European Research Institute on Cooperative and Social Enterprises

RESEARCH REPORT N.015 | 17

THE ITALIAN ROAD TO RECUPERATING ENTERPRISES AND THE LEGGE MARCORA FRAMEWORK:

Italy's Worker Buyouts in Times of Crisis

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THE ITALIAN ROAD TO RECUPERATING ENTERPRISES AND THE LEGGE MARCORA FRAMWORK
Italy's Worker Buyouts in Times of Crisis

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ABSTRACT

Recent years have witnessed a re-emergence of business rescues and buyouts of failing firms or of firms with succession issues to cooperatives. In our current times of lingering economic crises and austerity, in particular, worker-initiated business conversions to cooperatives - or *worker-recuperated enterprises* - are directly addressing chronic under- and unemployment, rising rates of firm closures, and business transfer issues. They also suggest ways of bringing economic control back to the hands of workers and communities via practices of collective entrepreneurship.

This report focuses on Italy's experiences with worker-recuperated enterprises as worker buyouts (WBOs). They have been facilitated by Italy's extensive cooperative, business, and labour legislation and enabling environment, spearheaded by its Legge Marcora (Marcora Law) policy and funding framework - a unique collaboration for business rescues and saving jobs between workers, the state, and the cooperative movement. With particular emphasis on the resurgence of WBOs since the latest period of economic crisis spawned by the Great Recession, this report reviews and updates research we have been conducting at the European Research Institute on Cooperative and Social Enterprises (EURICSE) by specifically exploring: the political economic conditions from out of which Italian WBOs emerge; Italian and European policies on business transfers; the legal and financial supports that facilitate WBOs in Italy; Italian WBOs' economic sectors of activity, geographic spread, territorial concentration, and demographic dimensions; and their organizational makeup and conversion processes.

This report strives to contribute to bridging knowledge gaps concerning business conversions to worker cooperatives more broadly, and Italy's WBOs and Legge Marcora framework more specifically. It also aims to establish a research agenda for studying worker buyouts that aspires to uncover their long-term potential as solutions by workers to micro- and macro-economic crises and for informing policy and future research considerations.

This report brings to a close the Italian phase of a broader research initiative entitled *New Production and Worker Cooperatives and the Employee Buyout Phenomenon* in the "Innovative Models" research stream spearheaded by EURICSE. This broader research initiative seeks to bring into clearer view the dynamics of the conversions of businesses into worker cooperatives and other forms of labour-owned and community-centred firms via an interdisciplinary political economic and sociological research program.

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ACKNOWLEDGEMENTS

This report and research would not have been possible without the kind assistance of the following institutions and people:

Cooperazione Finanza Impresa (CFI) has collaborated with the authors of this report by kindly making available its database of worker buyouts, offering us guidance regarding the cooperatives they have worked with, assisting us in contacting numerous Italian worker buyout experiences, helping us in understanding the Legge Marcora framework more completely, and by generously supporting this research initiative from the beginning. We especially would like to thank CFI's Franco Di Nuzzo, Armando Castrichelli, and Alessandro Viola for their continuous assistance since the beginning of this project.

We are also in deep gratitude to Dr. Alberto Zevi, president of Italy's Legacoop's Centro Studi and former president of CFI, who has also been extremely helpful and supportive over the years with this project, contacting WBO-enabled cooperatives on our behalf and encouraging us throughout the preparation of this report.

Professors Carlo Borzaga, Antonio Fici, and Ermanno Tortia have also been very helpful in assisting us with better understanding Italian cooperatives and offering feedback.

Many thanks also to Gianluca Salvatori for his continued support and promotion of this project.

A deep thank you is also due to the many people who have been a part of this work at particular moments over the past few years, including: Brandon Bertram, Aleksandra Bobic, Riccardo Bodini, Chiara Carini, Adriano Cataldo, Vittoria Fontanesi, Martina Facci, Alessandra Faccio, Barbara Franchini, Deborah Fraccaro, Giulia Galera, Elisa Gobbi, Felice Scalvini, Chiara Strano, Stefania Turri, and Flaviano Zandonai.

Above all, we would like to thank the many workers of Italy's *imprese recuperate* who have collaborated with us in this project with their time and personal testimonies.

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LIST OF ACRONYMS

ACI	*Alleanza Cooperative Italiane* (Alliance of Italian Cooperatives)
AGCI	Associazione Generale Cooperative Italiane (General Association of Italian Cooperatives)
ANBSC	Agenzia Nazionale per l'Amministrazione e la Destinazione dei Beni Sequestrati e Confiscati alla Criminalità Organizzata (National Agency for the Administration and Allocation of Goods Sequestered and Confiscated from Organized Crime)
ASpI	Assicurazione Sociale per l'Impiego (Social Insurance for Employment)
CC	Codice Civile (Italian Civil Code)
CdA	*Consiglio di Amministrazione* (administrative board, or board of directors)
CCFS	Consorzio Cooperativo Finanziario per lo Sviluppo (Legacoop's Financial Consortium for the Development of Cooperatives)
CF	Capitalistic firm
CFI	Cooperazione Finanza Impresa
CGIL	Confederazione Generale Italiana del Lavoro (General Italian Confederation of Labour)
CIGS	*Cassa integrazione guadagni straordinaria* (temporary layoff benefits)
CISL	Confederazione Italiana Sindacati Lavoratori (Confederation of Italian Trade Unions)
Confcooperative	Confederazione Cooperative Italiane (Confederation of Italian Cooperatives)
EC	European Commission
EP	European Parliament
EU	European Union
ERT	*Empresa recuperada por sus trabajadores* (worker-recuperated enterprise)
INPS	Istituto Nazionale della Previdenza Sociale (National Institute of Social Security)
IRL	*Impresa recuperate dai lavoratori* (worker-recuperated enterprise)
ISTAT	Istituto Nazionale di Statistica (National Institue of Statistics of Italy)
Legacoop	Lega Nazionale delle Cooperative e Mutue (National League of Cooperatives and Mutuals)
LMF	Labour-managed firm
SAL	*Sociedades laborales* (labour societies in Spain)
SCOP	*Société coopérative ouvrières de production* (workers' production cooperative societies, or worker cooperatives in France)
SME	Small- and medium-sized enterprise
SOFICOOP	Società Finanza Cooperazione
TFR	*Trattamento di fine rapporto* (Italian severance pay, or termination indemnities)
UIL	Unione Italiana del Lavoro (Italian Labour Union)
Unioncamere	Unione Italiana delle Camere di Commercio, Industria, Artigianato e Agricoltura (Italian Chamber of Commerce)
WOF	Worker-owned firm
WBO	Worker buyout
WISC	Work-integration social cooperative
WRE	Worker-recuperated enterprise

INTRODUCTION

The empirical evidence suggests that cooperatives are more resilient than conventional investor-owned firms (Bentivogli & Viviano, 2012; Zevi, Zanotti, Soulage, & Zelaia, 2011), responding more robustly to economic troughs (Fontanari & Borzaga, 2013), and experiencing much less job loss (Pérotin, 2006, 2012). Indeed, employment in cooperatives tends to remain steady or grow in periods of economic crisis (Birchall & Hammond Ketilson, 2009; EURICSE, 2013; Zanotti, 2011). Where cooperatives emerge, it is clear that jobs are saved and the productive capacities of communities are preserved or enhanced (Sanchez Bajo & Roelants, 2011). Cooperatives contribute to the prevention of the "desertification" of regions and act as shock absorbers for the socio-economic needs of entire communities (CECOP-CICOPA, 2013).

These countercyclical trends have especially been the case historically with worker cooperatives (Craig, 1993; Estrin, 1985; Jones, 1984; Pérotin, 2006, 2012; Zevi *et al.*, 2011). Today worker cooperatives are growing in numbers throughout the regions most afflicted by the lingering crisis spawned by the Great Recession (Birchall & Hammond Ketilson, 2009; Carini & Carpita, 2013; Pérotin, 2012; Smith & Rothbaum, 2014). This is so even though unemployment continues to rise throughout Europe (EC-DG Employment, 2015; Labour Market Fact Sheet, 2012) and in much of the global South (ILO, 2014a), business closures stubbornly persist at elevated rates (ILO, 2012, 2014a, 2014b), and structural adjustment policies and other economic reforms reduce the security of workers more and more, especially in Southern Europe (CECOP-CICOPA, 2013; EC Press Release, 2014). The model of the worker cooperative, it seems, is particularly promising as a micro-economic counterweight to lost jobs and closing firms.

One important source for new worker cooperative formation in recent years has been the process of worker buyouts (WBOs). WBOs are *employee-led conversions or rescues of failing or bankrupt firms or firms with succession issues which are transformed into labour-owned and -managed enterprises, often in the form of worker cooperatives* (Quarter & Brown, 1992; CECOP-CICOPA, 2013; Jensen, 2011, 2012). The re-emergence of WBOs is perhaps no surprise since they have historically been a vehicle for new labour-managed and cooperative firm formation (Ben-Ner, 1988; Quarter, 1995; Smith & Rothbaum, 2014).

