative credit banks, consultants, local community members and regional agencies for local development got a position in general assemblies. Besides associations of cooperatives, the majority of stakeholders who have been co-opted in formal governance mechanisms of WTs belong to the *second-in* bundle of stakeholders. As clarified in the previous section, *second-in* stakeholders are the ones who provided established WTs with financial resources and, in a marginal manner, technical, legal and administrative support. Notwithstanding the early support they provide, which is essential to design and setting up WTs, *first-in* stakeholders are the first to be excluded (first-out) from formal governance mechanisms. The engagement of stakeholders in the boards of directors was, however, less pronounced than the one of general assemblies. Boards of directors of WTs were mostly composed of workers and managers chosen from the workforce. Consultants were elected members of the board of directors in 3 cases out of 51, while the associations of cooperatives, other cooperative companies and regional agencies of local development elected a member of these boards only in one case, respectively.

The analysis shows that there was no perfect match between the involvement of stakeholders in the design and start-up operations of WTs and their representation in the boards of cooperatives. Such a distortion is manifest in the co-optation of members in general assemblies. This co-optation favoured stakeholders who held vital financial resources for the start-up of WTs and offered little room to all other stakeholders who did not provide WTs with finance. On the one hand, this distortion conforms to the Italian cooperative legislation, which allows only those individuals and organizations who provide cooperatives with finance to gain membership and the attached voting rights under the terms and conditions specified by the law (Fici, 2010). On the other, such distortion reveals how workers and engaged stakeholders conceived WT operations and WTs in general. In several instances, cooperative WTs were a mere instrument for the salvaging of jobs, an instrumental device whose development path is determined by the law and in which cooperative principles were initially marginalised. The finance-oriented co-optation of stakeholders in general assemblies of WTs echoes in the choices made in favour of a cooperative legal form for new-born WTs.

Chart 5. Motivations behind the choice of a cooperative legal form, frequency of responses



Notes: Multiple-choice question. In red, are prominent utilitarian motivations to choose a cooperative legal form for WT operations.

Source: Author's elaboration with STATA software.

Chart 5 summarises the motivations behind the choice to create cooperative companies out of WT operations. Beyond the ability of cooperative WTs to enhance the protection of jobs of worker members (38 cases), an element which is widely acknowledged by scholars and practitioners in the field of cooperative studies (Vieta and Lionais, 2015; Navarra, 2016; Co-operatives UK, 2017; Jossa, 2017; Vieta, Depedri and Carrano, 2017; Borzaga, Carini and Tortia, 2022; Tortia, 2022), four prominent motivations stand out in favour of the cooperative legal form. On the one hand, the participatory, mutualistic and democratic nature of cooperative organizations – namely, "To provide members with decision-making power" (16 cases) and "To enhance mutualistic and cooperative principles" (13 cases). On the other, a utilitarian posture towards cooperative companies as organizations capable of collecting the necessary financial resources and conforming to bylaws – namely, "To accrue the necessary financial resources" (27 cases) and "To conform to legal obligations (Marcora Act)" (15 cases), in red in Chart 5. The complex equilibrium between the first and the second tier of motivations behind the creation of cooperative companies is somewhat known in the literature (Birchall and Sacchetti, 2017; Richter, 2018).

> In very general terms, therefore, the legal form chosen by a WTO [worker takeover] has to provide a structure of ownership and control that is compatible both with the values and objectives of the workforce and with the financial realities of the project (Paton, 1989, p. 89)

The evidence of the interplay between mutuality and instrumentality and the co-optation of finance-provider stakeholders in general assemblies marks the uniqueness of Italian WT experiences. Even though they are socially driven and cooperatively achieved, Italian WTs stand out from international cases due to their *negotiated* transitions, which are mainly intended to secure companies and their assets to preserve jobs (Vieta, Depedri and Carrano, 2017). Chart 5 reveals that, in 15 cases, workers opted for the cooperative legal form because this is the standardised and institutionalised path for cooperative takeover and conversions. Such legal business arrangements, neither as conflictual as the Latin American experiences nor too distant from traditional ways of doing business in Italy, grant Italian WTs features which are proper of both *financial* and *participative* WT experiences (Paton, 1989, see Table 1)

3.3 Resources

The identification and deployment of resources, especially financial resources, is necessary for the start-up and development of any enterprise. This is especially true for WTs, as they originate from a state of crisis of insolvent companies or going concerns (CECOP-CICOPA, 2013). This state of crisis can discourage banks and credit institutions as well as potential investors from lending to or investing in WT companies (Doucouliagos, 1995). Eventually, information asymmetries, risk aversion and uncertainty can determine the undercapitalization of WTs, thus undermining the chance of WTs to be established or survive in the medium and long run (Tortia, 2021). Securing sources of finance is essential for WT organizations as well as for all other cooperative companies. Understanding the investment strategies of WTs is equally important as a way to manage potentially scarce resources in the most convenient and efficient ways. Supportive stakeholders provide organizations with legitimacy, resources, and voice and exit options (Gijselinckx, 2009; Schleifer, 2019). The ways these resources are channelled towards WTs, how they are used and what are the outcomes of their employment are non-trivial for the understanding and development of WT experiences in Italy.

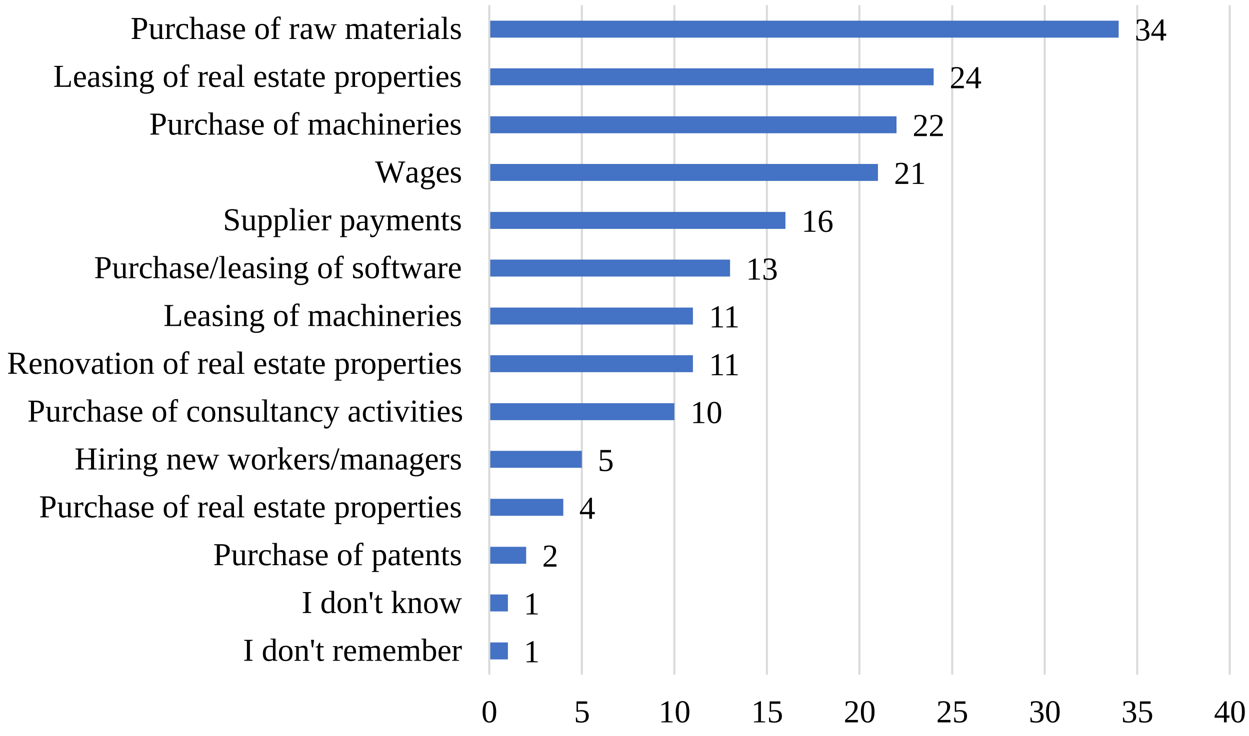
As presented in Section 3, a plurality of stakeholders embarked on WT operations. After the conclusion of conversion, restructuring or re-start processes, however, only those stakeholders who brought financial resources to WTs were granted a seat in general assemblies of cooperative WTs. Finance was not the only type of resource that has been delivered by supportive stakeholders to WTs: tacit and explicit productive know-how and legal, technical and administrative support have been delivered to WTs by associations of cooperatives, consultants, other companies and external experts.

