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Worker cooperatives in Italy: legislation, prevalence and recent trends

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Abstract

Purpose – In Italy, worker cooperatives (WCs), 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 bn. Despite their history and diffusion, the high prevalence of WCs in Italy is under-researched and -thematised and requires new research.

Design/methodology/approach – The paper leverages unpublished primary and secondary data from Centro Studi Legacoop databank, the Aida-Bureau Van Dijk databank and the Cooperative Registry of the Ministry of Economic Development (CRMED) to explain the spread of WCs in Italy.

Findings – This paper reveals descriptive statistics of WCs and investigates their distribution across economic sectors and regions, their economic and financial performance and gives an overview of the relevant legislation. The paper indicates 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, cooperative finance and the diffusion of cooperative know-how. Limitations to such results are reported in the conclusions.

Originality/value – The paper sheds light on past and recent development trends of WCs in Italy, highlights their growth in South Italy and revitalises the debate on the drivers, structures and rationales of employee-owned enterprises in Italy. Findings generate implications for research and practice. Given the tendency of WCs 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.

Keywords Italy, Employee ownership, Worker cooperatives, Cooperative law

Paper type Research paper

1. 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

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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 bn 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:

RQ1. How has employee ownership developed in Italy?

RQ2. What are the main features of Italian WCs?

RQ3. How have Italian WCs managed to spread, root and grow across 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 Registry of the Ministry of Economic Development (CRMED), integrated with primary data collected by the *Centro Studi Legacoop*, which cover 23,989 WCs. 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 2020, active cooperative enterprises and consortia numbered 54,361, employing a workforce of 1.21 m workers and generating a turnover of 121 bn 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.

2. A snapshot of Italian WCs

As of the end of 2020, active WCs numbered 23,989, employing 505,917 workers, generating 22 bn euros in turnover and a value added of 10.6 bn 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 and the supply of electricity, gas, steam and air conditioning. 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.

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). Complete information covers 21,622 out of 23,989 active WCs.

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. Differently, Return-On-Invesment data cover 7,332 WCs. 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 250 employees or more.

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

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%

Note(s): Data available for 21,050 out of 23,989 worker co-operatives
Source(s): Our elaboration on *Aida-Bureau Van Dijk, Centro Studi Legacoop* and CRMED data, November 2021

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%
$50 \leq x < 100$	400	1.8%	38,166	7.5%	1,191,085,250	11.1%
$25 \leq x < 50$	2,857	13.2%	142,072	28.1%	3,432,302,381	32.1%
$15 \leq x < 25$	3,596	16.6%	53,089	10.5%	1,175,539,282	11.1%
$5 \leq x < 15$	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%

Note(s): 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(s): Our elaboration on *Aida-Bureau Van Dijk, Centro Studi Legacoop* and CRMED data, November 2021

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 the value added of all WCs.

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 *et al.*, 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 *et al.*, 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 impact of the pandemic also emerges from start-up data. Table 4 shows the number of new WCs from 2012 to 2020, in conjunction with the numbers of new limited liability

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

Note(s): Data available for 8,667 out of 23,989 WCs
Source(s): Our elaboration on *Aida-Bureau Van Dijk, Centro Studi Legacoop* and CRMED data, November 2021

Table 3.
Employees and wages (yearly percent variation)

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

Year	No. of new WCs and yearly percentage variations		No. of new SLLCs and yearly percentage variations		No. of new 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(s): Our elaboration on *Aida-Bureau Van Dijk, Centro Studi Legacoop* and CRMED data, November 2021

companies (LLCs) and new simplified limited liability companies (SLLCs), expressed in absolute numbers and year-by-year percentage variations of company entries. Despite continuous growth from 2012 to 2015, the number of new WCs suffered two major declines in 2016 and 2020. The drop in new WCs in 2016 (−20%) is partially explained by the introduction of a new legal form in 2012, the SLLCs. 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 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.

