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Italy's cooperatives from marginality to success

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1. Introduction

The history of the Italian cooperative movement differs in certain important respects from that of other countries. First and foremost, it has never been a neutral, apolitical, non-religious movement as it would have been the case, had it conformed to the recommendations of the International Cooperative Alliance (ICA), which has always perceived cooperation as neutral in order to avoid any discrimination against the movement. The deep-rooted propensity towards cooperation that characterises substantial sections of the Italian population has led to the multiplication of the ideal inspirations of the cooperative movement: indeed, the Italian cooperative movement is present right across the political spectrum, and not even Mussolini's fascist regime proved capable of eliminating cooperation[1].

The first cooperatives to emerge, during the second half of the nineteenth century, were a spin off of the Friendly Societies. These early cooperatives were mainly of a non-religious, liberal character, and were strongly influenced by the ideals of Giuseppe Mazzini. A second group of cooperatives materialised with the advent of Italian socialism (and later communism), while a third group emerged from the Catholics' social commitment, as symbolised and promoted by Pope Leo XIII in his famous encyclical on the conditions of labour, *Rerum Novarum*, published in 1891[2]. The variegated nature of the cooperative movement in Italy has no doubt been one of the factors guaranteeing its survival to this day, thanks also to support from various different governments and local administrations[3].

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[1] M. Fornasari and V. Zamagni, *Il movimento cooperativo in Italia. Un profilo storico-economico (1854-1992)*, Florence, 1997.

[2] The three sources of inspiration of the Italian cooperative movement have often been represented by the colours of the Italian flag: green (the first group), red (the second) and white (the third).

[3] The first political party to have no ties with the cooperative movement was Forza Italia, founded in 1993.

This multiplicity of ideals explains a second characteristic of the Italian cooperative movement, namely its deep entrenchment right across Italy. This is due to the wealth of theoretical and practical proposals the movement has been able to offer[4]. As we shall shortly see, while cooperation is stronger in certain areas than in others, this depends largely on the diverse entrepreneurial potential and opportunities to be found within given geographical areas, rather than on any lack of cooperation as such. In other words, Italy does not have the equivalent of the Basque Country's Mondragon, where all local economic undertakings are of a cooperative nature, thus making it a unique enclave within Spain. The third characteristic of Italian cooperation is also of note: that is, the tight sharing of ideals by the diverse cooperatives making up each cooperative umbrella organisation[5] leads them to form networks (groups and consortia[6]) and coordinate their actions. These networks may be either of a horizontal (local) or vertical (sectorial) nature, and they offer the opportunity to create mergers. This, in turn, has led to the expansion of the cooperatives and to the characterization and strengthening of production processes, which has generated synergies capable of increasing both productivity and competitiveness.

These three characteristics have enabled the Italian cooperative movement to grow in the fashion of a limestone river: in other words, it continues to flow but comes out into the open only at certain times. In fact, although Italian cooperation has experienced various ups and downs since the mid-nineteenth century, it has never disappeared altogether[7]. However, only over the past thirty years it has become a surprisingly important player in the economy of the country. The present essay wishes to offer, first and foremost, a quantitative analysis of this latter phase of development of the Italian cooperative movement, which has seen it transformed from a marginal force to a powerful player in the nation's economic affairs; it shall then attempt to identify the

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[4] See P. Battilani, *I mille volti della cooperazione italiana: obiettivi e risultati di una nuova forma di impresa dalle origini alla seconda guerra mondiale*, in E. Mazzoli and S. Zamagni (eds.), *Verso una nuova teoria economica della cooperazione*, Bologna, 2005.

[5] A description of the four existing cooperative umbrella organizations can be found on the website, www.movimentocooperativo.it, which I created, regarding the Italian (and not only Italian) cooperative movement, with sections in English.

[6] There are various forms of consortia, but they are all characterised by the fact that the cooperatives constituting them are all administratively and financially independent. They share the services offered to the consortium's members, and they often share coordination and strategic advertising operations, together with work procurement.

[7] See R. Zangheri, G. Galasso and V. Castronovo, *Storia del movimento cooperativo in Italia. La Lega Nazionale delle Cooperative e Mutue, 1886-1986*, Turin, Einaudi, 1987.

main causes of this radical transformation and to reflect on those problems that have yet to be resolved.

2. Sources.

As mentioned above, the Fascists did not overly disrupt the continuity of the cooperative movement when they set up the National Fascist Cooperative Agency (Ente Nazionale Fascista della Cooperazione) in 1926[8]. However, there can be no doubt that they did not encourage the growth of cooperatives either, with the exception of those operating in the farming and food processing sectors (where their numbers rose from approximately 2,200 in 1921 to more than 3,700 in 1939). Moreover, the management of the cooperatives was often entrusted to members of the Fascist Party, who were not always properly qualified to do so in an efficient manner. After the Second World War, the cooperative movement, consisting of some 12,000 cooperatives and 3 million members, had to lay down new foundations, also as a result of the very different economic situation characterising the post-war reconstruction period, with Italy now part of a worldwide economic system. While the spirit of the Italian cooperative movement had survived, as various studies have pointed out, and many of the nation's political parties displayed an interest in, and support for, cooperation, nevertheless the federal organisations required substantial reorganisation[9]. Furthermore, most cooperatives were not big enough to be managed in an efficient manner. Article 45 of the new Italian Constitution, which was drawn up in 1947 and implemented on the 1st January 1948, expressly recognised that cooperation was worthy of special attention[10];

[8] A number of cooperatives were physically destroyed by the Fascist squads, above all during the period from 1920 to 1922, but thereafter the Fascist Party set up new cooperatives.