Recent spikes in new WBOs in jurisdictions hardest hit by the most recent economic crisis, then, are not coincidental. In Europe, for instance, France, Spain, and Italy have witnessed in the last six years a growth in new worker cooperatives and other forms of labour-managed firms emanating from WBOs (CECOP-CICOPA, 2013; Corcoran & Wilson, 2009; Corcoran, Bridault, Ouellet, Laflamme, Hough, Fox, Hancock, & Renaud, 2011; ILO, 2014b; Jensen, 2011, 2012; Vieta, 2015a, 2015b; Vieta & Depedri, 2015; Zevi *et al.*, 2011). To a lesser extent, they are also present in the UK, Ireland, Belgium, and Finland. More recently, Greece, Turkey, Serbia, and Russia have also witnessed some conversions of troubled conventional firms into worker co-ops. While European WBOs are less celebrated in the literature than their South American cousins, the *empresas recuperadas por sus trabajadores* (worker-recuperated enterprises, ERTs) (Ruggeri & Vieta, 2015; Vieta, 2010, 2013, 2014a, 2017), in Europe's current economic conjuncture of stubborn crisis they are proving to be equally promising for saving jobs, businesses, and even local communities from further depletion.

It is the intent of this report to begin to better understand the process of worker-initiated business recuperations and conversions by homing in on Italy's worker buyout phenomenon.

The paths that employees take to convert troubled businesses into cooperatives or other labour-managed firms are varied. At times and in certain jurisdictions, such as with Spain, France, and Italy's WBOs, these conversions - motivated either by company crisis or business succession issues - tend to take place as *negotiated employee buyouts* between workers and their representatives and exiting owners, the cooperative sector, and local authorities or bankruptcy courts. At other times, as in South America and in some cases in Italy and other Southern European countries, they unfold as more dramatic *workplace takeovers by workers* during moments of broader market failure, socio-economic crises, or intensifying conflict between workers and management or owners. WBOs and other forms of workplace conversions are, at the same time, influenced by national and regional contexts, traditions of labour organizing, the strength of local cooperative movements, the degree of support from unions and cooperative federations, existing economic development policies, the legal frameworks that assist conversions, and knowledge of the WBO solution on the part of workers and the legal and political system.

Given the rise of the conversions of businesses in crises by their employees in recent years in regions and countries particularly hard-hit by economic crises, and given the possibilities they offer for helping local economies overcome economic difficulties and for saving jobs, it behoves researchers, cooperative federations, unions, and policymakers at all levels to understand the worker buyout process better.

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In particular, it is the intent of this report to begin to better understand the process of worker-initiated business recuperations and conversions by homing in on Italy's worker buyout phenomenon. It does so by offering a detailed overview of the main features and characteristics of Italy's WBO processes; the varied legal and financial supports available, including its Legge Marcora (Marcora Law) framework; and the overall trends and organizational dynamics of the labour-owned firms that emerge. The report overviews research we have been conducting at the European Research Institute on Cooperative and Social Enterprises (EURICSE) exploring the particularities of the "Italian road to recuperating enterprises," which sees workers converting conventional businesses in trouble or with succession issues into worker cooperatives via the country's strong cooperative development enabling environment.

The report is organized as follows:

- The **Executive Summary** synthesizes the report's empirical analysis and reviews its main findings.
- **Chapter 1** overviews the policy relevance and broader implications of promoting worker-recuperated firms and worker buyouts for economic development and for overcoming crises, with particular focus on Europe.
- **Chapter 2** first defines worker-recuperated firms and worker buyouts and then synthesizes why and how WBOs emerge in Italy today, focusing especially on the social, political, and economic conditions that spur WBO development.
- **Chapter 3** homes in on the policies, laws, and financial instruments that make up Italy's enabling environment for WBO creation and its Legge Marcora framework.

- **Chapter 4** engages in a longitudinal and descriptive analysis of Italy's WBOs, encompassing the geographic areas and economic sectors where they are found, as well as their demographic dimensions, including WBO firms' lifespans, birth and death rates, and survival rates.
- **Chapter 5** explores, via survey and case study analysis, how Italy's WBOs change organizational, management, and governance practices after the conversion of a firm from a capital-owned business into a labour-owned and labour-managed firm.
- Finally, **Chapter 6** concludes the report with review of its most pertinent key findings, policy recommendations, and considerations for future research.

EXECUTIVE SUMMARY - THE ITALIAN ROAD TO RECUPERATING ENTERPRISES

This report - *The Italian Road to Recuperating Enterprises and the Legge Marcora Framework: Italy's Worker Buyouts in Times of Crisis* - homes in on the political and macro-economic contexts, the legislational and financial frameworks, the demographic and territorial dimensions, and the organizational dynamics of worker buyouts in Italy. The report is driven by the conviction that Italy's "road to recuperating enterprises" offers a unique model of WBO formation worthy of deeper exploration, especially given the context of the country's continuing economic crisis and the increasing interest regarding business transfers and conversions in Europe and internationally.[4]

This report focuses on the political and macro-economic contexts, the legislational and financial frameworks, the demographic and territorial dimensions, and the organizational dynamics of worker buyouts in Italy.

The Relevance of Italy's Worker Buyouts

According to our research, since the early 1980s Italian WBOs have saved, at minimum, over 9,500 jobs that encompass the 257 firms from across the country that we track in our database.[5] They have particularly taken off in the "Made in Italy" (or "Third Italy") regions of the Centre and the Northeast,[6] where the vast majority of Italy's SME-based manufacturing sector is located - a sector that also makes up the majority of firms emerging from WBOs in Italy.[7] As we detail in this report, most of Italy's WBOs are small enterprises, on average employing 36 workers. The majority range in size from 10 to 49 workers, while a fair number of them are medium-sized firms with over 50 workers, and a smaller number are micro-enterprises of less-than 10 workers. As of 31 December 2014, there were at least 131 active firms generated from WBOs or workplace recuperations in our database, with a substantive rise in new WBOs since the 2008 financial crisis. An additional 126 WBOs have closed at some point before 31 December 2014, although most inactive firms had survived for many years before closing and had emerged in the 1980s or 1990s.

This worker/state/cooperative sector framework for WBOs in Italy contributes a unique set of business restructuring policies, financing mechanisms, and cooperative enabling environment. It is the goal of this report to map out the Legge Marcora framework and the broader enabling environment within which it is grounded, as well as the particularities of the WBO-generated cooperative businesses that emerge because of them.

While the WBO process in Italy is reliant on a plethora of cooperative business legislation and development support mechanisms, the backbone of business conversions in Italy consists of the Legge Marcora financing model. Collectively, we term this legislative and financing support environment the "Legge Marcora framework" for WBOs. Since its passing as Law 49/1985 on 27 February 1985 (from now on, L. 49/1985), WBOs in Italy have been facilitated by a strong development policy for creating employment-generating cooperatives. With L. 49/1985 (and its subsequent modifications) as its

[4] See Chapters 1 and 2.

[5] See Figure 1 and Chapters 2 and 4.

[6] Graphically laid out in Figure 1.

[7] See Figure 1, Figure 3 in Chapter 2, and Table 4 and Figure 16 in Chapter 4.

centerpiece, the WBO process in Italy is undergirded by a collaborative approach to workplace conversions, mainly between:

- ***workers***, who finance the buyout and share capital of the converted firm via their personal savings, possible loans, and the ability to use their severance pay and advances of their unemployment insurance benefits;
- ***the cooperative sector***, through various financial and capacity-building supports, including its "*fondo mutualistico*" ("mutualistic fund") - made up of 3% of all Italian co-ops' income and from the substantial proceeds of dissolved cooperatives; and
- ***the Italian state***, through robust cooperative legislation and via public funds used towards WBOs and new cooperative start-ups, including affordable loans, risk capital financing, and various other support mechanisms.

The Legge Marcora framework also includes the support of what are called "institutional investors". One of the oldest and most important of these institutional investors - and at the vanguard of facilitating the creation of WBOs in the country - is Cooperazione Finanza Imprese (CFI). CFI is a cooperative financing and business support organization that collaborates with Italy's cooperative federations, territorial experts and agencies, and cooperative consortia and other financing institutions in order to assist workers engaging in WBOs and other cooperatives focused on generating employment. Involved in financing and supporting more than three-quarters of the WBOs recorded in our database, CFI is itself a limited liability second-tier cooperative formed in 1986 by the initiative of Italy's three major cooperative federations and mandated by the Italian state via its principal member, the Ministry of Economic Development,[8] to coordinate and deploy funds provisioned by the Legge Marcora framework.[9] CFI also facilitates, helps consolidate, and provides business consultancy services to cooperatives created from WBOs and, increasingly in recent years (after the reforms to Legge Marcora in 2001) to other, non-WBO worker and social cooperatives that have as their main focus the protection and generation of employment. As of 31 December 2014, CFI had invested in 202 WBOs throughout Italy.[10]

L. 49/1985 at core provisions two major sources of financial support for the creation of new cooperatives via business conversions, for *de novo* cooperative start-ups, or for the consolidation and development of established work-centred cooperatives:

- a rotating fund of soft loans accessible to cooperatives motivated to generate or improve employment levels or productivity by restructuring or modernizing production equipment, technical services, sales, and administration (known broadly as Foncooper);
- a "Special Fund" administered via institutional investors for share and risk capital financing of worker cooperatives founded by employees from companies in crisis, especially for cooperatives established by workers at risk of redundancy or workers already expelled from the workforce.