Nevertheless, the analysis of the provision and employment of financial resources is essential for the understanding of the support WTs were provided with and, therefore, their start-up dynamics.

The successful takeover of assets to (re-)start and innovate WTs' activities is at the core of WT operations. Generally, these assets were acquired by WTs from former companies via direct negotiations or insolvency procedures (Jensen, 2011; Vieta, Depedri and Carrano, 2017). Among the primary strategies used by workers and their stakeholder networks to secure assets, respondents reported purchase (22 cases), rent (21 cases) and right to use (1 case). In 3 cases, workers achieved takeovers without the direct acquisition of any assets. Other hybrid and ad-hoc solutions, such as a mix of rent and purchase or occupations, were reported for the remaining 4 cases. Chart 6 offers additional details on the uses of the start-up resources of WTs. It clarifies how workers primarily employed the start-up resources at their disposal for the purchase of raw materials (34 cases) and machineries (22 cases), the leasing of real estate properties (24 cases) and the payment of salaries (21 cases).

Besides unfolding the primary expenditure items of WTs, Chart 6 also emphasises the nature of WT operations since it clarifies which were the priorities of workers at the time WTs were set up, and which assets they needed to secure first. Chart 6 shows that surveyed WTs had a productive and manufacturing nature, in line with earlier analyses on Italian WTs (Vieta, Depedri and Carrano, 2017; Orlando, 2019, p. 7; Semenzin, 2019). The manufacturing nature of surveyed WTs emerges from the priority workers gave to machineries and raw materials, usually not necessary for companies providing services and intangible goods. Additionally, Chart 6 shows that workers favoured investments in tangible assets, such as plants and facilities and, again, machineries and raw materials, via both leasing and purchasing acquisition strategies. The purchase of intangible assets, such as productive know-how or other forms of tacit knowledge, was secondary to the acquisition of physical ones. This happened whenever workers and their stakeholder networks were already endowed with tacit knowledge. Workers could have also acquired this knowledge through their connections with associations of cooperatives, sympathetic consultants and other companies without leveraging market transactions and, consequently, without using valuable start-up resources.

Chart 6. Uses of start-up resources



Source: Author's elaboration with MS Excel.

Lastly, Chart 6 illustrates the negotiated and cautious development pattern of those surveyed WTs which originate from the financial and economic distress of former companies, especially those which employed the provisions of the Marcora Act. Indeed, Chart 6 portrays how WTs prioritised the purchase of machineries and raw materials in place of real estate properties. On the one hand, this could be due to the availability of start-up resources of WTs, which made workers opt for investing in the core-business assets, such as specialised machineries, while renting out other non-core assets, such as real estate properties. The purchase of real estate properties was, though, described as a residual strategy due to the excessive financial exposure that WTs might have experienced to acquire those assets. The recourse to the rental of assets, rather than their purchase, can be read as a cautious modus operandi of new-born WTs in a context of scarce financial resources or as a preliminary signal for under-capitalisation. On the other, this could be due to the functioning of insolvency procedures and negotiation strategies among owners, workers, administrators and creditors (in case of insolvency or bankruptcy) (Sancetta and Mirone, 2020). Evidence collected from the questionnaires is not sufficiently informative with respect to the management of assets of distressed companies and going concerns before the establishment of WTs. Yet, administrators and creditors may concede core assets to workers to restructure unresolved debts without losing control of non-core assets, such as real estate properties. Real estate properties of going concerns under agreements with creditors – the so-called *concordato preventivo* – can be up to non-trivial one-third of the net assets of these companies (Danovi *et al.*, 2018).

3.3.1 Sources of finance

Findings from the survey show that, to achieve takeovers, workers employed a variety of sources of finance, some of which were accrued internally to new-born companies, while others were collected from external sources. *Internal* sources of finance encompass workers' savings, workers' severance pays, the lump-sum payment of workers' unemployment benefits, and investor members different from institutional investors. *External* sources of finance encompass bank loans, investments by previous-owner investor members, loans and equity from institutional investors (see CFI), loans and equity from mutual funds, loans and grants from European funds, and public tenders administrated by public authorities. Such findings confute the thesis that labour-manged firms, among which WTs, can leverage solely one internal or one external source of finance to capitalise their start-up due to information asymmetries, truncated investment horizons and risk aversion (Meade, 1972; Jensen and Meckling, 1979; Monteleone and Reito, 2018).

Due to inconsistencies between questions and answers, the information reported in this sub-section originates from 40 observations out of 51 surveyed WTs. Table 4.1 reports the number of sources of finance WTs employed to cover the expenses of their start-up. Table 4.1 shows how 34 out of 40 surveyed WTs reported having used a combination of two or more sources of finance; 13 of them reported having used a combination of four or more sources. In one case, workers did not employ any source of finance to cover start-up expenses, as in the case of occupations and labour struggles, which substituted the purchase or rent of assets.

Table 4.1. Number of sources of finance used to cover the start-up expenses of WTs

No. of employed sources of finance	No. of WTs	Percentage
0	1	2%
1	5	12%
2	7	18%
3	14	35%
4	8	20%
5	5	13%

Notes: the number of WTs is 40

Table 4.2 offers a more detailed analysis of WTs' sources of finance depending on their internal or external origins. Table 4.2 shows that 50% of surveyed WTs opted for two or more internal sources of finance, whereas 42% opted for two or more external sources of finance. The use of internal and external sources of finance is comparable, in terms of relative frequency, although a higher number of internal sources was preferred to a higher number of external financing sources. Furthermore, 7 out of 40 surveyed WTs did not make use of any external sources of finance, suggesting that these cooperatives used only internal sources of finance to cover the investments necessary for the start-up of the new cooperatives. On the contrary, only two WTs relied entirely on external financing sources.