[9] The two traditional cooperative umbrella organisations – the *Legacoop* (socialist-communist) and the *Confcooperative* (a Catholic organisation closely linked to the Christian Democratic Party) were reorganized in 1945, while the *AGCI* (a lay-republican organisation) was set up in 1952. A fourth federal organisation set up in 1975, the *UNCI*, emerged from a split in the Confcooperative: like the latter, this organisation is Catholic-based. As Table 9 shows, the first two organisations are much larger than the other two. It should be pointed out that an Italian cooperative may choose not to join any of the said umbrella organisations, remaining a "non-member", although this option is only ever taken up by those smaller cooperatives that do not care to be eligible for the statutory benefits afforded to member cooperatives.

[10] Article 45 reads: "The Republic acknowledges the social function of cooperation as a form of mutual aid devoid of all private speculative intent. The law promotes and encourages the expansion of cooperation by means of the most suitable means, and provides suitable checks designed to guarantee its character and purpose".

in fact, it was to be the basis for a series of administrative and fiscal laws designed to promote cooperation[11] under the Ministry of Labour's control.

The main problem we encounter when illustrating the post-war growth of cooperation is connected with the Ministry of Labour's figures: these only refer to the number of registered cooperatives, and as such they continue to include those cooperatives that are no longer operational until they are eventually unregistered (something that sometimes never happens or happens after many years). The result is that the official number of cooperatives cannot be relied on for this very reason. The underlying reason for this exclusive focus on the number of cooperatives lies not only in the general backwardness of statistical surveys during the immediate post-war years, but also in the fact that only a few cooperatives were large enough to warrant a different approach. As far as official censuses go, although they constitute a more important source of information, given that they offer not only the number of cooperatives but also the number of people employed by them, they also present a number of problems:

a) farmers' cooperatives are not included in the "industrial" censuses, and only appear in the agricultural censuses from 1982 onwards;

b) housing cooperatives are not adequately represented, due to the fact that they generally employ very few staff (sometimes only one member of staff per cooperative);

c) social cooperatives are dealt with separately and only since 1991;

d) the 1951 and 1961 censuses were rather imprecise when recording the societal status of cooperatives.

We can thus conclude that up until the 1971 census, ISTAT clearly failed to give sufficient weight to the cooperatives, and indeed its figures for the number of cooperative undertakings were even lower than those provided by the umbrella organisations themselves. The reliability of ISTAT's figures improved substantially thereafter, although a certain caution is still required in their interpretation.

Unfortunately, the statistical data supplied by the cooperative umbrella organisations, which fail to take account of those cooperatives that are not members of the said organisations, only began to acquire a certain credibility from the late 1970s onwards. These figures include not only the number of cooperatives, but also the total number of members, together with details of the cooperatives' turnover, and sometimes

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[11] Not all the measures provided for proved to be effective. A full survey of cooperative legislation can be found on the website mentioned in note 5 above.

of their assets as well. However, these figures are once again rather few and scattered, and attempts have only recently been made to try and elaborate them. Finally, there is the *BUSA*, which, although it includes on principle the financial statements of all companies[12], did not guarantee completeness or attempt to organise data collection in a systematic manner[13] until the year 2000, when *Unioncamere* (the Italian Chambers of Commerce umbrella organisation) began to provide some elaboration thereof[14].

Therefore, I shall here be basing my analysis mainly on the census figures, together with other sources of data for more recent years.

3. Italian cooperatives: from marginality to success

Table 1 illustrates the picture that emerges from the ISTAT censuses conducted from 1951 onwards. These figures point to the slowness in the growth of cooperation up until 1971, although we know that the ISTAT figures are underestimated, particularly between 1961 and 1971, despite the fact that the cooperatives not included in the figures were all of a limited size. After 1971, cooperation grew rapidly, with a particularly fertile period during the 1990s. The census figures for that period were certainly more accurate than they had been before[15]. During the 1990s, the number of people employed by the cooperatives rose by 60.1%, against a general average of 9.1%. Indeed, the cooperatives accounted for one quarter of the total rise in employment during the period between the two census years. In particular, the 1991 census gave the number of social cooperatives employees as 27,510: by the 2001 census, this figure had risen more than fivefold, to 149,147.

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[12] The cooperatives' financial statements were included in the BUSA from 1883 onwards. In 1920, and then from 1925 onwards, cooperative societies were registered in a separate file. At the end of the 1990s, the inclusion of the cooperatives' financial statements in this publication was discontinued, and there were plans for the creation of a separate register following the latest legislation on cooperation passed in 2003. This Register, first created in January 2006, showed that there were some 62,253 cooperatives. See Unioncamere, *Secondo rapporto sulle imprese cooperative,* Rome, 2006.

[13] The research team from Bologna University working on the cooperative movement is drawning up a classification of those cooperatives who sent their financial statements to the BUSA for the two benchmark years, 1951 and 1981.

[14] See the *Primo rapporto sulle imprese cooperative*, drawn up in 2004 by the Tagliacarne Institute on behalf of Unioncamere: as well as the number of cooperatives and their employees, this report also contains various elaborations based on financial statement indicators.

[15] Nevertheless, it should be pointed out that the universe of the cooperatives is greater than that of those cooperatives legally registered as such, since the "cooperative groups" also include limited companies controlled by cooperatives. The most famous of these is the big insurance company *Unipol*, but the list also includes *Granarolo* and *Conserve Italia*. The identification of the "cooperative groups" is one of the aims of the Bologna research team mentioned in note 13 above.