3. Sectoral distribution of Italian WCs

Sectoral data offer additional insights into the specificities of the WC phenomenon and advance 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 *Nomenclature statistique des Activités économiques dans la Communauté Européenne*, namely the NACE Rev. 2 statistical classification of economic activities, which is consistent with Eurostat (2008). Data on employment and value added are partially biased by the effects of the pandemic, which have distorted 2020 statements and balance sheet data of companies. Such an issue limits comparative analysis, especially.

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 identifies the share of active Italian 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%) –

Sector	No. of WCs and percentages*		No. of employees and percentages†		Value added (EUR)
Agriculture, forestry and fisheries	2,247	10.4% (0.5%)	15,905	3.1% (1.7%)	332,416,917
Mining, energy and water	148	0.7% (0.7%)	3,866	0.8% (1.2%)	166,771,223
Manufacturing	1,883	8.7% (0.5%)	24,374	4.8% (0.7%)	996,221,447
Construction and real estate	3,500	16.2% (0.5%)	50,243	9.9% (3.0%)	1,098,904,074
Wholesale and retail trade	1,556	7.2% (0.1%)	39,441	7.8% (1.2%)	182,134,680
Transportation and storage	3,156	14.6% (2.7%)	147,421	29.1% (13.1%)	3,807,728,312
Accommodation and food service activities	1,171	5.4% (0.4%)	33,500	6.6% (2.4%)	493,519,957
Information and communication	1,300	6.0% (1.2%)	5,923	1.2% (1.0%)	174,657,769
Professional, scientific and technical activities	1,304	6.0% (0.2%)	15,412	3.0% (1.2%)	194,873,454
Administrative and support service activities	3,120	14.4% (2.0%)	133,002	26.3% (9.8%)	2,693,735,485
Human health and social work activities	364	1.7% (0.1%)	4,334	0.9% (0.5%)	98,461,644
Education	490	2.3% (1.4%)	3,060	0.6% (2.6%)	63,060,332
Arts, entertainment and recreation	859	4.0% (1.2%)	17,129	3.4% (9.9%)	199,517,133
Other services	460	2.1% (0.2%)	12,066	2.4% (2.6%)	177,836,639
Others	50	0.2% (0.1%)	171	0.1% (0.3%)	5,711,460
Unclassified	14	0.1%	70	0.1%	1,108,197
Total	21,622	100% (0.6%)	505,917	100% (2.8%)	10,686,658,723

Note(s): Data available for 21,622 out of 23,989 WCs. *, in brackets, WCs as a share of all Italian active companies per economic sector. †, in brackets, the share of the Italian employees in WCs per economic sector
Source(s): Our elaboration on *Aida-Bureau Van Dijk, Centro Studi Legacoop*, CRMED and Eurostat data, November 2021

Table 5. Number of WCs, their employees and value added per sector (absolute and percent values)

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 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 5 also reports the sectoral value added generated by WCs. Notwithstanding the overall distribution across economic sectors, the 6,276 WCs in the transport and storage and administrative and support service activities 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.

Tables 5 and 6 add further details concerning the economic and financial performance of WCs, by specifying their capital intensity and ROI values. Specifically, Table 6 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 6 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 7 shows the Return-On-Investments (ROI) of WCs as a measure of the profitability of these companies. Data from the *Aida-Bureau Van Dijk* database cover 7,332 WCs. 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 2 WCs in the unclassified category, the lowest performing sectors are

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

Note(s): 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(s): Our elaboration on *Aida-Bureau Van Dijk*, *Centro Studi Legacoop* and CRMED data, November 2021