The Legge Marcora funding mechanism and the broader legislational framework within which it rests have been deployed for the process of WBO conversions and for the development and consolidation of new and established employment-generating cooperatives of various kinds. *This report primarily focuses on how Italy's supporting legal, policy, and financing structure for cooperatives and the Legge Marcora framework have specifically been used for creating WBOs*.

We emphasize throughout this report that the country's comprehensive cooperative enabling environment has spearheaded a good part of the rise and sustainability of WBOs in Italy. Without

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[8] Ministero dello Sviluppo Economico.

[9] A smaller institutional investor, SOFICOOP (Società Finanza Cooperazione), was also created during the same period as CFI (see Chapters 2 and 3.)

[10] Additionally, many of these WBOs have benefited from multiple tranches of investment from CFI (see Chapter 3).

such an enabling environment the record shows that there will be more challenges to and less propensity for the widespread take up of WBO solutions.[11] We thus assert that Italy's worker/state/cooperative sector framework for WBOs contributes a unique and robust business restructuring policy, financing mechanism, and cooperative enabling environment. *It is the goal of this report to map out this enabling environment and the particularities of the WBO-generated cooperative businesses that emerge because of it.*

The Goals of the Report

This report completes the Italian component of the *New Production and Worker Cooperatives and the Employee Buyout Phenomenon* research initiative, reviewing research conducted between late 2012 and early 2015 at EURICSE. This report contributes to bridging the knowledge gap concerning business conversions to worker-managed and -owned firms. It also seeks to disseminate to a broad audience the processes of creating WBOs in Italy today. Ultimately, the resport aspires to increase our knowledge of the Italian WBO experience. In this spirit, *the goals of this report are threefold*:

1. to gain a better understanding of how, why, and where WBOs have emerged in Italy;
2. to disseminate knowledge of these experiences to a national and international audience; and
3. to assist in promoting the WBO solution and streamlining relevant policy concerning WBOs in Italy, Europe, and beyond.

We feel these goals are particularly important today for sharing practices of alternative economic arrangements in the face of our current and lingering socio-economic instability, and towards contributing real solutions for overcoming the perpetual crisis of the neoliberal economic model.

This report,[12] as part of a collaborative data gathering process with CFI, provides the first publically accessible empirical analysis built on a comprehensive database of Italy's WBOs as of 31 December 2014. The report captures various dimensions of Italy's Legge Marcora-based WBOs, as well as a some of Italy's non-Legge Marcora WBOs, emerging between the early 1980s and the end of 2014. Relying on various sources, we call this report's emerging dataset the "IRL Database" (the *imprese recuperate dai lavoratori* -worker-recuperated enterprises- database). This report does not claim that the 257 WBOs identified and tracked in the IRL Database is the total universe of Italian worker buyouts. The IRL Database, rather, is a comprehensive dataset of Italy's known WBOs emerging over the past four decades.[13] Certainly, there have been more WBOs in the past, and some others might exist in Italy today.[14] The dataset, nevertheless, permits us to tap into Italian

[11] See Chapters 2 and 3.

[12] This report also updates two earlier publications, Vieta (2015b) and Vieta & Depedri (2015), based on additional WBOs we identified and confirmations made during the second trimester of 2015 for the period of analysis (1979-2014). While some analytical specifics might vary slightly from these earlier publications, all trends and conclusions remain the same as in our previous publications.

[13] Our IRL Database includes WBOs up to 31 December 2014. We do not include new WBOs started or closed in 2015 or 2016, which we will continue to document and add to the IRL Database in the ensuing months and years.

[14] As we further discuss in Chapter 4, building a database of Italy's WBOs is challenged by three major factors. First, no up-to-date, publically accessible, and universal dataset of WBOs existed in Italy previous to our research and we have had to build the IRL Database from the ground up. To do so, an intricate process of verification of every WBO project in the database was carried out, and this has taken some time. Second, there is no official categorization of WBOs as a unique business form in Italy, and thus several national registers and datasets that are not readily linked needed to be sorted through to verify that a firm did indeed emerge from the process of a worker buyout. Third, some of the new cooperatives created in recent years that are technically definable as WBOs do not label themselves as such (particularly those emerging from business succession or other forms of transfer); these firms might thus not have made themselves known to cooperative federations or institutional investors. We explain the IRL Database in full in Chapter 4.

WBO's geographic, sectoral, demographic, and organizational particularities and development. In short, the IRL Database is an emergent dataset that will continue to be updated in the ensuing months and years. Further monitoring of the Italian economic situation and collaborations with cooperative apex federations, institutional investors, and regional actors will continue to expand the database in the coming months and years.

The Advantages of Transferring Businesses to Workers

With the goal of eradicating potential business "transition taboo" among European entrepreneurs (CECOP-CICOPA, 2013, p. 9) and workers (detailed in Chapter 1), CECOP-CICOPA Europe[15] recently emphasized *12 advantages for promoting the WBO solution*. To outline these advantages, CECOP-CICOPA has set out eight reasons for owners to consider the WBO solution, and four advantages for workers (2013, pp. 8-9). They are worth citing here for highlighting *the advantages of the WBO solution* that we will also be overviewing in this report.

CECOP-CICOPA (2013, p. 8) lists the following eight *advantages for owners* considering transferring their business to employees:

1. By selling to employees - "those that know well the enterprise" - exiting owners may be able to attain the desired and best price for the firm.
2. In the absence of a new business owner, employees might be the only stakeholders able to "retain the know-how,…markets" and value of the firm after the owner's departure from the business.
3. Selling to employees prevents the firm from falling into the hands of competitors.
4. There is a positive "emotional dimension" to knowing that jobs will be maintained by the employees that the owner knows.
5. A more gradual and smooth business transition might be guaranteed with a WBO with "less negative consequences that can preserve" the "history and identity" of the firm.
6. Employees are already familiar with the business, customers, and the "functioning of the enterprise".
7. "Collaboration with clients, banks, and suppliers is not interrupted".
8. The development and sustainability of the territory is potentially maintained, preventing the "desertification of some regions" from a business's closure or move.

Regarding the "*added value for the employees* in establishing a worker cooperative," CECOP-CICOPA (2013, p. 9) provides four advantages:

1. Jobs are saved.[16]
2. The worker cooperative business form can actually strengthen the "financial stability of the enterprise" since "worker members are motivated by the cooperative results [when] limited returns are granted in the form of refunds [dividends or patronage returns] based on the work done".
3. The "double identity" of the employee as "worker and owner of the enterprise" reduces "ownership risks" because they are protected in the worker cooperative by their "employee" status. (In a worker cooperative, this is primarily based in the notion of labour hiring capital, rather than the other way around as with capital-centred firms, and control of the firm being linked to work).

[15] The European Confederation of Cooperatives and Worker-Owned Enterprises Active in Industry and Services.

[16] Even though, as we will address in Chapter 3 and 5, not all initial jobs might be saved with a WBO at the beginning of the process, WBOs have a tendency to secure and eventually create employment, as we outline in Chapter 5.

4. Cooperative federations and other institutional organizations (as in Italy, France, and Spain) provide additional business support structures and financial mechanisms that worker-owners can tap into, giving them further competitive advantage.

Key Findings

In the context of Italy's WBOs and its Legge Marcora framework, this report complements and further explores these 12 advantages to business transfers to employees. To highlight what can be termed to be *the WBO advantage*, we summarize here the report's key findings and the chapters where they can be found:

- There is still much to learn about how and why worker-recuperated enterprises and worker buyouts emerge, and their implications for saving jobs and the economic wellbeing of local communities. *It is the main goal of this report to contribute to filling in this knowledge gap*. (**Chapters 1 and 2**.).
- There has been increasing interest in "business transfers" at the European level, although actual Europe-wide policies for the WBO solution over the years has lagged behind policies and practices in some Member States, recommendations and communiqués of the European Commission, resolutions of the European Parliament, and the advice of various consultants and experts. (**Chapter 1**.).
    - With some European policy proposals, the worker buyout solution gets lost within other more general terms that are used, such as "business transfers," "business restructuring," "employee participation," "employee financial participation," "securing employment," "business innovation," and so on. In light of this, it is another goal of this report *to more precisely delineate what could be meant by transferring businesses (failing or not) to employees, the recovery/recuperation process of troubled firms or those with succession issues by workers, and, in particular, the mechanisms of a worker buyout*. (**Chapters 1, 2 and 3**.).
    - Several recent European Commission communiqués have pointed out that the transfer of businesses to employees can improve on the survival rates of the "approximately one-third of enterprises in Europe [that] will transfer ownership in the next 10 years" (EC COM, 2004, p. 9; also see: EC COM, 2006, p. 117; EC COM, 2012, p. 6). *The very favourable survival rate findings for Italian WBOs outlined in this report support this claim*. (**Chapters 1 and 4**.).
- WBOs in Italy have existed for longer and in more regions of Italy than has been assumed by mainstream media coverage and the limited academic studies on the Italian situation of worker-recuperated firms to date. (**Chapters 1, 2, and 4**.).
- WBOs in Italy, as in other jurisdictions around the world, form particularly in times of market failure or broader socio-economic crisis, and provide sustainable and viable solutions for fostering local economic recovery. Our findings in this regard support the literature on the emergence of labour-managed firms and worker cooperatives. (**Chapters 2, 4, and 6**.).
- The great majority of Italy's worker-recuperated enterprises that have emerged over the past three or so decades are "negotiated WBOs," with a growing handful of new "labour conflict WBOs" that have been formed since the latest economic crisis beginning in 2008. These two forms of worker-led buyouts are in contrast to Employee Share Ownership Plans (ESOPs) that are more common in other national jurisdictions. (**Chapters 2 and 3**.).
- Italy's Legge Marcora framework is a unique and collaborative solution for promoting business transfers to workers via an arrangement between employees, the state, and the cooperative movement. Moreover, the Legge Marcora framework is facilitated by a broader, sustainable, and workable policy and enabling environment that supports and funds the creation of new worker and employment-centred cooperatives. (**Chapters 2, 3, and 5**.).