Furthermore, the censuses clearly point to the increase in the size of the cooperatives: this phenomenon can only be studied for the period 1971-2001, and with the exception of social cooperatives, recorded only in the last two censuses. In order to fully appreciate this trend, we need to utilise the sub-division into classes rather than the average size; this is because the latter figure has been significantly reduced by the inclusion of many cooperatives, and in particular housing coops, which in order to conform to their corporate purpose are composed of very few members. As Table 2 clearly shows, the average number of employees per cooperative fell slightly between 1971 and 2001[16], whereas the share of those employees working for the larger cooperatives (with 200 or more workers) rose in general more than the national average (with the exception of the category of undertakings with more than 1,000 workers in the 1981 and 1991 censuses). While in 2001 the incidence of cooperative employees on the total number of employees in the industrial and services sectors (excluding the social cooperatives and public institutions) stood at 5%, in those undertakings employing between 50 and 1,000 workers this figure was 9.3%. The "discovery" of the gradual flourishing of Italy's cooperatives among the category of the nation's larger companies paves the way for an analysis of cooperation as an emergent force in Italy's entrepreneurial world.

However, before we look at this particular aspect we could further elaborate the ISTAT figures in terms of sectors and geographical areas, as shown in tables 3, 4 and 5. The main conclusions that can be drawn from this operation are the following:

1. the expansion of the cooperative movement after the Second World War was characterised by the strong development of the service sector. In fact, in addition to the cooperatives' traditional presence in the agricultural sector and in other associated areas (such as food & drink manufacturing, the construction industry, transport and banking), as well as in the consumption sector (consumers' coops), there was a much less successful move into manufacturing industry. This could have been responsible for the slowing in the growth of cooperation during the intermediate stages of its development. Towards the end of the 20th century,

[16] Account must be taken of the fact that the average number of workers employed by Italian companies in general fell from 4.6 to 3.8 during this same period.

Table 1. Cooperative undertakings according to ISTAT's 1951-2001 censuses

	Number of cooperatives	% of total companies*	employees	% of total employees*
1951	10,782	0.7	137,885	2.0
1961	12,229	0.6	192,008	2.2
1971	10,744	0.5	207,477	1.9
1981	19,900	0.7	362,435	2.8
1991	35,646	1.1	584,322	4.0
2001	53,393	1.2	935,239	5.8

Source: ISTAT, *Censuses of industry and the service sector*, various years
* excluding public institutions

Table 2. Percentage share of coops employees on total per class size*

Employee class	1971	1981	1991	2001
1	0.1	0.2	0.4	0.7
2	0.3	0.4	0.6	0.4
3-5	1.0	1.0	1.6	1.8
6-9	1.4	1.6	3.1	3.8
10-15	2.2	3.4	4.2	4.3
16-19	2.8	3.8	4.5	5.4
20-49	3.2	5.1	6.6	7.5
50-99	4.0	5.6	7.9	10.2
100-199	4.3	5.4	8.7	11.5
200-249	5.4	6.3	7.1	10.9
250-499	4.5	6.8	7.9	9.6
500-999	2.8	5.9	8.2	9.4
1000 or more	0.9	1.6	3.2	7.7
All classes	1.9	2.7	3.8	5.0
Average number of employees per cooperative	19.3	18.2	16.2	16.5

Source: ISTAT, *Censuses*
* excluding social cooperatives

Tab. 3. Sectorial distribution of cooperative employees

	1971	1981	1991	2001
Farming and fishing	32,660	33,795	27,948	36,917
Manufacturing	44,213	90,355	112,762	85,815
Construction industry	32,168	58,811	61,654	57,796
Commerce	25,386	44,078	83,611	74,047
Other service industries	73,050	135,396	270,837	531,517
Social coops			27,510	149,147
Total	207,477	362,435	584,322	935,239

Source: ISTAT, *Censuses*

Table 4. Trends in the geographical distribution of cooperative employees *

	1971	%1971	1981	1991	2001	% 2001	2001/ 1971
North-West coops	49,323		74,774	122,214	217,751		
local units	48,834	23.5	72,978	119,295	212,854	27.0	3.4
North-East coops	83,379		139,375	188,180	253,765		
local units	82,634	39.8	137,180	184,416	243,689	31.0	1.9
Emilia-Romagna coops	*53,780*		*94,937*	*111,097*	*144,480*		
Local units	*52,153*	*25.1*	*91,112*	*105,876*	*133,027*	*16.9*	*1.6*
Centre coops	34,477		64,243	100,272	151,603		
local units	34,612	16.7	65,980	103,089	156,118	19.9	3.5
Tuscany coops	*16,838*		*26,186*	*43,189*	*51,689*		
local units	*17,563*	*8.5*	*26,638*	*42,660*	*52,526*	*6.7*	*2.0*
South coops	25,933		52,892	94,252	110,687		
local units	26,953	13.0	54,031	96,504	118,722	15.1	3.4
Sicily & Sardinia coops	14,365		31,151	51,894	52,286		
local units	14,444	7.0	32,259	53,508	54,709	7.0	2.8
Total	207,477	100	362,435	556,812	786,092	100	2.8

* excluding social cooperatives

Table 5. Geographical distribution of social cooperative employees 2001

	Local units	%
North-West	47,208	31.7
North-East	42,216	28.3
Centre	30,869	20.7
South	15,944	10.0
Sicily & Sardinia	13,910	9.3
Total	149,147	100

ISTAT, *Census of the Non-Profit Sector*, 2002

however, substantial opportunities emerged for cooperation's expansion into the services sector. Indeed, there was a genuine boom in cooperation within this sector, with reference not only to the social cooperatives;

2. there are sectors that are "favoured" by the cooperatives; sectors where the incidence of cooperative employees is much higher than average, and where there is a genuine propensity towards the creation of a "critical mass" of cooperative undertakings. This happens in particular in the following sectors: farming and fishing, where cooperative employees accounted for 39% of total workers in 1971, and 37% in 2001; food & drink manufacturing (from 6.3% in 1971 to 9.7% in 2001); transport, storage and communications (from 4.9% to