Table 6.
Distribution of WCs per economic sector and capital intensity

Sectors	No. of WCs	ROI
Agriculture, forestry and fishing	912	2.3%
Mining, energy and water	62	3.4%
Manufacturing	732	4.3%
Construction and real estate	1,139	6.4%
Wholesale and retail trade	5646	6.3%
Transportation and storage	1,106	6.4%
Accommodation and food service activities	320	2.2%
Information and communication	399	7.1%
Professional, scientific and technical activities	433	5.4%
Administrative and support service activities	986	6.8%
Human health and social work activities	119	3.1%
Education	159	7.7%
Arts, entertainment and recreation	263	3.5%
Other services	127	5.1%
Others	9	8.7%
Unclassified	2	−2.2%
Total	7,332	5.3%*

Note(s): Data available for 7,332 out of 23,989 WCs. *, weighted average computed using the number of WCs per sector as weights
Source(s): Our elaboration on *Aida-Bureau Van Dijk, Centro Studi Legacoop* and CRMED data, November 2021

Table 7. Distribution of WCs per economic sector and ROI

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 of the lowest ROI values. 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% 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).

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. 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.

4. Geographical distribution of Italian WCs

Information on the geographical distribution of WCs in the Italian regions complements the sectoral analysis performed in the previous section. 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 *et al.*, 2010). After Second World War, 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. Figure 1 shows the distribution of large and old WCs per region. Both the larger and the older (often combined) 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 Figure 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.

Figure 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. Figure 2 also reveals that 29% of Italian WCs are concentrated in the southern regions

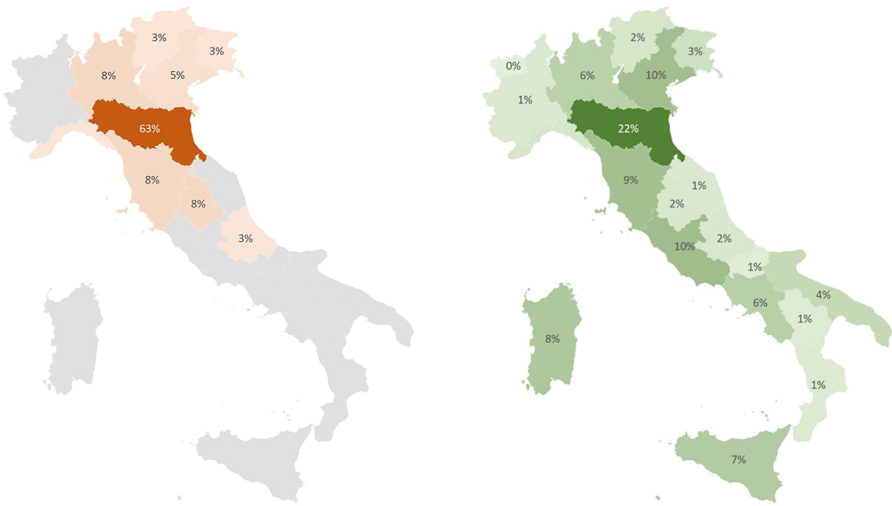
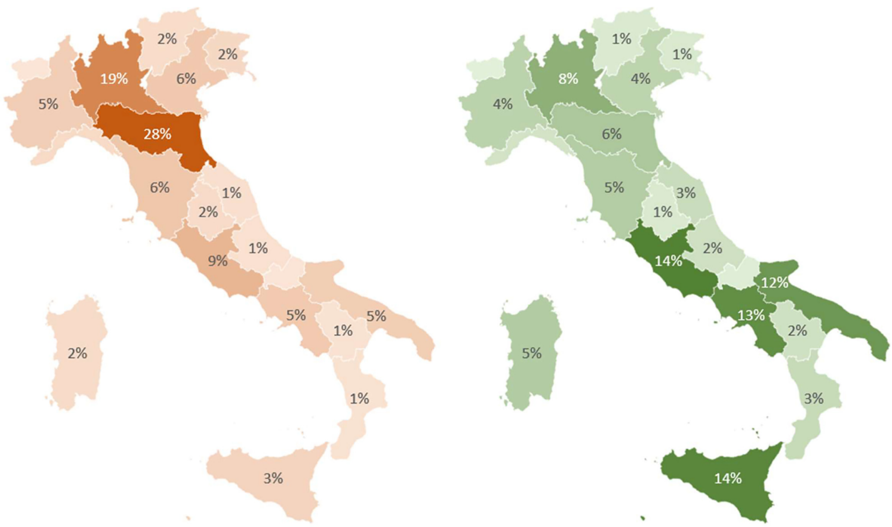