Table 4.2 Number of internal and external sources of finance, compared

No. of internal sources	No. of WTs	Percentage	No. of external sources	No. of WTs	Percentage
0	2	5%	0	7	18%
1	18	45%	1	16	40%
2	14	35%	2	14	35%
3	6	15%	3	2	5%
/	/	/	4	1	2%

Notes: the number of WTs is 40. In light orange, internal and external sources of finance.

The preference of workers for the use of internal sources of financing over external ones can be due to two reasons. Firstly, internal sources of financing, such as personal savings, tend to be less conspicuous than external ones, such as bank loans. It can therefore be expected that firms such as WTs tend to resort to as many internal sources as possible to reach an acceptable level of capitalisation and collateral guarantees before revolving to non-neutral financial institutions for loans. Indeed, loans from non-neutral financial institutions may come with higher interest rates due to information asymmetries (Doucouliagos, 1995; George, Fontanari and Tortia, 2019). Secondly, internal sources of financing can be preferred to external ones due to the legal and fiscal specificities of Italian cooperatives (Fici, 2010; Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili, 2016; Cooperatives Europe, 2019) and the bylaws of the Marcora Act on WTs (CFI, 2021a). Legal and fiscal specificities of Italian cooperatives and WTs reward, incentivise or require an even minimal investment of worker members in the cooperative's capital and reserves, as in the case of the Marcora Act, whereby worker members must invest at least 4,000 euros in the capital of new-born cooperatives. Such requirements can motivate workers in leveraging, both intensively and extensively, internal sources of finance at the expense of external ones.

Table 5.1 and Table 5.2 delve into the nature of internal and external sources of finance, the number of WTs that made use of them, and the average contribution of these sources to the overall start-up resources of WTs. As shown in Table 4.2, workers combined two or more of the sources of internal financing in 50% of surveyed WTs. Table 5.1 shows how the lump-sum payment of unemployment benefits (29 cases) and personal savings of workers (16 cases) were favoured as internal sources of finance by workers. When employed, these two sources accounted for 50% ~ 75% and 25% ~ 50% of all start-up resources of each WT, respectively. Resources provided by investor members (10 cases) covered between 25% and 50% of the start-up resources of WTs, whereas the employment of workers' severance pays (9 cases) was the least selected option among internal sources of finance and the least impactful on the number of start-up resources.

Table 5.1. Internal sources, number of WTs and percentage of start-up resources of each WT

	Personal savings	Severance pays	Lump-sum payment of unemployment benefit	Investor members
No. of WTs	16	9	29	10
Percentage of start-up resources	25% ~ 50%	< 25%	50% ~ 75%	25% ~ 50%

Notes: the number of WTs is 40.

Table 5.2 summarises how workers employed external sources of finance in the 40 surveyed WTs to boost the start-up of new-born companies. In terms of relative frequency, CFI (27 cases), together with banks (14 cases) and mutualistic funds (9 cases), were the most leveraged external sources of financing for WTs. CFI's resources were employed in almost three-fourths of surveyed cases. When employed, CFI's resources covered between 25% and 50% of the start-up resources at workers' disposal. Differently, even if these options were rarely adopted, loans, equity and grants from previous owners (1 case) and public tenders (2 cases) covered higher shares of start-up financial resources of WTs, up to 75% of the start-up resources. Interestingly, there is an inverse correlation between the relatively high frequency of employment of external sources of finance and their contribution to the start-up resources of WTs. The least employed and copious external source of finance was European funds (1 case).

Table 5.2. External sources, number of WTs and percentage of start-up resources of each WT

	Banks	Previous owners	CFI	Mutualistic funds	European funds	Public tenders
No. of WTs	14	1	27	9	1	2
Percentage of start-up resources	25% ~ 50%	50% ~ 75%	25% ~ 50%	25% ~ 50%	< 25%	50% ~ 75%

Notes: the number of WTs is 40.

The combination of the information contained in Tables 4.1, 4.2, 5.1 and 5.2 provides a clear picture of the sources of finance of WT start-ups. Theoretical predictions assume WTs, like other labour-managed firms, would suffer from under-investment and under-capitalisation issues (Furubotn and Pejovich, 1970; Tortia, 2003; Monteleone and Reito, 2018; George, Fontanari and Tortia, 2019). This is due to the collective ownership structures of these companies, which generate truncated temporal horizon effects, and the inefficiencies of using both internal and external sources of finance, which discourage external investors. In contrast, Tables 4.1, 4.2, 5.1 and 5.2 clarify how worker members of WTs opted for – or were led to opt for – a mixed composition of start-up resources, which privileged a variety of sources of internal financing in combination with provisions from institutional investors and banking institutions, namely external sources. More precisely, Tables 5.1 and 5.2 highlight how loans and equity from CFI, and the lump-sum payment of workers' unemployment benefits were the backbone of WTs' start-up capital.

The lump-sum payment of the unemployment benefit was reported to be the most employed and copious source of start-up funding among WTs. Table 6 shows the combination of sources of finance used in conjunction with the lump-sum payment of the unemployment benefit among the 29 WTs which made use of this source. The table offers additional details on the use of both internal and external sources of finance, and their combination, compared to Tables 4.1, 4.2, 5.1 and 5.2. Specifically, Table 6 demonstrates how the use of the lump-sum payment of the unemployment benefit and the provisions the Marcora Act entrusted to CFI were highly interconnected.

Table 6. Internal and external sources of finance used in combination with the lump-sum payment of the unemployment benefit (29 cases), start-up resources

Personal savings	Severance pays	Investor members	Banks	CFI	Mutualistic funds	EU funds	Public tenders	
								0
								0
								0
				X				**1**
				X				**1**
X	X							**2**
X				X				**2**
X		X						**2**
				X	X			**2**
			X	X				**2**
				X	X			**2**
	X			X				**2**
				X	X			**2**
		X		X				**2**
		X		X				**2**
				X	X			**2**
			X	X				**2**
X				X				**2**
X		X		X				**3**
X		X		X				**3**
	X		X	X				**3**
	X		X	X				**3**
	X			X	X			**3**
	X			X	X			**3**
X		X	X	X				**4**
			X	X	X	X		**4**
X			X	X	X			**4**
X			X	X			X	**4**
9	**6**	**7**	**9**	**24**	**8**	**1**	**1**	

Notes: the number of WTs is 29 out of 40, those which made use of the lump-sum payment of the unemployment benefit. In orange, row count, the number of sources of funding in addition to the lump-sum payment of the unemployment benefit. In blue, column count, frequency of financing sources used in combination with the lump-sum payment of the unemployment benefit.

Interestingly, the vast majority of considered WTs, 24 out of 27, made use of the lump-sum payment of the unemployment benefit in connection with CFI's loans and equity. The combination of these two sources of finance is a by-product of the unemployment benefit legislation and the

Marcora Act, which rule how dismissed workers can turn their unemployment benefit provisions into co-operatives' capital, and how this capital can be furtherly endowed with resources from the Marcora Act's institutional investors (CFI, 2021a, 2022). Similarly, workers made use of resources from mutualistic funds in combination with the lump-sum payment of the unemployment benefit in 8 out of 9 surveyed WTs which declared having used resources from mutualistic funds.