12.9%); banking and finance[17] (from 8.3% to 14.1%); education (from 1% to 13%); real estate management, rental undertakings, computing, etc. (from 1.6% to 9.4%). In the construction industry, commerce and catering, the incidence of cooperative undertakings remained low, because of the substantial presence of craftsmen (bricklayers), small shops and restaurants throughout Italy. But the analysis in terms of classes of employees working in commerce and catering, which shall shortly be presented, confirms the significant presence of large cooperatives in these sectors. Finally, the social cooperatives constitute the overwhelming proportion of the welfare sector not directly administered by the State;

3. there are cooperative "strongholds" throughout Italy: besides those regions where cooperation has traditionally been strong, such as Emilia-Romagna, Tuscany and Trentino-Alto Adige, other areas have witnessed recently a strengthening of cooperatives[18]. The situation in 2001 was as follows: the leading region from the point of view of the cooperative movement remained one of its traditional strongholds, Emilia-Romagna, with 9.8% of non-agricultural workers employed by the region's cooperatives. Emilia-Romagna was followed however by a southern region, Apulia (6.8%), where cooperation was not traditionally strong; a region with a glorious cooperative past, Trentino Alto-Adige (6.2%), comes next, followed by another southern region that does not have a long cooperative tradition, Sardinia (6.1%). These leading regions were closely followed, in turn, by Umbria (5.8%), Basilicata and Sicily (both at 5.7%). All the other regions were positioned either near to the national average of 5.0% (such as Friuli-Venezia-Giulia, Tuscany, Molise, Campania and Liguria), or below that average. At the bottom of the table, the region with the lowest percentage of non-agricultural cooperative workers is the Valle d'Aosta. As a result of its large population, Lombardy was second only to Emilia-Romagna in terms of the absolute number of cooperative workers, although this figure only accounted for 3.8% of the total non-agricultural workforce. Table 4 shows that the greatest growth in the presence of cooperatives between 1971 and 2001 took place in those areas lacking great cooperative tradition.

[17] Cooperative banks and certain insurance companies.

[18] See P. Battilani, *op. cit.*

This rebalancing process is confirmed by table 5 also for the social cooperatives in surveyed in 2001.

4. The largest cooperatives

The recent consolidation of Italian cooperatives has pushed us to further refine the survey of the largest undertakings, that is, those cooperatives employing more than 500 workers. Between 1971 and 2001, the number of coops falling within this category followed the trend indicated in table 6. Their numbers grew throughout the period, and in particular during the final ten years, and became gradually concentrated within a limited number of sectors. In 1971, the cooperatives with more than 500 employees represented 2.3% of all Italian companies of this size; by 2001, this figure had risen to 9%. In terms of employees, the cooperatives employed 1.2% of the total workforce in companies of such size in 1971, but by 2001 this figure had risen to 8.1%. This trend goes against the prevailing development of Italian capitalistic enterprises, whereby companies tended to get smaller as cooperatives grew in size. In 2001, the incidence of cooperative labour in those food processing companies employing more than 500 workers stood at 18.2%; the equivalent figure in the building trade was 22.8%,

Table 6. Cooperatives with more than 500 employees*

	No. of cooperatives				No. of employees			
	1971	1981	1991	2001	1971	1981	1991	2001
Agriculture	1	3	0	0	2166	3815	0	0
Fishing	2	0	0	0	1063	0	0	0
Manufacturing (total)	3	7	13	13	1980	5065	13476	16522
(Food & Drink manufacturing only)	*3*	*7*	*8*	*10*	*1980*	*5065*	*6193*	*13429*
Construction industry	3	17	15	7	3344	15690	12269	5943
Commerce	5	11	15	16	2899	9000	21804	35095
Hotel & catering	0	2	3	5	0	1528	3986	15555
Transport etc.	8	4	1	17	14231	2984	553	11569
Finance	6	12	30	24	9518	21270	40707	55584
Supplementary services (total)	0	2	11	34	0	1468	11709	57477
(Cleaning only)	*0*	*1*	*9*	*32*	*0*	*1468*	*9776*	*47150*
Health and other services	0	0	0	3	0	0	0	3329
Other welfare services	0	0	1	2	0	0	1019	1685
Total	28	58	89	121	35201	60820	105523	202759
No. employees per cooperative					1257	1049	1186	1676

Source: ISTAT, *Censuses*

* excluding social cooperatives

Table 7. Cooperatives among the largest 30 companies in their sector in terms of turnover (2002)

	no. of cooperatives	% share of cooperatives turnover on total
Food & drink manufacturing	**56**	
Meat processing	11	23
Fruit & veg. processing	9	43
Dairy industry	8	27
Animal foodstuffs	19	49
Wine	9	43
Construction industry	**11**	**27**
Commerce		
Large-scale retailing	15	36
Hotel & Catering		
Industrial catering	5	11
Insurance companies	**4**	**12**
Integrated cleaning services	**13**	**55**
Total	**104**	**--**

Source: S. Facciolini, *I principali operatori in alcuni settori dell'economia italiana: il peso delle cooperative e delle associate alla Lega delle Cooperative nel periodo 1998-2002,* in "La Cooperazione italiana", June 2005.

Table 8. Italy's largest cooperatives in 2004
(>500 employees)

	Number of coops	Turnover (in millions of Euros)	employees	No. of members*
Manufacturing	**20**	**6,738**	**27,453**	**75,480**
Food & Drink Manufacturing	17	5,201	20,606	75,000
Construction industry	**15**	**5,189**	**16,661**	**8,000**
Large-scale retailing:	**27**	**23,807**	**94,128**	**5,500,404**
COOP	11	11,011	49,394	5,507,000
CONAD	9	6,300	26,259	3,527
Others	7	6,496	18,475	3,877
Services:	**43**	**3,453**	**120,024**	**826,072**
Integrated services	27	1,973	55,913	18,605
Catering	4	1,082	21,849	20,806
Logistics	5	159	3,712	2,010
Other Services	4	239	2,450	10,427
Finance§	3	….	36,100	774,224
Total§	**105**	**33,998**	**258,266**	**6,416,956**

Source: the cooperatives' financial statements. With the exception of a few coops belonging to the umbrella organisation Confcooperative, most coops are members of the other large umbrella organisation, Legacoop

* in some cases, the members are 2nd level undertakings or cooperatives, and thus the figure is only indicative.