- Deeply rooted in Italy's broader and comprehensive cooperative, business, labour legislation, Italy's Legge Marcora framework provides a flexible yet robust policy environment and funding and capitalization model for employees engaging in a WBO. (**Chapters 2, 3 and 5**.).
  - Besides its explicit provisioning of soft loans and risk capital financing for employment-generating cooperatives via the Legge Marcora framework, Italy's enabling environment for WBOs is based on three fundamental notions: (1) a *right-of-first-refusal for employees* seeking to purchase or rent companies undergoing difficulties or bankruptcy proceedings; (2) the use of *workers' own entrepreneurial initiative and resources*, including the possible use of *lump-sum payments of appropriate unemployment benefits* for employees of closing firms intending to convert their employers' failing businesses to worker cooperatives; and (3) *saving jobs and productive capacity* via the formation of cooperatives while *minimizing undue burdens to the state's budget*. (**Chapter 3.**).
  - "Institutional investors" and other financial stakeholders work in collaboration (*in pool*) to facilitate the formation and sustainability of Italian WBOs. These institutional investors, as a "*socio finanziatore*" ("financing member"), can, to some degree and with limits, participate in the direction and administration of the worker cooperatives they finance; this is also an important feature of the Legge Marcora framework. Moreover, this limited participation model for financing members (with limitations in voting rights and length of membership) balances the capitalization needs of new cooperatives with the "mainly mutualistic" focus of governance and income distribution central to Italian cooperatives. (**Chapter 3**.).
  - Which of the numerous financial tools facilitating the establishment of a cooperative from a WBO process are chosen depends on the conditions of each WBO case in consultation with local unions, lawyers and accountants, regional representatives of cooperative federations, and other experts, usually in collaboration with institutional investors like CFI. (**Chapter 3**.)
  - Rooted in strong cooperative development policy and the Legge Marcora framework, the availability of multiple forms of financial support mechanisms, and Italy's favourable cooperative legislation, the cooperative business model thus becomes the optimal choice for workers engaging in a WBO in Italy. This hybrid legislative, cooperative movement, and funding combination makes Italy's possibilities for WBOs unique in the world. (**Chapter 3 and 5**.).
- Cooperazione Finanza Impresa (CFI), a second tier cooperative initiated by Italy's three main cooperative federations and mandated by the Italian state to oversee the application of parts of Italy's Legge Marcora framework, is the main institutional investor of WBOs in Italy, having participated in almost 80% of Italy's WBOs tracked in this report's IRL Database. (**Chapter 3**.).
- Legacoop, via its Coopfond *fondo mutualistico* (mutualistic fund), is the main cooperative federation assisting WBOs in Italy, followed by Confcooperative and its Fondosviluppo *fondo mutualistico*. Coopfond and Fondosvillupo often work *in pool* with other institutional investors such as CFI to support WBOs (**Chapter 3**.).
- The framework for WBO creation in Italy has been strengthened in recent years with new provisions afforded by reforms and modifications to Legge Marcora in 2001, 2013, and 2014, in conjunction with other cooperative law reforms and complementary legislation relevant to the creation and development of work-generating cooperatives. Taken together, this enabling environment has been central to the formation of WBOs; new worker cooperative start-ups; and in further developing, consolidating, and funding already established employment-focused worker and social cooperatives. Moreover, there has been an emerging new stream of WBOs in Italy's *Mezzogiorno* (i.e., the South and Islands) in recent years, as well as an increasing focus on deploying the WBO solution for supporting the transfer of businesses confiscated from the proceeds of crime to employees and local communities (**Chapter 3**.).

- This report's IRL Database historically and geographically tracks 257 WBOs that we have verified to have existed between the early 1980s and the end of 2014. This extensive sample permits us to compare Italy's WBOs over time. As of 31 December 2014, according to the IRL Database, there were at least 131 *active* firms generated from WBOs or workplace recuperations, with an additional 126 having closed at some point before this date. Most of the closed (or *inactive*) firms as of 31 December 2014 were older WBOs that had emerged in the 1980s and 1990s and that had existed for several years or even decades before closing. (**Chapters 2 and 4**.).
- Italian WBOs are resilient (**Chapter 4**.).
  - The "Pre-Legge Marcora" and "Legge Marcora I" period between the early 1980s to early 2000s (that is, before the 2001 reforms to Legge Marcora) is distinguished in that out of the 107 WBOs that existed as of 31 December 1989, according to our IRL Database, none of them had yet closed by that year; the first two WBO closures in the IRL Database occured in 1990. This is a noteworthy finding suggesting that Italy's first 107 WBOs of the Legge Marcora era recorded in the IRL Database had a 100% survival rate throughout the 1980s.
  - Sixty of the 108 WBOs active as of 31 December 2001 (that is, WBOs that had emerged before the 2001 reforms to Legge Marcora) are still active today, making up over 45% of the 131 WBOs still active as of 31 December 2014.
  - The resilience of Italy's WBOs is further underscored in that, as of 31 December 2014, there were only 10 complete closures of the 81 new WBOs that have emerged during the "Legge Marcora II" period since 2002, an almost 88% survival rate.
- Just over 74% of Italy's WBOs are found in the Centre and Northeast regions of the country, known as the "Made in Italy" or the "Third Italy" manufacturing regions. This alludes to their presence in strong social networks of business clusters of specialty goods sectors that often engage in collaborative production with other SMEs. These regions have also had strong cooperative movements and institutional and social networks, which Italy's WBOs also benefit from. (**Chapters 2 and 4**.).
  - Identifiable "WBO business clusters" have emerged in or between particular provinces in the regions of Toscana, Emilia-Romagna, Marche, and Veneto especially, with smaller clusters in Rome, Umbria, and Lombardia. These WBOs have emerged in close vicinity to each other and tend to belong to related economic sectors, providing a possible explanation as to why they have had a tendency to emerge in these particular areas over others (**Chapter 4**.).
- WBOs in Italy are overwhelmingly SMEs (small- and medium-sized enterprises), consisting mostly of small enterprises of 10-49 employees (just over 68%), medium-sized enterprises of 50-249 employees (almost 22%), and micro-enterprises of less-than 10 employees (9%), with only two enterprises of over 250 employees. (**Chapters 2 and 4**.).
- The mean size of Italy's WBOs is 36 workers, far exceeding the average size of all of Italy's firms at four workers (**Chapter 4**.).
- Unlike with some non-WBO worker cooperatives, WBO-generated worker cooperatives in Italy tend to have considerably more worker-members than non-member employees (in part because this is a stipulation for initially receiving Legge Marcora-based funding, and in part based on the solidarity that emerges with workers engaging in WBO projects). (**Chapters 4 and 5.**).
- Almost 69% of Italy's WBOs are found in the manufacturing sector (mostly in the metallurgical and specialty goods sectors); 11% are in the information, communication, professional, or business services sectors; just over 9% in the commercial and retail sector; 5%

in the construction sector; and the remaining handful of WBOs are active in social or community services or recycling. (**Chapters 2 and 4**.)