The use of the unemployment benefit in combination with the provisions of the Marcora Act and the ones of mutualistic funds could be due to three reasons. Firstly, this could be due to the favourable cooperative environments and the friendly relationship between CFI and associations of cooperatives, which indirectly manage mutualistic funds. Their cooperation on behalf of WT start-ups and the information they convey to new-born companies can positively affect their chance to raise funds from multiple institutional investors thanks to the direct access to reliable information and the expertise these organizations can offer to workers. Secondly, and connected to the previous point, there might be positive reinforcement or a signalling effect among CFI and mutualistic funds: as soon as these stakeholders verify the use of the unemployment benefit or other resources from institutional investors, they are more prone to provide multiplier resources. Thirdly, this "package" of funds – namely, the lump-sum payment of the unemployment benefit, the provisions of the Marcora Act and the ones of mutualistic funds – can be implemented when workers attempt takeovers of companies in severe crisis. The severe crisis of companies may require higher investments of resources from workers to make these very same companies economically sustainable. Since investments by single institutional investors are capped by law or by internal regulations, workers have to collect the necessary finance from different, but interconnected, sources.

Workers also combined the use of the lump-sum payment of the unemployment benefit with personal savings (9 cases) and funds from banking institutions (9 cases). Nevertheless, this combination of sources occurred less frequently than the one from the above-mentioned "package" of funds. Indeed, workers combined the lump-sum payment of the unemployment benefit with personal savings in 9 out of 16 cases whereby workers declared having used this source of finance. Similarly, they combined the lump-sum payment of the unemployment benefit with banks' loans and investments in 9 out of 14 cases. Rather than being complementary sources, as in the package-of-funds situations, personal savings and finance from banking institutions are substitutes for the use of the lump-sum payment of the unemployment benefit. This can be due to the fact that workers can ask for the lump-sum payment of the unemployment benefit only if they are entitled to the unemployment benefit schemes. Whenever companies are in operation and workers are employed, the lump-sum payment of the unemployment benefit is not an available option to achieve takeovers. In those cases, workers have to leverage personal savings and bank loans to accrue the necessary resources to start up WTs.

Table 6 shows that workers entirely relied on the lump-sum payment of the unemployment benefit to start up the takeovers in 3 cases out of 29. In one of these cases, a mutualistic fund provided additional resources after the start-up of the novel company. Additionally, Table 6 reports how 24 surveyed WTs used the lump-sum payment of the unemployment benefit in combination with at least two other sources of financing. Among the 40 selected WTs, none of the respondents declared having used sources of finance from regional administrations or related agencies, such as the provisions of the revolving funds known as *Foncooper* (Vieta, Depedri and Carrano, 2017; Orlando, 2019; CFI, 2021a).

3.4 Envisioning the collective

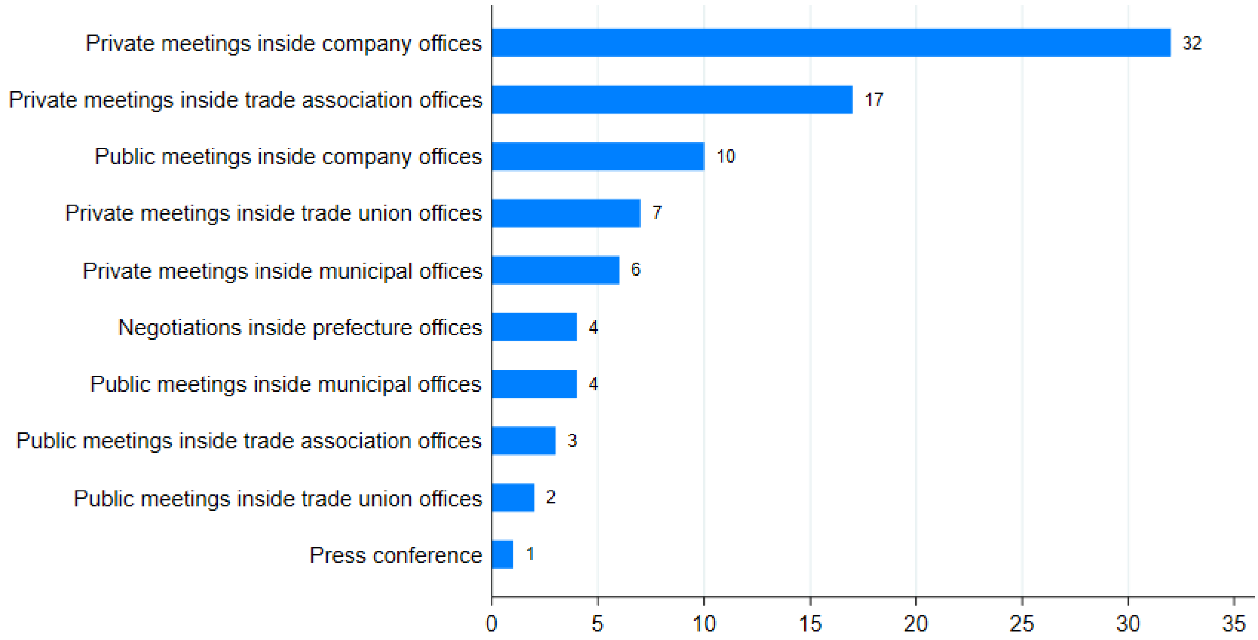
WTs are worker and social cooperatives. Like other social and cooperative initiatives in Italy and around the world, WTs are rooted in cooperative principles and mutualistic values. These principles are inherent to the cooperative movement in general (Borzaga, Depedri and Bodini, 2010), but they appear to be even more evident in cooperative rescue proceedings. Firstly, WTs ferry traditionally managed companies towards democratic and labour-managed firms. Secondly, WT operations are driven by the social and political engagement of collectives of workers and their stakeholder networks. The extent to which the processes of conversion into cooperatives of distressed companies and going concerns (Vieta, 2021) leads to the development of effective collective management and decision-making practices is, however, a matter of debate and finds in this section an exploratory analysis.

The transition to cooperatives of WTs entails major transformations in the governance and management of companies. Managers of new-born WTs are usually chosen within the workforce to represent, coordinate and act on behalf of workers themselves. Besides workers and worker-manager, a plurality of stakeholders took part in WT operations. Some of them were granted seats in assemblies and boards of WTs, and voting rights in compliance with bylaws and regulations. Yet, the engagement of stakeholders changes in accordance with the stage of development of WT operations. Such participation tended to thin out over time. Stakeholders which primarily provided workers with solidarity and legal, administrative and technical support in the very early phases of the development of WT operations, were usually excluded from formal governance mechanisms. In contrast, finance providers were granted formal responsibilities. Why it is so? Do boards and assemblies entirely capture the engagement and deliberations of stakeholders? Are there other forms of collective engagement and sources of collective deliberation?