§ Consisting of two insurance companies, one of which (Unipol) is the third largest insurance company in Italy, and of the cooperative credit unions system composed of 440 companies with 3,499 branches (11.2% of the total number of bank branches in Italy), with deposits representing 8.4% of total savings in Italy.

15.7% in commerce, 19.3% in the hotel and catering sector[19], 16.5% in the finance sector, 17.3% in integrated services (and an even more substantial 42.7% in the cleaning sector), and 22.2% in health and social services (without taking the social cooperatives into account). The only sector where large-scale cooperatives disappeared during the same period was agriculture and fishing (reflecting a national trend), while the number of employees in the construction industry's large-scale cooperatives fell, once again reflecting a national pattern for the construction industry as a whole.

Furthermore, in order to establish the importance of the larger cooperative undertakings, their presence among the leading 30 companies in terms of turnover was analysed in those sectors where cooperation is traditionally strong. As can be seen from table 7, the sectors in question are the same as those identified in table 6: the food & drink processing industry, the construction industry, large-scale retailing, industrial catering, integrated cleaning services and the insurance sector. The only large cooperative in the engineering sector is the well-known Sacmi Cooperative based in Imola[20], an area which to all intents and purposes can be considered a cooperative industrial district, with 60% of the town's GDP produced by its cooperatives. The precise identification and analysis of the largest cooperatives (in terms of their labour force) is another of the ongoing aims of the present study. This analysis, which focuses on those cooperatives with more than 500 employees, in order to be able to compare results with the census findings, has enabled us to identify about one hundred such undertakings (but this total is underestimated). A picture of our findings is given in table 8 below[21].

In order to fully appreciate the importance of the large cooperatives compared with the total number of Italian cooperatives, table 9 gives an overall picture of Italian cooperation in 2004. The 105 largest cooperatives shown in table 8 only represent 0.15 – 0.17% (depending on the total used) of the number of Italian cooperatives, but they account for 57.6% of all cooperative members, 34% of total cooperative turnover, and 21.7% of all cooperative employees. Special mention should be made of the importance

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[19] A study of one of the large cooperative groups present in this sector – the CAMST – is contained in the company history *Ristorazione e socialità*, V. Zamagni (ed.), Bologna 2002.

[20] See A. Bassani, *C'erano una volta nove meccanici..: ottant'anni di crescita SACMI*, Imola, 1999.

[21] The total number of cooperatives remains substantially the same as that given in table 7; however, table 8 shows those cooperatives with a larger workforce, which in some cases do not coincide with those boasting the highest turnover, especially in the integrated services sector. The sectors are the same in both cases however.

of large-scale retailing, of which a detailed study has recently been published[22] covering the entire 150 years of its history. This study acknowledges the fact that large-scale cooperative retailing is the market leader in Italy: this is true both of the consumers' cooperatives (the leading group with approximately 19% of the market), and of the retailers' cooperatives (consisting of three groups with a comparable overall market share). Cooperative large-scale retailing accounts therefore for about 38% of the entire sector. There are clear signs here of the fact that the cooperative movement is going against the increasing fragmentation of the Italian economic system in recent years.

Table 9. The Italian cooperative movement in 2004
as portrayed by the cooperative umbrella organisations

	Number of cooperatives	Turnover (in billions of Euro)	Members	Employees
Legacoop	15,200	46	7,200,000	396,000
Confcooperative	19,000	43	3,000,000	427,000
AGCI	5,500	5.4	264,000	70,000#
UNCI	7,825	3#	558,000	129,000
Unicoop*	1,910	0.3#	15,000	20,000#
Non-members	22,029§	3#	100,000#	150,000#
Total	**71,464**	**101**	**11,137,000**	**1,192,000**

Sources: official figures from the cooperative umbrella organizations, including those for the social cooperatives. Note that the total number of employees given is approximately 100,000 higher than ISTAT's figures for 2001 because account is taken here of those workers employed by the joint stock companies controlled by cooperatives, together with the substantial growth in the number of employees working for the social cooperatives, which rose from approximately 150,000 in 2001 to 223,000 in 2004.

Notes: # estimated figure

§ estimated as the residual figure from the total (71,464) given by Unioncamere in its report *Secondo rapporto sulle imprese cooperative*, 2006. Note that the cooperatives registered in the Cooperative Register, which was only set up just recently on the 15th January 2006, in fact number 62,253; this would suggest that the numbers of Unioncamere too were somewhat inflated by the inclusion of non-operative cooperatives.

* This fifth cooperative umbrella organisation (of a rightwing orientation) was officially recognised only in May 2004 and very little is known about its activity.

5. The turning points and the creation of networks. The case of Legacoop.

We have seen that, despite their limitations, the above-mentioned figures provide us with a picture of cooperative development in which the point of arrival is rather clear, but the turning points in the fortunes of the Italian cooperative movement

[22] See V. Zamagni, P. Battilani and A. Casali, *La cooperazione di consumo in Italia. Centocinquant'anni della coop consumatori*, Bologna, 2004. Also see P. Battilani, "How to beat competition without losing co-operative identity: the case of the Italian consumer Co-operatives", in *Consumerism versus capitalism? Co-operatives seen from an International Comparative perspective*, Amsab-Institute of Social History, 2005.

remain somewhat unclear. In other words, it is not clear when the cooperatives began their expansion, or how they succeeded in doing so. Since the vast majority of today's large-scale cooperatives are members of the *Legacoop*, a more detailed analysis of the strategies adopted by the latter could offer the answers to such questions. This analysis has already got underway, and I am going to summarise some preliminary results in this section of the present paper.