Figure 1.
Regional distribution of large cooperatives (left) and regional distribution of 50+ years WCs (right)

Notes(s): 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(s): Our elaboration on Aida-Bureau Van Dijk, Centro Studi Legacoop and CRMED data, November 2021



Note(s): 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(s): Our elaboration on Aida-Bureau Van Dijk, Centro Studi Legacoop and CRMED data, November 2021

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

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.

The combination of the data from Figures 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, and 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 8 provides precise data on the distribution of WCs across the NUTS-1 and the NUTS-2 regions according to the Nomenclature of territorial Units for Statistics, as done by Eurostat (2022). 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 8 also provides information on the 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 8 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.

NUTSs-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

Note(s): In italic, NUTS-1 regions according to Eurostat (2022)
Source(s): Our elaboration on *Aida-Bureau Van Dijk, Centro Studi Legacoop* and CRMED data, November 2021

Table 8.
Number of WCs, employees, value added and labour productivity per region

The information obtained from Figures 1 and 2 and Table 8 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 the 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 reveal the unprecedented coping mechanisms workers are adopting to deal with stagnation, unemployment and the withdrawal of state support.

5. The Italian cooperative legislation

The previous sections shed light on the performance of Italian WCs. But how have co-operators managed to build such a consolidated cooperative environment? What solutions have co-operators, cooperative associations and policy-makers implemented to support the cooperative movement as a whole and, specifically, WCs?

Italian cooperatives, among which are counted 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 in the world. This legislation rules the conduct of members, the functioning of administrative and supervisory bodies of cooperatives, their fiscal benefits and the access to cooperative finance. 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-operatives 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 add the cooperative surplus into capital of the cooperative as a permanent collective indivisible reserve account. 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, (1) workers and (2) 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 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: (1) cannot distribute dividends above the maximum interest of interest-bearing postal bonds, increased by 2.5% points; (2) cannot remunerate the financial instruments offered to members above the maximum interest of interest-bearing postal bonds, increased by 4.5% points; and (3) 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 follows: 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 funding for 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.

6. Cooperative start-ups and worker takeovers

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 resource-consuming search costs to identify the appropriate legal vehicle for their activity. However, legislation alone is not sufficient to overcome the obstacles to setting up WCs, since these start-ups require resources and expertise as well as adequate guidance in the cooperative model.

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 ex-nihilo 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 *et al.*, 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 *et al.*, 2017). Worker takeovers mainly concentrate in central Italy, particularly in Tuscany, Marche, Emilia Romagna and Umbria. Also, worker takeovers are on average larger than ex-nihilo WCs and mostly operate the construction, transport, administrative and agriculture sectors.

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 *et al.*, 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 an epicenter 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. South Italy hosts 44% of WCs and 44% of WC startups. 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.

7. Membership and cooperative finance

As mentioned in Section 3, the rise of WCs in South Italy is partially due to the enactment of favourable legislation, the provision of cooperative 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.

All cooperative 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 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. Worker-members of WCs 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.

People participate in the life of cooperatives, including WCs, by taking part in mutualistic exchanges (as beneficiaries and/or as providers of benefits for others), in decision-making activities and in 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). 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 meetings 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.

All cooperative companies are required to reinvest at least 30% of their revenues into indivisible reserves of capital, 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 mutualistic 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).