Institutional investors, consultants, other companies, banks and associations of cooperatives were usually granted the status of investor members of WTs under the terms and conditions specified by the law. Indeed, other stakeholders such as trade unions, local authorities and community members hardly match the legal requirements to be admitted as members: they are neither worker members nor a third-party disadvantaged group of people, the two intended beneficiaries of worker and social cooperatives in Italy. Rather than a workforce choice, granting specific finance-provider stakeholders a seat in general assemblies or boards of directors is a by-product of the current regulations on cooperative members and their voting rights. As exemplified in Section 3.2, however, there were instances in which stakeholders different from the ones listed above were granted higher voice options. This was particularly true for more conflictual WT operations, whereby legal formalities regarding the membership status and voting rights were looser than for other negotiated WTs.

Before the co-optation of stakeholders in the formal governance mechanisms of WTs, WT operations were animated by negotiations, discussions, assemblies and meetings of various natures. Chart 7 summarises the nature of those meetings, which predated the formal set-up of WTs. Meetings and assemblies are moments of collective deliberation; there, engaged stakeholders evaluate and co-design future actions to cope with business closures. These moments of collective deliberation vary according to the openness of meetings (public or private) and their location. Public meetings were open to every person or organization willing to attend them; private ones were handled among invited, co-opted or interested stakeholders and their representatives.

Chart 7. Public and private meetings, and their location



Source: Author's elaboration with STATA software.

Chart 7 shows that, on the one hand, the majority of negotiation meetings were privately handled and, on the other, the majority of negotiation meetings took place within the offices/plants of closing and insolvent companies. As reported by Chart 7, workers of surveyed WTs organised or joined private meetings in company offices (32 cases), trade association offices (17 cases), trade union offices (7 cases) or municipal offices (6 cases). To a lesser degree than private meetings, workers of surveyed WTs also organised or joined public meetings whether in company offices (10 cases), municipal offices (4 cases), trade association offices (3 cases), trade union offices (2 cases) or press conference (1 case). Moments of collective deliberations such as private meetings were mostly handled inside the offices of closing companies or in the offices of trade associations, such as employers' or cooperatives' associations. Similarly, public meetings occurred within company offices in 10 cases out of 20. In 4 cases, negotiations were handled in prefecture offices and assisted by public authorities. Even in cases of labour struggles and occupations (17 cases out of 51 surveyed WTs, see Section 3.2.2), most of the meetings were privately handled and took place inside company offices (10 cases) or trade association offices (5 cases).

Details from Chart 7 suggest that negotiations among stakeholders were mostly private and occurred within companies' boundaries, even in cases of confrontations and labour struggles. As reported by Section 3.2.2, ex-ante negotiations among actors involved in labour struggles were mostly handled by workers (27 cases), previous owners (22 cases) and trade unions (19 cases). Indeed, those negotiations occurred before the start-up of WTs and involved the most affected stakeholders at the time of former companies' closures. The participation of associations of cooperatives in those meetings was marginal (10 cases). Such a labour-centric depiction of ex-ante negotiations, whereby workers, previous owners and trade union organisations debated the future of closing companies, is partially reversed by the evidence from Section 3.2.2. In fact, in the development of WT operations, the associations of cooperatives (44 cases), CFI (41 cases) and credit banks (37 cases) were the most active stakeholders, whereas trade unions (17 cases) and former owners (13 cases) disengaged from WT operations in comparison with ex-ante negotiations. While the disengagement of previous owners can be considered a logical consequence of takeover operations, the one of trade unions is, to some extent, more controversial (Paton, 1989; Vieta, Depedri and Carrano, 2017).

Trade union organisations provided legal support to workers engaged in WT operations with a medium-low degree of involvement. The involvement of trade union organisations in WTs was, however, limited in relation to the stages of development of WT operations and the rules of engagement. The involvement of trade unions in WT operations predated the start-up of WTs themselves. Generally, trade unions negotiated closing agreements with previous owners while providing legal support to workers in the very infancy of WT operations. In this sense, trade unions acted as a bridge between former companies and novel cooperatives. Notwithstanding their initial involvement, driven by emerging confrontations, trade union organisations disengaged from WT operations throughout the consolidation of WT projects. Above all, the survey confirms that there have been no monitoring or interaction initiatives by trade union organisations after the start-up of WTs. Such a disengagement of trade union organisations echoes in the unionisation of the workforce before and after WT operations.

Table 6. Unionisation of the workforce before and after WT operations

Unionisation before	No. of WTs	Percentage
No/Residual	6	12%
Yes, a minority	18	35%
Yes, the majority	27	53%

Unionisation after	No. of WTs	Percentage
No/Residual	25	49%
Yes, a minority	11	22%
Yes, the majority	15	29%

Table 6 reveals how the unionisation of the workforce drastically lowered after WT operations. Indeed, the majority of the workforce was unionised in 27 cases out of 51 before WT operations, whereas a minority of the workforce was unionised in 18 cases, and no or marginal unionisation was reported in 6 cases. Notwithstanding the unionisation of the workforce before WT operations, no or marginal unionisation was reported in 25 cases out of 51 at the time respondents filled the questionnaire in. No or marginal unionisation of the workforce after WT operations affects four times the cases of the before-WT-operation situation. After WT operations, a minority of the workforce was unionised in 11 cases out of 51, whereas the majority of the workforce was unionised in only 15 cases.

The lower degree of unionisation of members and employees of WTs after WT operations can be due to the intrinsic cooperative and mutualistic motivations of WTs, but also to the dynamics of WT operations themselves. On the one hand, takeover operations are driven by the leadership of the workforce and result in the full ownership and control of workers on cooperative WTs. Being workers, and not employers, in charge of running companies, there is no need for trade union organisations to negotiate agreements with owners and managers on behalf of workers. On the other hand, providing administrative and managerial competencies to workers after the start-up of WTs falls outside the canonical missions of trade union organisations. In a nutshell, the control of workers on WTs makes trade unions' negotiations superfluous for both workers, who do not require representative organisations, and trade unions, which do not possess relevant skills, information and resources to support WTs. In contrast, other organisations and institutional investors, such as CFI and associations of cooperatives, are more sensitive and territorially active in supporting WT start-ups. The different capabilities of trade unions and institutional investors to respond to the specific needs of WTs may, therefore, be at the root of this drastic decline in unionisation in Italian WTs.

Despite the fall in the unionisation rate of WTs' members and employees, Table 6 also shows that trade union organisations might be pivotal in the development of WT operations. Indeed, while trade union organisations were reported to have an active role in WT operations in 17 cases out of 51 surveyed WTs, workers of former companies were mediumly or highly unionised in 45 cases out of 51. The knowledge and expertise of unionised workers in debating alternative and labour-oriented solutions to business crises could be at the core of WT operations whenever unionised workers acted as initiators (Calcagno and Mazzone, 2022). The skills and values of unionised workers and their representatives could have a positive impact on the selection, design and development of WT operations, notwithstanding the mild support offered by trade union organisations. Such a hypothesis is partially confirmed by the struggle of workers of GKN Automotive of Campi Bisenzio, close to Florence, Italy. Notwithstanding the development phase of negotiations, which are still ongoing, the ability to stand against the offshoring of an active and profitable plant was due to the strong unionisation of the workforce rather than the limitations imposed by trade union organisations on the employer (Collettivo di fabbrica GKN, 2022).