An unpublished work (forthcoming during the course of 2006) written by my collaborator Emanuele Felice, focusing on the period between the end of the 1970s and the year 2004, reveals that the turnover produced by the Legacoop's members trebled (at constant prices) during that period; the number of people working for the Legacoop cooperatives more than doubled during the same period. There were two periods of sustained growth during this time: the decade between the end of the 1970s and the end of the 1980s, and the decade between the mid-1980s and the present day. There was a five-year period in between during which the agricultural, housing and building cooperatives were in some difficulty[23]. The first period was characterised by an extremely lively Italian economy in general, in spite of the various oil crises. During the latter decade, on the other hand, the Legacoop (and the entire Italian cooperative movement in general) moved counter to the overall trend of the Italian economy: whereas the latter has experienced years of virtual stagnation, especially in the very last few years, characterised by productive fragmentation, the cooperatives have expanded substantially. In fact, during this period in particular, Italy's cooperative sector has witnessed a substantial rise in the average size of cooperative undertakings, in terms of both turnover and employment, as we have already seen above.

An analysis of profitability per turnover class, which could only be conducted for the period 1992-2004, reveals that those cooperatives with a turnover of less than 500,000 euros nearly always made losses; those cooperatives in the higher turnover categories, on the contrary, were constantly profitable. In particular, those cooperatives with a turnover of more than 200 million euros (whose numbers rose from 22 to 35 during that period) saw their profitability more than doubled, which was especially true of those with a turnover of between 500 million and one billion euros (their numbers rose from 6 to 13). This observation clearly shows one of the main reasons why Italian cooperatives grew in size once they decided to enter the competitive market.

[23] The small fishing sector, on the other hand, has always been in great difficulty since the 1970s.

We could thus hypothesise that Italy's cooperatives were led out of marginality and to the fore of the economic scene by two movements: the first, witnessed between the end of the 1970s and the beginning of the 1980s, focused on the general consolidation of the individual cooperatives, with expansion based on mergers and the creation of networks (in general, consortia) on a limited geographical scale. Many of the difficulties that followed, such as the *Clean Hands* process[24] which paralysed the construction industry, were of an exogenous nature, and contributed towards reinforcing the belief that "big was beautiful"; the larger cooperatives were perceived as having an advantage in terms of profitability, organisation, market power and lobbying power. The second wave of growth saw the formation, in various ways, of "cooperative groups", thus reinforcing the previous trend towards the creation of complex networks of cooperative, and non-cooperative, undertakings. In some sectors, large-scale cooperation has begun to perform the role of aggregator and coordinator of the small and medium-sized cooperative and non-cooperative enterprises situated within their geographical areas: this has been achieved both through the explicit creation of groups, through the influence exercised over allied industries, and through the launching of consortia on a national scale.

A good example of this is represented by the consumers' cooperatives, dominated by Legacoop. There are two Legacoop organisations currently operating within this sector. The first is the ANCC, which today (2004) organises 160 COOP-brand consumers' cooperatives: the top 9 account for 90% of total turnover, and possess a wholesale structure – Coop Italia – that has recently brought together other groups of consumers' cooperatives and retailers' cooperatives which were not members of Legacoop (Sait, Sigma and Despar), through the creation of a common wholesale company "Centrale Italiana", which has achieved a turnover amounting to 23% of the entire turnover of Italy's large-scale retailing sector. The second Legacoop organisation within the reatailing sector is the ANCD: this organises consortia of cooperatives of retailers (including primarily CONAD and other smaller brands) with a turnover that accounts for 12.2% of the total turnover of large-scale retailing, and some 2966 sales outlets. In February 2006, CONAD set up the very first cooperative based on European law – Copernic – jointly with the Belgian chain Coruyt (the third largest in Belgium), the Swiss Coop (the second largest in Switzerland), the French chain E. Leclerc (the

[24] It was a process of denunciation of widespread corruption in public tenders.

leading hypermarket chain in France), and the German Rewe Group (Germany's second largest chain). The resulting "European cooperative" boasts a turnover of 96 billion euros and 17,500 sales outlets. Taken as a whole, then, the Legacoop organises directly more than one-third of Italy's large-scale retailing network, and this share is constantly growing[25]. In 1977 the two organisations (ANCC and ANCD) accounted for 21% of the Legacoop's turnover; by 2004, this share had risen to 40%.

As for the consumers' cooperatives, the above-mentioned detailed study[26] reveals that there was an initial turning point in the 1970s; faced with numerous company crises and management problems caused by high inflation, some of the largest cooperatives chose to strengthen their performance by accelerating the modernisation of their sales outlets (supermarkets) through mergers and the adoption of a more professional approach to marketing. This resulted in the concentration on the use of the sole brand (Coop) and the resort to advertising. A number of prerequisites for expansion had already been established beforehand, such as the foundation of Coop Italia, the wholesale cooperative serving the system, in 1967, and the creation of local consortia[27]. However, it was not until the 1970s that the decisions in favour of consolidation became irreversible, and only at the end of that decade that turnover began to rise rapidly. In 1983 there were still some 600 consumers' cooperatives, the top 9 of which accounted for a 65% share of total turnover. Ten years later, this number had fallen to 300, and the top 9 now accounted for 78% of total turnover. The second turning-point came in the 1990s, when the major cooperatives' decision to focus on the hypermarket option was widely shared (the number of hypermarkets rising from 5 in 1988 to 67 in 2003), and turnover grew accordingly[28]. This leap in the size of sales outlets was basically possible thanks to the widespread use of members' savings, which on average provided 50% of the necessary capital. However, the process of concentration of the 9 leading cooperatives is still ongoing, as witnessed by the recent creation of three agencies (North-West, Adriatic and Tyrrhenian) each providing shared services to three large cooperatives.