Members can resort to 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 purposes of cooperatives and are subject to a maximum remuneration equal to the interests of postal savings bonds increased by 2.5% 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 operators. 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 modernisation of cooperatives. Cooperative participation shares do not grant voting rights, but are privileged in the distribution of dividends and the repayment of invested 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 acquire shares or financial instruments of a cooperative through risk or debt capital (Civil Code, art. 2526). Rights and duties of investor members are regulated by Law 6/2003, the CC and the 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. 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).

While cooperatives can resort to financing from all types of credit banks, Italian cooperatives also access specific sources of cooperative finance, lent by cooperative credit banks (*Banche di Credito Cooperativo,* BCCs). The structure of 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). The most important case is *Unipol*, a commercial bank 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.

The second model comes from *Confcooperative*, the second largest association of cooperatives in Italy. BCCs are mostly affiliated with *Confcooperative*, are independent members of this association and are conceived by law as mutualistic local banks. Differently from the previous model, independent BCCs are not directly controlled only and solely by associated cooperatives. 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.

These financial instruments and mechanisms grant accessible finance to Italian cooperatives, including WCs. The inflow of financial resources does not strictly depend on the entry of new members and 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 relations, thus maintaining their investments. 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 allow WCs to overcome the financial shortcomings generated by the entry and exit of members and the limited access to external financing of employee-owned companies in other countries (Mygind and Poulsen, 2021). Among multiple financing strategies of cooperatives and WCs, 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 m euros (European Economic and Social Committee, 2018).

8. 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. Albeit explorative, such an analysis paves the way for future research on WCs, their performance and their contribution to the social and economic betterment of workers. In line with previous findings (Borzaga *et al.*, 2022; Tortia, 2022a), WCs have demonstrated their ability to protect employment via wage flexibility during economic downturns.

The analysis reveals that WCs have a strong sectoral employment concentration: 55% of the 505,907 employees of WCs as of late 2020 works in transport and storage (29%) and administrative and support service activities (26%). These are two of the least capital-intense sectors in which WCs operate, way below the average capital intensity of WCs at €13,221 per employee. Nonetheless, WCs operating in the transport and storage sector generate one-third of the value added of all Italian WCs. The analysis also suggests that WCs are on average four times larger than all other companies. This is because, one the one hand, traditional investor-owned companies also includes micro or individual enterprises. On the other, WCs prioritise job creation and job protection, which are the ultimate goals of these companies.

Notwithstanding the application of favourable legislation at the national level, differences in the geographical distribution exist and they 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 *et al.*, 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. Even though they are less productive, younger and smaller than those of other regions, WCs of southern Italy are surging thanks to favourable initiatives, cooperative finance and the diffusion of cooperative know-how. Even though data indicate that they are less productive and younger, WCs have spread more in southern Italian regions than in those regions with strong cooperative traditions. There, employment protection and stabilisation are sufficient to ensure the attractiveness of this organisational form in order to cope with unemployment and state withdrawal.

The present analysis also comes with limitations. The analysis carried out in the paper leverages unexploited primary and secondary data from multiple data sources. On the one hand, these data refer to the performance of WCs during the pandemic. Readers should be aware that the pandemic deeply influenced the performance of all companies, including WCs and biased 2020 data. On the other hand, despite the efforts spent in the merger of different databases, the validity of findings mostly relies on descriptive statistics and legal analysis. More advanced statistical and econometric techniques, such as multivariate analyses, are required to provide findings with robustness checks and to address inference. Finally, while the analysis provides evidence on the functioning, prevalence and performance of WCs in the country, a strong comparison between conventional firms and WCs is missing. Such a comparison could provide a higher comprehension of the institutional, performance and legal differences between conventional firms and WCs, thus granting the research a higher validity and rigorousness.

Future research 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. There, 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. Future research could also look into the role of hired labour in WCs and how it is distributed by industrial sector. The most important dimension of future research should be the comparison of WCs to conventional industry, where the data is available, in general, and by industry groups.

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