The leadership of worker collectives, the pluralism of voices in WT operations and the multi-stakeholder governance of WTs make Italian WTs democratic and participatory business activities. However, WTs also exhibit a certain degree of instrumentality whenever opting for cooperative organisations is driven more by the necessity of securing resources from institutional investors than mutualism. Such instrumentality also emerges from the analysis of the formal governance of WTs, whereby institutional investors and finance providers were granted higher voice options than other involved stakeholders, such as trade unions and local authorities. The instrumentality and negotiations of conversion into democratic companies make Italian WTs less conflictual than other European and Latin American experiences (Vuotto, 2012; Ruggeri and Vieta, 2015; Vieta, 2019).

To a certain degree, Italian WTs are also less ambitious: rather than envisioning collectivist alternatives to capitalism, Italian WTs conciliate traditional business principles with social and cooperative values. Still, the analysis shows that WT operations were fuelled by the leadership of worker collectives and by the participation of a heterogeneous array of stakeholders. WTs are also grounded in the Italian cooperative landscape since they leveraged the cooperative regional traditions and the local support of associations of cooperatives. The mutualism, the collectivist spirit and the takeover practices of WT operations, in connection with the cooperative legal form they adopted and the Marcora Act's legal framework they employed, make WT operations different from other merger-and-acquisition strategies, from management buyouts and the start-up of companies created from the scratch, including cooperative companies.

4. Policy implications

The analysis reported in Section 3 delves into three dimensions of the WT phenomenon: the governance of WT operations, the start-up resources and the forms of collective engagement and negotiations of WTs. Findings from the questionnaire reveal that WT operations and WTs in Italy are multi-stakeholder, leverage multiple sources of finance and ground in collective bargaining activities, negotiations and confrontations among involved stakeholders. Previous research provided readers, institutional investors and policymakers with descriptive statistics and exploratory data on the WT phenomenon as a whole. Differently, this research sheds light on the strategies workers and stakeholders deployed to start up WTs and unveils patterns and rationales of collective entrepreneurial efforts of WTs with higher accuracy than previously done.

Besides novel evidence on the emergence of WTs, the research also reveals that the start-up of these companies comes with obstacles, barriers and limitations, which hinder the development of such operations by constraining the agency of workers, institutional investors, previous owners and a broad spectrum of local stakeholders. By smoothing these limitations, however, affected stakeholders may be more willing to undertake WT operations or may suffer lower burdens and initial costs. Findings reveal that the legislation of WTs has a clear impact on matters such as the co-optation of stakeholders in general assemblies and boards of directors, the sources of start-up finance and the core expenditure areas. By addressing adjustments, reforms and integrations of the current legislation of WTs, policymakers may provide workers and institutional investors with additional and facilitated options to cope with business restructuring, asset acquisition and the co-optation of local stakeholders. Such adjustments are even more valuable in the wake of the reform of the Italian insolvency law (Legislative Decrees 14/2019 and 118/2021), which introduces non-judicial crisis resolution mechanisms to anticipate and, potentially, avoid judicial insolvency procedures (Pagni and Fabiani, 2021). By driving retiring owners and administrators of distressed companies towards WT operations and by facilitating access to finance, legal support and training, policymakers may ease the emergence of democratic, sustainable employee-owned companies (Ellerman, Gonza and Berkopec, 2022).

Insolvency and industrial bylaws drive the functioning of WT operations to the extent that they regulate how to acquire the assets of dissolving companies and going concerns, who is co-opted in the formal governance of WTs and which sources of finance are available for WT operations. Bylaws and regulations ease the birth of WTs and their access to finance and support; yet, they also channel resources and support via specific legal mechanisms, which do not necessarily match the conditions and situations of all WT operations. Precisely, the analysis revealed that (1) the majority of WTs stem from bankruptcies, arrangements with creditors and forced liquidations of former companies, (2) only finance-provider stakeholders are granted a seat in general assemblies of WTs, and (3) the majority of WTs heavily relied on the lump-sum payment of the unemployment benefit in conjunction with resources from institutional investors. These three elements are strongly intertwined with the bylaws of the Marcora Act framework and with insolvency and company laws (Jensen, 2011, p. 0; Vieta, Depedri and Carrano, 2017). Their application, however, generates drawbacks which can hinder the development of WT operations.

Insolvency laws have been recently reformed (Ricciardiello, 2020; Pagni and Fabiani, 2021). The reform aims at avoiding unnecessary judicial procedures for insolvent companies by introducing monitoring mechanisms and anticipating over-indebtedness crises. Such a legal initiative aspires to drastically reduce the leverage on insolvency procedures. Nevertheless, Law 49/1985, the so-called

Marcora Act (Aimar, 2018), states that WTs have a priority on access to the provisions entrusted to CFI if they stem from companies under insolvency procedures. Among other causes, this explains why so many WTs stem from companies under insolvency procedures in Italy, while in other countries WTs usually stem from the withdrawal of retiring owners and inheritance issues (Jensen, 2011; CECOP-CICOPA, 2013; Robinson and Pendleton, 2019). In line with this reasoning, the insolvency law reform risks eliminating the link between insolvency laws and legislation of WTs, which grants WTs the proper institutional support. Without the enforcement of insolvency procedures, workers of emergent WTs have lower funding options, institutional recognition and support. Law 49/1985 should be adjusted accordingly to the reform of insolvency law to broaden the beneficiaries of its provisions to companies subject to non-judicial crisis resolution mechanisms.

Accessing the funds connected to the Marcora Act and mutualistic funds is vital for emergent WTs. To be eligible for such funding mechanisms, laws command WTs to be worker or social cooperatives. Worker and social cooperatives, as well as all other cooperatives and companies in Italy, are subject to company and industrial laws, and to the prescriptions of the Civil Code, the backbone of the Italian civic legal system. Among other aspects, these norms and bylaws regulate the distribution of control, voting and membership rights among members of worker and social cooperatives over collectively owned assets. Whenever institutional investors, mutualistic funds, supportive organisations or individuals acquire financial instruments issued by such cooperatives, they are eligible to be investor members, endowed with limited control and voting rights (Civil Code, Art. 2526). Yet, apart from the status of investor member and the one of special member for trainees (Civil Code, Art. 2527), laws and the Civil Code do not command the existence of other categories of members. The lack of legal prescriptions concerning categories of members different from investors, such as volunteers, local authorities, community members or trade unions, undermines the inclusion of non-worker and non-investor stakeholders in the governance bodies of WTs. The current legislation favours the co-optation of stakeholders in the form of investor members at the expense of others which do not provide WTs with finance. Over the consolidation of WT operations, excluded stakeholders loose voice, exit and loyalty options (Hirschman, 1970). Their exclusion hampers the development of WT operations by limiting access to market information, non-financial support, tacit knowledge and production know-how. These non-financial resources are essential for the successful start-up of WTs, which are usually subject to mistrust due to non-neutral institutional environments (Doucouliagos, 1995). By modifying company laws and recognising the potentialities of including non-worker and non-investor stakeholders in the governance of WTs, policymakers can strengthen the policies in favour of WTs without incurring additional finance provisions. This is the case, for example, of stakeholders – i.e., regional agencies for local development, universities or community members –

which may provide WTs with non-financial resources, such as the access to patents and real estate properties, at no or lower monetary costs compared to market transactions.