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[25] As seen above, there are other smaller cooperatives active in retailing, most of which have joined Legacoop wholesale structures.

[26] Zamagni-Battilani-Casali, cit.

[27] See P. Battilani, *La creazione di un moderno sistema di imprese: il ruolo dei consorzi della cooperazione di consumo dell'Emilia-Romagna*, Bologna, 1999.

[28] An unpublished study of the CONAD supermarket chain reveals that cooperation among retailers also experienced a quantum jump in the 1990s with the advent of the hypermarkets.

A similar thing has happened in the construction sector, where individual cooperatives have indeed been strengthened, but where, more importantly, a national consortium has been set up. This is the sector in which local-area consortia had already been created at the beginning of the 20th century, but where the biggest step forward was taken in 1978 with the merger of the powerful consortia from Bologna (founded in 1912), Modena (1914) and Ferrara (1945), under the present name of CCC (Consorzio Cooperative Costruzioni). Following this merger, the CCC strengthened its role as business promoter and service provider, and its operational range increasingly extended beyond the areas of the original consortia. At this point, a project was drawn up to unite all the consortia present in the other Italian regions with the CCC (by far the largest), in order to create a national consortium for the overall coordination of the Legacoop's strategy within the construction industry. This objective was achieved in 1990[29]. The final step consisted of the incorporation of the ACAM (*Consorzio Nazionale cooperative approvvigionamenti* – National Consortium of Building Supplies Cooperatives), that is, the consortium that brings together the many cooperatives servicing the construction industry[30]. The CCC currently has 230 member cooperatives, employing a total of some 20,000 workers, and with a turnover of 3,500 million euros it is the leader in the construction industry in Italy.

More recently, the services sector has also witnessed the creation of groups. The largest of these is *Manutencoop*, with a turnover of approximately 500 million euros. A national consortium – CNS - has also been created. Set up in 1977, but only really operative from the second half of the 1980s onwards, it brings together more than 200 cooperatives operating in the following sectors: facility management, transport, porterage, custodial and cleaning services, ecology, catering, and tourism-cultural services. The governance of this consortium has never been easy, often paralysed by inner conflicts between the larger and the smaller coops. A stable equilibrium was finally reached in 1998 and this spurred a sustained growth of its turnover, passing at constant 2004 prices from 161 million Euros in 1999 to 384 million in 2004. This growth has been supported by the contracting out of services increasingly practiced by private corporations as well as by public authorities. But it has been the result also of the comparative advantage a consortium has in producing integrated services (facility

[29] See F. Fabbri, *Da birocciai a imprenditori. Una strada lunga 80 anni*, Milan, Angeli, 1994.

[30] See CCC, *1912-2002. 90 anni*, Bologna, 2002, p.95.

management), implying the use of different specializations and the coordination of different cooperatives. Moreover, CNS becomes the single responsible body in contracts, which simplifies relations of the smaller cooperatives with the the buyers of their services. It must be noted, however, that the total turnover of the cooperatives participating to CNS is 2.5 billion Euros as against approximately 400 million Euros intermediated by CNS and this is due to the fact that the larger cooperatives still work largely on their own.

Coordination operations have proven more complicated in the food and farming sector where, while there has been a growth in average company size as a result of mergers, the creation of cooperative groups for specific areas of production is only a recent development. The largest group affiliated to Legacoop can be found in the dairy sector (Granlatte-Granarolo[31], with a turnover of 900 million euros), although there are also large cooperative groups present in parmesan production (Granterre), wine (GIV), fruit & vegetables (Apofruit Italia), large-scale crops, their by-products and services (Progeo), and meat (Unipeg). The other cooperative umbrella organisation, Confcooperative, is also very much present in this sector, in the form of a number of very large cooperative groups such as Conserve Italia (with a turnover of around 800 million euros). No complete study has been carried out yet of the cooperative presence within this sector, where cooperation, more than the capitalistic enterprises, is preserving Italy's competitive capacity against the overbearing presence of the multinationals (as is also the case in large-scale retailing, as we have seen, and in catering).

Another area where a form of system governance has been developed is that of the cooperative banks, which belong to Confcooperative. This area witnessed an acceleration in the concentration and growth of cooperatives during the 1990s, and today the credit unions represent 8.4% of total deposits in Italy. In general, the Confcooperative's degree of concentration and compactness is not as great as that of the Legacoop, resulting in just a few large-scale cooperatives concentrated mainly in the food and farming sector. The Confcooperative has however an extremely strong national consortium (CGM) grouping together 79 local consortia of social cooperatives providing personal services: these consortia are constituted by a total of 1,200 cooperatives with 40,000 employees, and they boast a turnover of around 1 billion

[31] In truth, this group unites both "red" (left-wing) and "white" (Catholic) cooperatives.

euros[32]. Legacoop too now has a large number of social cooperatives (1,500, employing some 55,000 people with a turnover of 1.8 billion euros), and has set up a national association (Legacoopsociali), but its consortia are still of a small size and of a limited functionality.