- Italy's WBOs are either young firms under six years-of-age (almost 33% of WBOs that have existed) or older firms over 20 years-of-age (almost 27% of WBOs that have existed). (**Chapter 4.**) This is variously explained by: workers' higher propensity to engage in WBO projects in times of economic crisis such as Italy experienced in the 1980s and early 1990s and during the years of the Great Recession post 2008, the reforms of Italy's Legge Marcora framework in the 1990s and early 2000s that saw a dip in the creation of new WBOs during this period, and other factors (**Chapters 4 and 6.**).
- Highlights of other demographic findings for WBOs in Italy (**Chapter 4**) include:
  - *The average lifespan of active WBOs is 13.9 years*, exceeding the average lifespan of all Italian firms by almost half a year. The average lifespan of closed WBOs is 11.9 years. The average lifespan of all active and inactive WBOs taken together is 13 years, just shy of the average lifespan of all Italian firms.
  - *A good number of Italian WBOs have been in existence for far longer than these lifespan averages*. Just over 45% of still-active Italian WBO-generated firms have existed for 16 years or longer. Moreover, 35.5% of all WBOs in the IRL Database (including those still active and closed) have existed for over 20 years, and 54 WBOs (active and inactive firms) have existed for 25 years or more (almost 22% of all WBOs), with only 10 of these oldest WBOs having closed as of 31 December 2014.
  - The peak years for WBO entry were 1985, 1986, and 2014. The peak years for firm exits were 1996 and 1998 (years when the Legge Marcora framework was in dispute with the EU and not being actively pursued by institutional investors), and 2012 (a particularly difficult year in the post 2008 crisis years that saw the closure of eight older WBOs).
  - *Italy's WBOs seem to be surviving the economic crisis very well*, with many more entries than exists of firms created via WBOs since 2008.
  - *There has been a surge in WBOs since the Great Recession* that began in 2008. While there were 29 complete WBO closures (mostly older firms) between 2008 and 2014, there were 76 new WBOs that emerged during this seven-year span. From 84 active WBOs existing by the end of 2007, there were 131 active WBOs by the end of 2014, an increase of 47 active WBOs, or an almost 60% increase in active WBOs between the end of 2007 to the end of 2014. Throughout 2013 and 2014 alone there were 34 new WBO entries and only 11 completed closures, again, mostly of older WBOs from the Legge Marcora I period.
  - *Italian WBOs' birth, death, and growth rates compare very favourably* to the birth and death rates of employer-owned manufacturing firms in Italy and other OECD countries in recent years. In the 17 years between 1990-1999 and 2008-2014 when WBOs were also forming and being actively funded (and not only closing), Italy's WBOs had an average birth rate of 7.71% and an average death rate of 4.18%, with an average growth rate of +3.73%. While this is just above the average birth rate of all Italian manufacturing firms in recent years at 7.5%, this death rate is considerably less than the average death rate of all Italian manufacturing firms at roughly 6.5% per year, and much less than the historical death rates of *de novo* and converted labour-managed firms in other European countries during times of crisis (averaging at between 7% and 9%). Moreover, between the beginning of 2010 and the end of 2014, during the height of the crisis generated by the Great Recession, WBO birth rates in Italy averaged 12.41%, death rates 4.23%, and the average growth rate was +8.60%.
  - *Italian WBOs have better survival rates than the average of all Italian manufacturing firms and worker-owned firms in other jurisdictions outside of Italy*. While survival rates for Italian manufacturing firms on the whole dip to around 91% by the end of the first year of

operations, Italian WBOs do not dip to these survival rates until several years later. Furthermore, while Italian manufacturing firms have the highest propensity for closure at year 2 of operations, and historical French and UK labour-managed firms have peaked at years 3-5, Italian WBOs' peak propensity for exits on average is between years 8-11.

  - *Age matters for the long-term success of WBOs*. The peak age for firm closure is year 8 followed by year 11 after start-up. This is several years after the peak age for firm closure for conventional manufacturing firms in Italy and labour-managed firms elsewhere. After that, the propensity for closure goes down substantially for Italy's WBOs.
  - *After year 12 of operations, there are never more than four WBO closures per subsequent years-of-age cohort* up to year 30, going down to between zero and three closures per years-of-age cohort between years 18 and 26. WBO closures even off at an average of 2.4 exits per years-of-age cohort for firms surviving between 12 and 30 years. Most noteworthy, *only three WBO firm closures have been recorded after year 26 of activity.* That is, *of the 39 firms 27 years-of-age or older in our IRL database, 36 of them are still active*, making up more than half of the 60 still-active WBO-generated firms that were founded during the Legge Marcora I period.
  - These demographic findings suggest implications for when and what kinds of financing interventions need to occur for Italian WBOs, with younger WBOs perhaps needing more funding attention earlier on than older WBOs, or a further infusion of funding by around year five of operations. (Also see **Chapter 6**.).
  - These demographic findings also underscore the strength of the WBO model for saving firms and jobs during times of economic crisis and for establishing successful and long-lasting cooperative business entities in local communities. (Also see **Chapter 6**.).
  - WBO firms' relatively long lifespans and their surge during crisis periods also begin to suggest that *workers' entrepreneurial acumen and commitment to their businesses* is alive and well in Italy, and has been so for some time. (Also see **Chapter 6**.).
- Highlights of our survey of the organizational dynamics of Italy's WBOs (**Chapter 5**) include:
  - The large majority of Italian worker-recuperated firms we studied empirically via a detailed national survey are of the "negotiated WBO" model that, while they emerged from firm crisis, did not involve high conflict on shop floors. A small number (8%) did experience workplace occupations and conflictive situations. This is in contrast to Argentina's *empresas recuepradas*, for instance, which emerge mostly from situations of high conflict.
  - The majority of our WBO survey sample received financial assistance from one of Italy's institutional investors such as CFI, while a quarter also received assistance form territorial associations, such as local chapters of Italian cooperative federations and other local actors.
  - Assistance from Legge Marcora financing mechanisms goes towards, in the majority of cases, acquiring property and repairing or acquiring new machinery or other capital investments.
  - Most of our sampled WBOs to some degree reposition their business activity and production processes after conversion, while a minority engages in exactly same business activity as the previous firm.
  - The economic situation of WBOs in Italy once operational seems to be fairly stable. Indeed, most surveyed WBO cooperatives reported having grown substantially in their production capacity, markets, and employment after the recuperation of the firm.
  - While the recent economic crisis did bring on new challenges for our surveyed cooperatives, the majority have been able to ride out the crisis by investing in new machinery and production processes while keeping labour costs at bay by adjusting salaries or bonuses rather than laying off workers as had been the practice with the

previous firm. This is in line with the employment stability literature on labour-managed firms.

- The majority of our sampled WBOs at minimum have "somewhat improved" their productive capacities when compared to the previous firm, while more than half "markedly improved" on the productive capacities of the previous firm. These positive results were secured by their worker-members' sound investments in new machinery and production processes.
- With those cooperatives that emerged from companies with substantial economic problems, the tendency is to focus on forming production and marketing partnerships with other companies in their sector in order to regain their footing.
- Most of our surveyed WBOs' engagement with customers or partnerships with other businesses are based purely on economic exchange irrespective of being a worker-recuperated firm or cooperative. A minority did claim that being a worker-recuperated firm or cooperative affected positively their relationships with clients or customers.
- While our sampled WBOs saw a net-loss of their workforce when compared to the previous firm during and immediately after conversion, trends here follow the usual loss of workers early on during WBO conversion processes in other countries, including workers that do not desire to engage in a WBO process and those that retire or seek employment elsewhere just before the WBO process. On the whole, however, our sampled WBOs do not experience future job loss after becoming a worker cooperative and, in fact, tend to rehire former or new workers and protect incumbent jobs, again in line with findings from other studies on worker-recuperated enterprises in the literature.
- Some of our sampled WBOs practice flexible work hours. Most have kept their salary scales to their business sector's standards, while a quarter of our surveyed WBOs have actually increased salaries in comparison to sector standards. As reported by our survey respondents, this suggests that Italy's WBOs seem to strive to guarantee, on the whole, job security and worker wellbeing over profit maximization or growth.
- As suggested by our survey sample, Italy's cooperatives emanating from WBOs practice robust democratic governance structures. Our respondents claimed, on the whole, that their worker-members are fairly well informed of the business and its key issues, that they hold several workers' assemblies per year on average, and that administrators of the firm are drawn, in the main, from their incumbent workforce rather than from hiring outside managers.

- There are *three main types of worker-recuperated enterprises in Italy today* (**Chapter 5**), which we illustrate via ten case studies:
  - *WBO processes emerging from businesses in crisis* (Italy's main WBO type).
  - *WBO processes emerging from business conversion without the presence of crisis* (including business succession conversions and cooperatives that emerge from property confiscated by the state from the proceeds of crime and ceded to its employees).
  - *Non-institutional workplace takeovers emerging from company crisis, conflict, and workers' occupation of the property* (akin to Argentina's *empresas recuperadas*, with more intense struggles characterized by shop floor conflict and property takeovers by workers.)
- We conclude the report with an overview of the seven pillars (or characteristics) of Italian WBOs (summarized in the following section), explore the relevance of the report's key findings for current and future WBO policy and support, and discuss some of the implications and openings for future research suggested by this report (**Chapter 6**.).