The necessity to provide workers and WTs with additional sources of support is crucial also to reduce the leverage on the lump-sum payment of workers' unemployment benefits. As emphasised in Section 3.3, the lump-sum payment of unemployment benefits of workers is one of the most employed and copious sources of start-up finance of WTs. It has been employed in 75% of surveyed WTs and, in these cases, it provided new-born cooperatives with a share of start-up capital between 50% and 75% of the total. Among other aspects of the unemployment benefit provisions, Laws 223/1991 and 92/2012 rule how workers can turn their unemployment benefit, supplied by the Italian Social Security Provider, into the capital of novel or already-existing cooperatives. Such a scheme perfectly matches the need for finance of dismissed workers who want to start up novel companies. Furthermore, the Marcora Act commands each worker involved in WT operations to invest a minimum of 4,000 euros in the new cooperatives, which are subsequently multiplied with resources from CFI.

The employment of such an important source of finance, however, comes with high risks for workers. Whenever converted into the capital of new-born WTs, the unemployment benefit provisions are no more available for workers on a monthly basis. Workers are not even endowed with a second-chance unemployment provision in case new-born WTs are unsuccessful. The risk of losing all sources of earnings when the unemployment benefit provisions are capitalised makes workers subject to a double risk: the risk to lose all earnings and the risk to lose welfare provisions due to job losses. Such a twofold risk may discourage workers of potential WTs from investing time and resources in such projects. Among other causes, this is behind the leak of 25% - 50% of initially-involved workers throughout the consolidation of WT operations, as seen in Section 3.2.1. By offering second-chance unemployment provisions or by leveraging other already-available sources of finance with a higher degree than previously done, policymakers may reduce both the risks associated with workers investing in WT operations. This is essential to persuade workers and their representatives, such as trade union organisations, about the viability of these operations. Findings from sections 3.2.1 and 3.4 confirm that workers, and unionised workers specifically, are the ones who mostly push for WT operations. By smoothing the risks connected to the use of the lump-sum payment of the unemployment benefit provisions and by informing workers about alternative sources of finance and non-financial support they can obtain, policymakers may ease the start-up of WTs and, consequently, spread the employment of such valuable industrial policy.

In addition to adjustments and integrations to already enforced legislation, WTs would also benefit from the set-up of a WT-specific shelter organisation. As cooperative companies, WTs can adhere to associations of cooperatives such as *Legacoop, Confcooperative* and *AGCI*. Bernardi et al. (2022) estimates that 63% of WTs that have occurred from 1985 onwards have joined an association of cooperatives. These associations have internal boards and units which specifically support emergent WTs. However, not all WTs adhere to these associations. Additionally, not all associations manage WT units and boards in the same manner. Associations of cooperatives may not even be the best-representing organisations as their main concerns relate to the development and consolidation of all cooperative companies across the country. Due to the specificities that characterise the emergence and consolidation of WTs, and the negotiations and bargaining activities among stakeholders, an ad-hoc shelter organisation may be more effective in managing the relations with multiple organisations and stakeholders, such as trade unions, administrators and local authorities. To incentivise WT operations in the context of company crises, WTs adhering to the shelter organisation may receive fiscal advantages, as a way to lower the risks and costs associated with takeover operations (Rete Italiana Imprese Recuperate, 2021).

5. Conclusions

WTs have been known and employed by workers since the conclusion of the Second World War in Italy and, partially, they have been objects of scholarly research since the 1980s. So far, the Italian debate on WTs has been dominated by the interest in the legal specificities of the Marcora Act, the technicalities of cooperative companies, the governance of WTs and the socio-political implications of WT operations for engaged social movements (Rizza and Giullari, 2009; Marchetti, 2013; Castronovo, 2016; Tognonato, 2016; Orlando, 2017). Keeping in mind the benefits WTs can generate for workers, collectives, communities and regions (Vieta and Lionais, 2015; Castronovo, 2016; Jossa, 2017), this research advocates for a deeper understanding of the emergence of WTs, their entry barriers and drivers. As a matter of fact, previous research lacks an even explorative analysis of WT start-ups, such as the study of the governance mechanisms and engaged stakeholders, the connections among takeover practices and regulations, the sources and uses of financial resources, and the dynamics of collective engagement. In this paper, the analysis of the start-up of WTs delves into the whys, who and how of takeover operations to generate valuable knowledge in supporting the development and consolidation of Italian WTs.

The research report by Vieta and co-authors (2017) represents the first attempt to extensively condensate the knowledge on WTs in Italy by bridging sociological and economic approaches. Albeit innovative and rich in details, such as geographical and sectorial features of Italian WTs, the report is a photograph of the WT phenomenon as of the end of 2014. For obvious reasons, the latest legislative initiatives in favour of WTs, the long-period effects of the economic crisis of 2013-2014 and the socio-economic consequences of the pandemic fall outside the analysis carried out by Vieta and co-authors. By leveraging the knowledge disclosed by Vieta and co-authors (2017), this paper provides an extensive exploratory analysis of WT operations and their start-up, by fuelling the research field with an innovative approach to the study of WTs. By bridging the domains of theory of the firm and collective entrepreneurship, this research explores the governance of WT operations and established WTs, the sources and uses of start-up resources, the negotiations and the collective endeavours of workers in (re-)starting business activities and converting them into cooperatives.

Differently from other international experiences (Delgado, Dorion and Laliberté, 2014), this paper shows that WTs mostly originated from insolvency procedures. Such initial conditions intrinsically affected the development path of WTs, as reported by respondents regarding the takeover strategies and the sources of finance. The exposure to insolvency procedures influences the nature of engaged stakeholders and interacting organisations, the sources of finance to start-up WTs and how these resources were employed, and the negotiation strategies among involved stakeholders. As findings point out, workers were the leading party of WTs operations. Yet, as prescribed by the Marcora Act and its legal framework (Vieta, Depedri and Carrano, 2017), WT operations were soundly supported by intuitional investors, associations of cooperatives and mutualistic funds, both legally and financially. These stakeholders were also granted seats in assemblies and boards acting as investor members. Other traditional actors of WT operations, such as trade unions and local authorities, took part in the start-up of surveyed WTs. However, the involvement of these actors thinned out over time and, above all, they were not included in the formal governance of WTs. The co-optation of finance-provider stakeholders in the formal governance of WTs is primarily due to the cooperative legislation of investor members. Such a co-optation strategy is also due to the necessity of workers to secure finance whenever workers themselves are not able to provide enough financial resources via personal savings or the pre-payment of their unemployment benefits.