The system governance that emerges from the above could be analysed using a model proposed by Giovannetti[33]: the latter criticises the well-known transactional approach as applied to individual companies isolated from the rest, because this approach needs to use the idea of externality in order to make room for all that is excluded by the calculation of efficiency in the standard models. In the cooperative world, on the contrary, externalities are substantially internalised by "inter-cooperative" organisation involving the creation of consortia, of sectoral and local associations, of

Table 10. Governance in the cooperative system

Corporate purpose	*Nature of the agreement*	*Class*	*Collective resources*	*Type of coop*
Production of various goods and services	Direct involvement of members	**Cooperatives of production and labour**	Equipment and machinery, plant, skills, good-will, market relations	Workers coops, social coops and professional services coops.
Technical assistance, job acquisition, guarantees against bank loans, etc.	Involvement in the management and utilisation of *certain* resources made available for shared use.	**Network hubs**	Creation of process funds, guarantee funds, service funds; construction of innovative and commercial strategies	Consortia, second-level coops, guarantee coops, service coops
Purchasing goods and services on behalf of members; purchasing, building and management of property	Production of goods and services for common use, with limited direct involvement of members who delegate management	**Agencies and mutual aid societies**	Formation of teams specialised in: seeking opportunities and works management; the purchasing of goods and quality control; the creation of and control of club goods	Estate agents, housing coops, consumers' coops, management coops, cooperative insurance companies.

[32] Centro Studi CGM, *Beni comuni. Quarto rapporto sulla cooperazione sociale in Italia*, The Agnelli Foundation, Turin, 2005.

[33] E. Giovannetti, "Le virtù dei *commons*: imprese cooperative e formazione di beni pubblici di filiera", in *Economia Pubblica*, 2002, no.3.

cooperative groups and of cooperative umbrella organisations, which guarantee growth at increasing returns. Table 10 illustrates Giovannetti's model.

While the creation of network (as against scale) economies constitutes a vital key to the recent success of Italian cooperation, certain legislative measures governing cooperation have been of important support to this success. The first measure, which is repeatedly mentioned and which goes back to Giolitti's legislation dating from the very early 20th century[34], consisted of the granting of permission to create consortia: this enabled the cooperatives to preserve their often limited size and democratic management, reaping at the same time scale economies in tenders and in certain services guaranteed by the consortia.

The *second* measure, implemented in 1977 (Law 904 of the 16th December), granted complete tax exemption to profits earmarked for indivisible reserves[35], which greatly encouraged the capitalisation of the cooperatives. In fact, 87% of the profits of the medium-sized and large coops was still being earmarked for indivisible reserves as recently as 2003, while 4.9% went on cash refunds (3.9% of which to the capital account however) and only 4.1% was distributed to members. Finally, the *third* important measure was taken in 1983, with cooperatives allowed not only to have shareholdings in joint-stock companies, but also to completely control them. This measure was to encourage the setting up of groups as well as the collection of funds in the market, including the stock-market listing of companies controlled by cooperatives (such as UNIPOL – the Legacoop's insurance company), and as a result, to further strengthen the capitalisation of the coops within the Legacoop.

Given the above, we could conclude that the first step forward towards the consolidation of some cooperatives was aided by the 1977 Law, while the second step, involving the setting up of cooperative groups, was facilitated by the 1983 Law and by the subsequent Law no. 59 of 1992 which introduced the coop member-financial backer and the cooperative privileged shares.

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[34] See www.movimentocooperativo.it.

[35] At the beginning there was no limit to the amount of profits that could be earmarked for the indivisible reserve, whereas the recent reform carried in the 2003 law has in fact established such limits. For an account of cooperative legislation prior to the last reform, see G. Bonfante, *Imprese cooperative*, Bologna, Zanichelli, 1999.

Conclusions

During the 19th century, economists were very interested in the cooperative idea. Indeed, in the 3rd edition of his *Principles of Political Economy* , John Stuart Mill stated that "the form of association… which if mankind continue to improve, must be expected in the end to predominate, is not that which can exist between a capitalist as chief, and work-people without a voice in the management, but the association of the labourers themselves on terms of equality, collectively owning the capital with which they carry on their operations, and working under managers elected and removable by themselves" (IV.7.21). However, *economic* democracy has proved to be even more difficult to achieve than its *political* counterpart, since it requires the love of freedom and the ability to self-government, and as a result has been superseded by hierarchical, autocratic corporations, where workers are paced by machinery and are governed by a top-down organisational approach, in exchange for a guaranteed wage (barring bankruptcy). Through the benefits of scale and scope economies, the hierarchical corporation has strengthened its position; however, it nowadays has major drawbacks, above all in the service sector where output is non standardized, requiring the strong motivation and creativity of producers. This has led many to rethink the role of cooperatives. Thus today there are the prerequisites for cooperatives to recover appeal, even at the theoretical level[36], although the capitalist corporations' power is such that it is not easy to counter.

In the case of Italy, it could be claimed that the large capitalist corporations' failure in the past to achieve the degree of power they exercise in other countries does in fact leave the cooperatives with more room for consolidation. The cooperatives themselves have taken a virtuous path to growth, via the strengthening of company performance as a result of mergers, on the one hand, and of the creation of vast, complex cooperative networks on the other. The law has aided this process in the form of legislative measures designed to facilitate the capitalisation of cooperatives and the working of their networks. Of course, the governance of large cooperative undertakings and groups featuring not only coops but also joint stock companies is not an easy task; there are no pre-established models; nor can the large-scale capitalist corporation

[36] See E. Mazzoli and S. Zamagni (eds.), *Verso una nuova teoria economica della cooperazione,* Bologna, Il Mulino, 2005.

models be easily copied, as the cooperatives have to place themselves within the framework of economic democracy, with a multitude of stakeholders to serve.

The major challenge currently facing cooperation in Italy (and elsewhere) is that of finding a suitable form of large-scale cooperative governance. Another important challenge is represented by the globalisation of the economy which makes imperative for the cooperative movement to find ways of going beyond its “national” borders towards the creation of genuinely international coop networks.