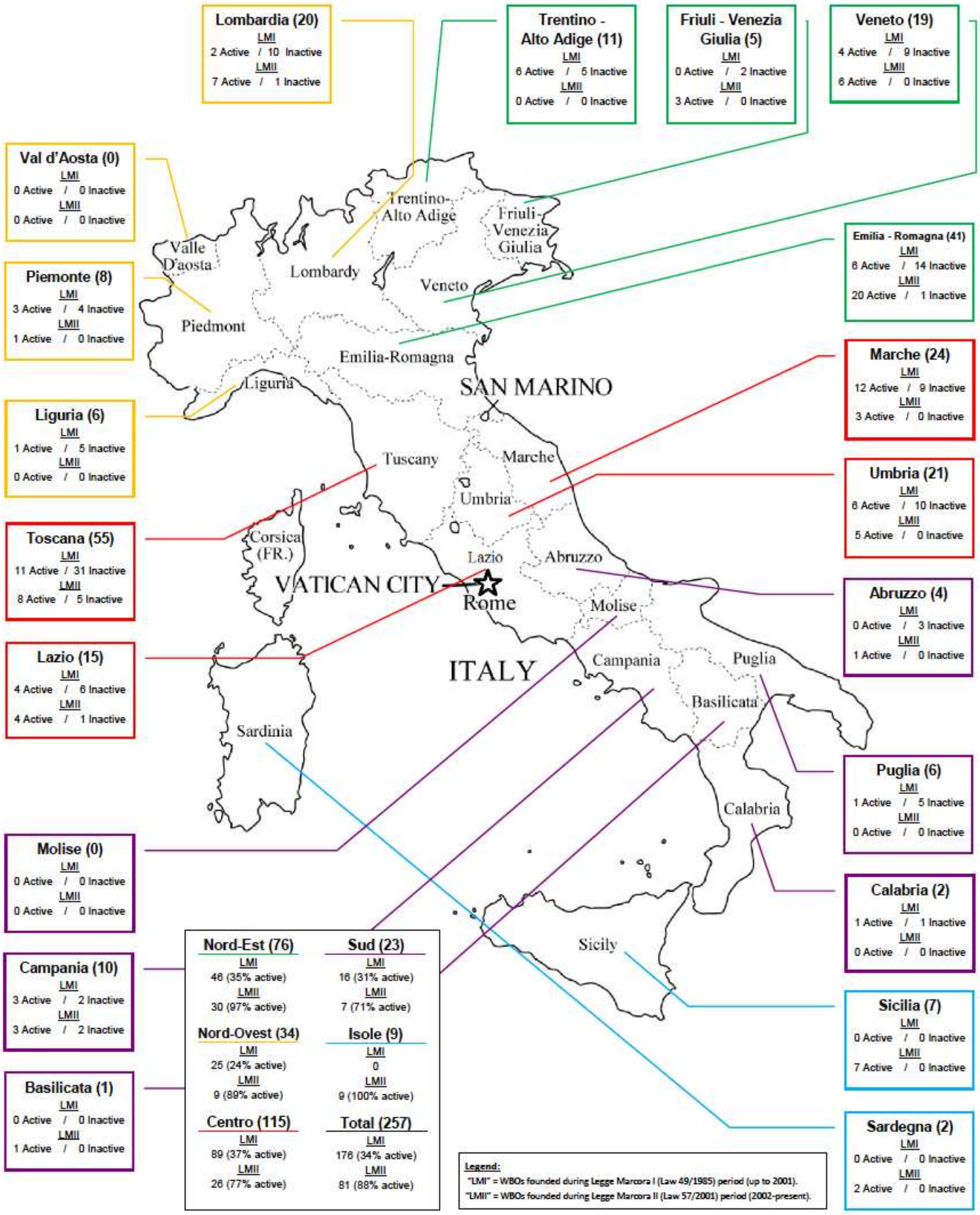
The Seven Pillars of Italy's Worker Buyouts

As explained throughout the report, the resilience of older WBOs and the resurgence of new WBO projects over the last years of prolonged economic crisis in Italy can be captured in seven pillars (or characteristics) for WBO formation in the country:

1. Italy's WBOs are undergirded by *a strong policy and financing enabling environment*, grounded in its Legge Marcora framework.
2. *Economic downturns or market difficulties*, such as Italy has cyclically gone through over the past 35 years, open up the possibilities for WBO cases.
3. Italian WBOs are situated with *some degree of inter-firm and territorial networks*, emerging and growing within tightly interwoven relations of production and socio-economic exchange.
4. As with other labour-managed firms, Italian WBOs tend to emerge *in labour-intensive sectors* made up, on the whole, of highly skilled workers.
5. Italian WBOs tend to arise with *a workforce profile of relative geographic and sectoral immobility*, with workers firmly entrenched in and committed to their localities and the businesses they revitalize.
6. Italian WBOs tend to emerge within *some degree of intra-firm social networks,* distinguished by workforces that have forged strong bonds of solidarity, especially during the difficult moments of taking over or buying out the firm.
7. Italian *WBOs are resilient*, witnessing relatively *long lifespans and robust survivability rates* linked to the age of the firm and when it was founded.

These seven pillars, summarized in Chapter 6, make up the distinguishing features of Italy's WBOs. They both help to crystalize the emergence of WBOs in Italy and complement and contribute to the literature on the emergence of labour-managed firms and worker buyouts more broadly.

Figure 1 - Mapping Italy's WBOs by region and Legge Marcora periods, as per the IRL Database[17 18 19]



[17] N=257 (as of 31 Dec. 2014).

[18] As we explain in Chapters 2-4, for our calculations, Legge Marcora I period also encompasses a small group of WBOs created before the passing of the law in 1985 that we term as "Pre-Legge Marcora I WBOs," and the 11 Province of Trento WBOs in our database that did not use the Legge Marcora framework.

[19] For more details on specific numbers and WBOs per Legge Marcora period, geographic area, region, and province, see Chapter 4.

CHAPTER 1 - BUSINESS TRANSFERS TO WORKERS AND EUROPEAN POLICY IMPLICATIONS

by Marcelo Vieta

With Italy's unique and collaborative approach to creating new worker cooperatives out of worker buyouts (WBOs) between workers, the cooperative movement, and the state, we believe that its Legge Marcora framework[20] provides valuable insights for business conversion best practices. This is particularly so for rescuing troubled businesses by generating new cooperative firms, for saving and creating new jobs, for establishing appropriate legal and financial supports to stimulate WBO formation, and as part of the solution to lingering economic crisis that focuses on local control of productive activities. Still, even in Italy, many workers in troubled firms, and even local authorities, do not know about or understand well the Legge Marcora solution and its broader worker buyout process, as some of our interview and survey respondents have confirmed.

1.1 Still Much to Learn About Business Conversions to Worker Cooperatives

There is still, then, much to learn about why, how, and where business conversions via WBOs occur (and could yet emerge), and what exactly their demographic and organizational characteristics, possibilities, challenges are. As CECOP-CICOPA Europe has recently identified, there is a lingering "lack of knowledge about the success rate of business transfers to employees and about the factors of success […] from the European level down to the local level" (CECOP-CICOPA, 2012a, p. 3). We begin to fill in these knowledge gaps in this report.

CECOP-CICOPA Europe has also recently stated that "[t]he conversion of enterprises in crisis into healthy cooperatives requires a precise and early diagnosis" (CECOP-CICOPA, 2012a, p. 3), and "the earlier the diagnosis can be established, the more successful and sustainable the restructuring will be" (2012b, p. 58). We agree. We also agree with CECOP-CICOPA when it suggests that "*a considerable level of expertise*" already exists in the conversion process from the collective experiences of workers and specific cooperative federations and support agencies (2012a, p. 3, emphasis ours). Together with CECOP-CICOPA, we also believe that tapping into this already-existing expertise of cooperative developers and practitioners could go a long way to overcoming the persistent lacuna of knowledge regarding the process of business conversions to cooperatives (and their viability as palliatives to business failures, job losses, and economic crises) amongst professionals such as accountants, lawyers, judges, as well as in regional, national, and European policy circles.

Given the rise of conversions of troubled businesses by their employees in recent years in regions and countries particularly hard-hit by economic crises, we believe that workers and their representatives, the cooperative movement, researchers, and policymakers at all levels should strive to better understand the processes and possibilities of business conversions into labour-managed firms and their potential for starting up new collective enterprises.

Given the rise of conversions of troubled businesses by their employees in recent years in regions and countries particularly hard-hit by economic crises (Birchall, 2003; Birchall &

[20] The Legge Marcora framework's main characteristics are overviewed within the political economic context of Italy over the past four decades in Chapter 2 (section 2.4), and analyzed in detail in Chapter 3.

Hammond Ketilson, 2009; Sanchez Bajo & Roelants, 2011; Vieta, 2012a, 2014b; Vieta & Ruggeri, 2009), we believe that workers and their representatives, the cooperative movement, researchers, and policymakers at all levels should strive to better understand the processes and possibilities of business conversions into labour-managed firms. This is especially pertinent today for developing and disseminating best practices and sound policies that can facilitate the growth of new and robust cooperative businesses.

It is these knowledge gaps and scientific pursuits that motivate this report and the broader *New Production and Worker Cooperatives and the Employee Buyout Phenomenon* research initiative (see section 6.4 in Chapter 6). We also believe this research has important implications for new or reformed cooperative, labour, and business policies beyond Italy.

In the wake of the ongoing socio-economic crisis that is still gripping much of Europe, especially in the South, the knowledge gap concerning WBOs and other forms of business conversions to workers' control is beginning to be filled - if in a patchy way - via media reports and newspaper features. In Italy, for instance, local newspapers are increasingly reporting on individual cases of WBOs of failing businesses.[21] More broadly, the emergence of new WBOs and *imprese recuperate* across the Italian territory are being featured on a regular basis in national daily newspapers, specialist business publications, and alternative social economy periodicals.[22]

Often highlighted in these journalistic features is the importance of worker-recuperated firms and buyouts for combating the ongoing economic crisis in light of stubbornly high unemployment rates, business bankruptcies, austerity-based economic reforms, and stagnant economic recovery. But most of this journalistic coverage has been to date incomplete regarding the details, trends, and history of Italian WBOs. What is not precisely reported in news reports, for example, is the continued presence and longevity of older Italian WBOs, the geographic and sectoral extent of older and newer WBOs, their organizational dynamics, or the specifics of the Legge Marcora framework. Furthermore, how many older WBOs from the 1980s and 1990s still exist in Italy today, their robust survival rates, and the rising rates of new WBO creation have also not been sufficiently documented in media reports. Indeed, the history of Italy's *imprese recuperate* remains vaguely understood in journalistic accounts; for instance, there is little historical connection made in news coverage between older WBOs that first emerged around the introduction of the Legge Marcora (early 1980s to early 2000s) and those that have emerged since the reform of the law (early-2000s to the present) (see Chapters 2-4).