Due to the risks connected to WT operations and insolvency procedures, information asymmetries and the infrequency of WTs, traditional providers of finance are unwilling to secure workers with the necessary resources (Doucouliagos, 1995). In contrast, CFI and mutualistic funds make available loans or equity at fair economic conditions. Institutional investors, such as CFI and mutualistic funds, and credit banks provided a large share of WTs' start-up capital. The resources they provided summed up with the ones of workers, namely personal savings, the lump-sum payment of the unemployment benefits, severance pays and individual investment in cooperatives' financial instruments. These resources were pooled and invested in core-business activities via the acquisition of machineries and raw materials, and the lease of real estate properties. Findings suggest that internal sources of finance are as important as external ones. Specifically, respondents declared the lump-sum payment of the unemployment benefits to be the most employed and one of the most copious sources of finance to start up WTs. By leveraging their unemployment benefits, workers were able to accrue a reliable amount of capital to be multiplied with investments from CFI, credit banks and mutualistic funds. The use of the lump-sum payment of the unemployment benefit was crucial for the emergence, start-up and consolidation of WTs. However, the conversion of this welfare-state instrument into cooperatives' capital generates higher risks for workers: in case of unsuccessful WT operations, they may lose their jobs, personal savings and unemployment benefit treatments.

The engagement of stakeholders in WT operations provided workers with finance, but also with legitimacy, solidarity and legal, technical and administrative support. Finance is not the *sine qua non* of WTs as workers had to negotiate with involved stakeholders the conditions of WT start-ups. Before the design and set-up of WTs, workers had to negotiate with trade unions and previous owners about the future of dissolving companies and secure their assets. Findings suggest that collective decision-making practices took place from the very beginning of WT operations. Negotiations and confrontations predated the establishment of WTs and, in connection with requirements of insolvency procedures, they shaped how companies had been taken over, which resources had been used and how these resources were employed. Due to the provision of services and finance to WTs, representatives of CFI, mutualistic funds and credit banks, together with other cooperative companies and previous owners, were granted seats in assemblies and boards. Despite the initial negotiations, trade union organisations and local authorities were not included in these boards. Although they were not co-opted in the formal governance mechanisms of WTs, trade union organisations channelled their support via their representatives. Even if the unionisation of the workforce declined after WT operations, the analysis highlights that trade union representatives might act as initiators of WT operations. The influence of unionised workers on the decision to start up WTs should not be underestimated.

Findings from this research contribute to the analysis of WTs and labour-manged firms in four distinct ways. Firstly, this paper confirms that insolvency procedures are the leading formation mechanisms of Italian WTs. Specifically, insolvency procedures influence and shape WT operations by constraining the nature of involved stakeholders – i.e., trade unions, previous owners, associations of cooperatives, CFI – the timings of WT operations, the type of resources employed and the multiple sources of internal and external finance. Such path dependency is also driven by the legal mechanisms of the Marcora Act – i.e., the involvement of CFI. Such a strong bond between WTs and insolvency and industrial laws should be at the core of future support initiatives at the national scale, as a way to integrate recent reforms and law adjustments with new needs of workers and companies in crisis. Secondly, this paper shows that the lump-sum payment of the unemployment benefit is essential to WT operations. This is the most employed and one of the most copious sources of finance to start up WTs. This finding confutes pessimistic theoretical predictions which underestimate the ability of workers to leverage multiple sources of finance (Monteleone and Reito, 2018). In contrast, workers were able to fortify WT operations with both internal and external sources of finance, and to balance equity and loans to avoid high-interest rates and unfavourable financial conditions. Thirdly, this paper emphasises how, despite the lack of competencies of trade union organisations in managing WTs, unionised workers have a positive and beneficial influence over the choice and development of WT operations in Italy. Fourthly, findings reveal that stakeholders involved in the very initial phases of WT operations, such as trade unions and local authorities, are not represented in general assemblies and boards of WTs. Interestingly, the first stakeholders who approach WT operations are also the first ones to be excluded from the formal governance of WTs. Indirectly, these findings suggest that the scarcity of WT start-ups is a matter of 1) a lack of information about insolvency procedures and WT operations as alternatives to business closures due to the complexity of legislation; 2) the high risks workers bear when simultaneously investing personal savings and their unemployment benefit into WTs' capital; 3) a lack of operative knowledge of trade union representatives and their local branches as well as regional administrations and appointed agencies; 4) a lack of involvement of non-financial stakeholders such as union and community representatives in the formal governance of new-born companies.

The lack of information about business transfers to employees, labour-manged firms and WTs among local authorities, credit banks, workers and trade unions is a well-documented issue (Calogirou *et al.*, 2010; CECOP-CICOPA, 2013; Vieta, Depedri and Carrano, 2017). In a more detailed fashion, this paper highlights that a lack of knowledge about the insolvency procedures' conundrum can be even more detrimental to WT operations and limit the number of WT start-ups. Insolvency procedures are the primary entry mechanisms for emerging WTs in Italy. However, the bylaws and regulations of these procedures are intricate to navigate. Furthermore, whenever companies are under receivership, WT operations can take place only after the receivers' approval. Yet, not all receivers are informed about WTs and their benefits for workers, owners and creditors. Negotiations among former owners, receivers, creditors and workers, if not represented by trade union organisations, are necessary to legitimate and trigger WT operations. Yet, collective agreements which originate from these negotiations are usually company-specific. The recent reform of insolvency law amplifies the confusion about Italian insolvency procedures. The lack of information and, precisely, the absence of a strong institutional and legal path to ferry insolvent companies to the Marcora Act framework (Vieta, Depedri and Carrano, 2017) undermine workers' ability to legitimate and set up WT operations.

Findings from this paper show the potentialities of using workers' unemployment benefits to capitalise the start-up of WTs. While this legal device proved successful over time, as demonstrated by its popularity and its copiousness, this solution comes with risks and obstacles for workers. On the one hand, investing the unemployment benefit in business ventures multiplies the risks to which workers are subject. In case of the unsuccess of WT operations, workers can lose their investments, their jobs and earnings, and also the possibility to leverage the unemployment benefit for a second time, since they have previously capitalised it. Such high risks are not adequately counterbalanced by the Marcora Act framework and by social security provisions. On the other hand, it is also socially and politically questionable the fact that workers who bear dismissals should also be the ones investing their very means of livelihood without the provisions of any collaterals by public authorities. Such high risks discourage workers from starting up WTs or from joining emerging WT operations, thus limiting the number of WT entrants.

Finally, this paper demonstrates how valuable can be workers representatives and unionised workers for the development of WT operations. Even in absence of direct investments from trade union organisations, workers' delegates and unionised workers can act as a medium, thus spreading key knowledge among workers and their stakeholder networks within specific companies. Actions of unionised workers and their representatives in favour of WT operations at the company or local level have been also registered in early case studies (Vieta, Depedri and Carrano, 2017; Rete Italiana Imprese Recuperate, 2021). Fine-tuned, local or regional pieces of information are essential for the start-up of WTs in Italy due to the differences in regional law initiatives, regional cooperative traditions and regional economies. Trade union organisations should train worker representatives to act as a bridge among receivers, former owners, associations of cooperatives and institutional investors to convey the necessary knowledge directly into collective arrangements and negotiations, hence favouring the set-up of WT operations.

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