This report strives to contribute to bridging these knowledge gaps by more fully and systematically documenting the history and continued emergence of WBOs in Italy, their territorial extent, their survival rates, their makeup as new cooperative firms, the specifics of the legal and financial framework that support them, and for ultimately establishing a research context and agenda for securing their early diagnosis and long-term potential.

Business owners, workers, and their representative organizations, on the whole, could also be better informed about how Italian WBOs tend to emerge; where exactly they are located today; that there has been a sharp spike in new WBOs in recent years (see Chapters 2 and 4); and what

[21] See, for instance: ilGiornale.it (2014, July 21); Lettera43 (2013, July 27); MezzaggeroVeneto (2015, May 28); RavennaToday (2013, November 27); Regionline (2014, July 17); Il Tirreno (2012, August 15).

[22] See, for instance: Avenire (2013, July 31); Corriere della Sera (2013, October 27); Corriere della Sera (2013, October 28); Corriere della Sera (2013, July 16); Corriere della Sera (2014, May 1); Corriere della Sera (2014, July 18); La Repubblica (2012, March 26); La Repubblica (2013, October); Valori (2012/2013, December/January); Vita (2015, January 30); Vita (2015, August 4).

their exact potential is for saving jobs, firms, and communities (see Chapters 5 and 6). One of our interviewed cooperatives that had emerged as an independently financed WBO, for example, was not aware of Italy's Legge Marcora and that its own conversion had been made possible in part by this legal framework (for similar findings, see Zannotti, 2011, p. 59). At the same time, our emerging survey and case study work is showing that some WBOs in Italy occur in isolation from other or older WBOs. On the other hand, for a few more recent and radical worker takeover situations linked to some of Italy's left-leaning social movements and community-based property occupations, there exist suspicions regarding the state-supported Legge Marcora option that keeps them from tapping into its financing and support mechanisms (see Chapter 5).

Part of the reason for this inconsistent understanding of Italy's WBO phenomenon and the legislation and funding resources that support them is that there has not been to date a comprehensive, historically grounded, and publically accessible accounting of Italy's WBOs. Nor has there been a precise analysis of where Italy's WBOs have emerged and are located. Furthermore, for workers, as Chapter 3 documents, the Legge Marcora framework can be seen as somewhat complex and confusing, intertwined as it is with Italian constitutional, cooperative, labour, and business law and its Civil Code; executive and ministerial decrees; a plethora of funding sources; and cooperative and business practices, all of which may be intimidating to workers initially considering a WBO.

Again, this report strives to contribute to bridging these knowledge gaps by more fully and systematically documenting the history and continued emergence of WBOs in Italy, their territorial extent, their survival rates, their makeup as new cooperative firms, the specifics of the legal and financial framework that support them, and for ultimately establishing a research context and agenda for securing their early diagnosis and long-term potential.

1.2 The European Policy Landscape: Securing Employment, Rescuing Businesses, and Proposals for Business Transfers to Workers

Understanding better Italy's WBO framework should also be of importance to European policy circles, addressing a long-held interest in business transfers and the creation of new worker cooperatives amongst a handful of Member States and a growing group of policymakers, consultants, and researchers throughout Europe. Until the last few years, however, there had been a historical lack of full and enthusiastic take-up of the WBO solution by EU policymakers, despite the European Parliament and Commission's proposals and resolutions for broader European policy focusing on business transfers. This suggests that there is still more work in knowledge mobilization that needs to occur with respect to the economic potential of WBOs, especially during times of crisis (CECOP-CICOPA, 2012a, 2012b; 2013).

Together with a growing group of researchers, cooperative promoters, and policymakers, we believe Italy's worker/state/cooperative sector capitalization and support scheme for new cooperatives and WBOs is deserving of better understanding and possible emulation in other jurisdictions.

Together with a growing group of researchers, cooperative promoters, and policymakers, we believe Italy's worker/state/cooperative sector capitalization and support scheme for new cooperatives and WBOs deserves to be better understood and possibly emulated in other jurisdictions. This is the case, as others have also argued, because national cooperative development initiatives such as Italy's Legge Marcora framework contribute proven and innovative business restructuring and cooperative enabling policy and supports. We also recognize that Spain, France, and to some degree the UK have similarly favourable and collaborative WBO frameworks that resemble in ways Italy's Legge Marcora approach, and that they too are also deserving of consideration for pan-European business restructuring policy.

WBO models in other European juridictions besides Italy

Spain, for instance, has an equally promising allowance for workers to use their unemployment benefits for the creation of cooperatives and labour-managed firms via its "*pago único*" framework. An unemployment benefits capitalization model, Spain's *pago único* solution includes the ability for employees to claim advanced lump-sum payments of up to three years of unemployment insurance for joining or creating worker cooperatives or *Sociedades laborales* (labour societies, SAL) (CECOP-CICOPA, 2013; Como Empezar, 2014; El Pago Único, 2014). In fact, Spain's *Sociedades laborales* labour-management model has been effectively used in WBO projects since the 1970s (CONFESAL, 2015; Jensen, 2011, 2012) (also see Figure 2 in Chapter 2). In addition, regional programs in Spain, such as the *aracoop* initiative between the autonomous community of Catalonia, Catalonia's confederation of cooperatives, and its federation of worker cooperatives, have also assisted in the successful transfer of numerous conventional businesses to cooperatives (Corcoran *et al*., 2011, p. 39).[23]

In France, the *Société coopérative ouvrières de production* (SCOP) worker cooperative model has for several years been deployed for WBO solutions (Pérotin, 2006; Soulange, 2011). WBOs in France have also recently been bolstered by its new Social and Solidarity Economy Law, passed in 2014 by the National Assembly, where employees of troubled firms are now granted the right to be informed in advance if their employer's business is to be sold or closed in order to give them the option of converting the firm to a cooperative or start a new co-op. The law also provisions for the creation of "seed" transition cooperatives (termed *SCOP d'amorçage*) for the purposes of employees taking over the firm without the required starting capital, bringing in temporary external investors in the process as with Italy's Legge Marcora framework ("French National Assembly passes new social economy law," 2014; Kolosy, 2014). Additionally, France's employee buyout mutual fund, the "*FCPE de reprise*" (Intercentar, n.d.), also shows much promise for WBO formation.[24] Equally promising initiatives for WBO creation in France have also included projects led by regional SCOP federations. Finally, an innovative "transregional" working group between France's CG-SCOP (its national confederation of SCOPs), Italy's Legacoop federation, and Spain's COCETA (its worker cooperative confederation) and CONFESAL (its confederation of SALs) was set up in 2009, with EU funding, as a transnational support and research initiative to study and work to further develop business transfers to worker ownership (Corcoran *et al*., 2011, p. 41).

While the UK has had older experiences with worker-recuperated firms dating back to its Industrial Common Ownership Movement (ICOM) starting in the 1970s, today transfers of business to cooperatives are also present but less common than in other European jurisdictions. Instead, in the UK employee share-ownership models are more usual, where employees either have ownership shares held in trusts (as with the John Lewis model), or via a combination of direct share and trust-held share ownership. The former coalition government of the UK had also passed new legislation to favour employee-shareholder provisions (Department for Business Innovation & Skills, 2012; Pushkar, 2012),[25] while new initiatives supporting employees' increased participation

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[23] See http://aracoop.coop/aracoop/que-es-aracoop/

[24] See http://intercentar.de/fileadmin/files/Conference/7d_Fact%20Sheet%20French%20FCPE%20de%20Reprise%20EN.pdf

[25] Although employee-ownership has already been occurring for some decades in the UK, this legislation has had mixed results, it seems, in promoting new ESOPs and LMFs in that country (Wigmore, 2013). Recently, former Labour Party

in their workplaces via company boards (emulating such co-determination schemes in France, Germany, Denmark, and other European jurisdications) forms a part of current UK prime minister Theresa May's domestic economic policy platform.[26]

EU inititives for business transfers and conversions

All of these initiatives and routes for WBO formation have shown strong potential for business rescues and job sustainability in Europe, paralleling in ways Italy's WBO framework (EC-DG MARKT, 2014). In part due to the success of WBO models in Italy, Spain, and France, in particular, recent years have seen a marked increase in interest in business transfers to workers at the EU, especially given the stubborn continuation of economic crisis. Recent reports, opinion papers, and resolutions at the European level that have been inspired by or that touch on Italy, Spain, or France's WBO frameworks, or that deal with broader proposals, recommendations, or resolutions for business transfers to employees include, among others:

- The European Commission's (EC) communiqué "On the Promotion of Co-operative Societies in Europe" (EC COM, 2004).
- The EC's communiqué on the transfer of businesses, "Implementing the Lisbon Community Programme for Growth and Jobs" (EC COM, 2006).
- The EC's "Business Dynamics: Start-ups, Business Transfers and Bankruptcy" report (EC-DG Enterprise and Industry, 2011).
- The EC's Draft Opinion of 2 April 2012 by the European Economic and Social Committee on Cooperatives and Restructuring (EC Draft Opinion, 2012).
- The European Parliament's (EP) Resolution of 15 January 2013 outlining recommendations regarding assistance to employees in the process of business transfers and the upholding of principles of "subsidiarity" and "proportionality" in the creation of SMEs (especially given "modernisation and restructuring" tendencies and the loss of over 6.4 million jobs in Europe between 2008-2011) (EP Resolution, 2013a).
- The EP's Resolution of 2 July 2013 on "the contribution of cooperatives to overcoming the crisis" (EP Resolution, 2013b).
- The EP's Resolution of 14 January 2014 on "the financial contribution of employees in companies' proceeds" (EP Resolution, 2014).
- The EC's report "The Promotion of Employee Ownership and Participation" (EC-DG MARKT, 2014).
- The EC's Small Business Act for Europe (EC Small Business Act, 2015).
- The EC's June 2015 call for proposals "Business Transfers to Employees Creating a Cooperative in Order to Ensure Sustainability of SMEs" (EC-DG MARKT, 2015).

In addition to these recent EU proposals, communiqués, recommendations, resolutions, and calls, we need to also acknowledge the vociferous and consistent lobbying efforts of CECOP-CICOPA Europe and its influential interventions and responses to European proposals for "business transfers to employees"[27] (CECOP-CICOPA, 2012a, 2012b, 2013).

We critically reflect on some of these key documents, proposals, opinions, and resolutions in the rest of this chapter.

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leader Ed Miliband had been advocating for the UK government's increased support of worker buyout solutions (see http://www.ft.com/intl/cms/s/0/8b5442e4-ae0f-11e4-8188-00144feab7de.html#axzz3YuTu0nXw).

[26] See http://www.theguardian.com/politics/2016/jul/11/theresa-may-to-call-for-unity-equality-and-successful-exit-from-eu.

[27] The preferred European term for the conversion of workplaces in crisis or with succession issues to its employees.

A gradual and growing interest in business transfers in Europe: 1991-2012

Undoubtedly, then, there has been a growing (although arguably too gradual) interest at the EU level for promoting business transfers to employees and conversions to cooperatives as responses to crisis and for economic revival. While this growing interest has been promising, the end results up until 2012 had been disappointing given the absence of sustained, unified, and concrete actions regarding a Europe-wide policy for workplace transfers to employees via WBOs (also see Zanotti, 2011, p. 59). The past four years (2013-2016) have shown more promise; recent developments seem to be changing this trend and in this regard our report is a timely intervention. We will deal with these promising new developments for European policies on business transfers to employees in the next section. In this section, we look at the historical trajectory of European policy considerations of business transfers between 1991-2012.

Part of the lack of concrete actions and policies until very recently at the European level regarding business conversions to cooperatives by employees, we believe, were due to three factors:

1. a general lack of knowledge with respect to the exact processes and potential of a WBO model such as the Legge Marcora framework (also see: CECOP-CICOPA, 2012a, 2012b; 2013);
2. a reticence among business owners and entrepreneur constituencies to consider business transfers to employees as anything less than the fate of the "failed entrepreneur", as especially noted in the European Commission's Green Paper of 2012 (EC COM, 2012, p. 13; also see CECOP-CICOPA, 2012a, p. 57); and
3. an inexactness concerning what precisely is being considered when discussing a grab-bag of "business transfer" solutions in EU proposals and reports. This is partially due to a lack of definitional precision, and partly due a lack of mapping and statistics regarding business transfer types, and how many and where WBOs are located throughout Europe (also see: CECOP-CICOPA, 2013; DG Enterprise and Industry, 2011).[28]

> *The lack of definitional precision of "business transfers" has in part contributed to a watering down of Europe-wide policies for WBOs. It is among the goals of this report to more precisely delineate what could be meant by transferring businesses (failing or not) to employees, delve into how and why workers can (and do) recover troubled firms or those with succession issues, and explore the mechanisms of worker buyouts.*

Usually not called worker buyouts in these European reports and proposals, and almost never *empresas recuperadas*, *imprese recuperate*, worker-recuperated firms, or similar terms, we believe the lack of definitional precision of "business transfers" has contributed to a watering down of Europe-wide policies for WBOs.[29] Consequently, the WBO solution gets lost within other more general terms such as "business transfers," "business restructuring," "employee participation," "employee financial participation," "securing employment," "business innovation," and so on. In light of this, it is among the goals of this report to more precisely delineate what could be meant by transferring businesses (failing or not) to employees, delve into how and why workers can (and do) recover troubled firms or those with succession issues, and

[28] As the writers of the EC's "Business Dynamics" report recently lamented: "The collection of data through the present study revealed that statistics on transfers are not available in most of the countries and when available, the definitions used vary significantly. As a result, it is very difficult to estimate the number of business transfers in European countries" (DG Enterprise and Industry, 2011, p. 105).

[29] For similar conclusions, see "Evaluation of the Implementation of the 2006 Commission Communication on Business Transfers" (EC Final Report, 2013).

explore the mechanisms of worker buyouts (see Chapters 2 and 3).

Notwithstanding these points, over the past fifteen years or so, some policymakers, lobby groups, and consultants at the European level have sensed a need to more precisely understand the worker buyout solution and address and perhaps assist in the phenomenon of workplace conversions or transfers to employees. These proposals have generally been positioned within Europe's greater economic and employment development objectives, inspired most recently by the Lisbon Strategy's goals of "sustainable economic growth with more and better jobs and greater social cohesion" (Lisbon Strategy, 2000), as well as Europe2020's aims of securing a "sustainable and inclusive economy" (Europe2020, 2010/2015). But even before these two major European framework initiatives, employee participation schemes were being promoted in the 1990s by the PEPPER Reports, such as the 1991 report "Promotion of Employee Participation in Profit and Enterprise Results" (PEPPER I, 1991) and 1997's "Promotion of Participation by Employed Persons in Profits and Enterprise Results" (PEPPER II, 1997). Yet another early recommendation from the European Commission that relates to WBOs was the Commission Recommendation of 7 December 1994, calling on Member States to facilitate the transfer of shares to employees by providing tax advantages, waiving registration fees, and for "the granting of resources to employees for acquiring the enterprise" (EC Recommendation, 1994, Article 7b).[30]

These early recommendations for more workers' participation in European firms and for business transfers to employees, however, as follow-up EU recommendations and communiqués have noted, turned out to have had little real impact at the time and in subsequent years for promoting new worker cooperatives (see, for instance EC COM, 2004, p. 9). In sum, business transfers to employees have long been considered by the EU - although not forcefully or clearly enough, we believe - as an element within the broader goals of: protecting jobs, encouraging "sustainable employment," facilitating "business restructuring," and more recently for combating lingering economic crises at the local and national levels by encouraging business "rescues" and for contributing to the "social inclusion" of more Europeans.[31]

"Careful and gradual preparation of transfers to employees organized in the form of worker co-operatives can improve survival rates" of the "approximately one-third of enterprises in Europe [that] will transfer ownership in the next 10 years" (EC COM, 2004, p. 10). This report's survival and longevity rate findings for Italian WBOs support this claim.

[30] Numerous other similar EU proposals and recommendations from the 1990s and 2000s that include mention of employee participation have been comprehensively mapped out in EC-DG MARKT (2014, p. 15).

[31] One example of this policy emphasis was taken up in recent years by the Commission's Directorate-General (DG) for Employment, Social Affairs, and Inclusion's "Progress Programme 2007-2013" (EC Progress Programme, 2013) and with CECOP-CICOPA Europe's involvement with the Progress Programme (http://www.cecop.coop/Progress).

Since the early 2000s, there has been an increased push within EU policy circles to promote economic sustainability and growth via cooperative societies and other social economy initiatives (e.g., EP Resolution, 2009), including "enterprise transfers," the increase of employees' financial participation and involvement in business governance (especially with regards to SMEs), and for sundry business restructuring schemes. For instance, in a series of Commission "communications" to the European Council and Parliament between 2004 and 2012, conversions of businesses to cooperatives were briefly but consistently mentioned (i.e., EC COM 2004, 2005, 2006, 2008, 2012). One example of this was the EC's communiqué from 2004, "On the promotion of co-operative societies in Europe," which included proposals for more favourable policies focused on cooperative societies (EC Com, 2004). There the EC proposed that policies should be oriented towards better "associat[ing] employees in enterprise results, on a collective basis, and to accumulate assets into workers' co-operative (*sic*), which will serve as a possible source of financing an employee buy-out" (EC COM 2004, p. 9). The 2004 communiqué also pointed out that "[c]areful and gradual preparation of transfers to employees organized in the form of worker co-operatives can improve survival rates" of the "approximately one-third of enterprises in Europe [that] will transfer ownership in the next 10 years" (p. 10). Our report's survival and longevity rate findings for Italian WBOs support this claim (see Chapter 4).

We believe that the promotion of more transfers to employees as WBOs throughout Europe's Member States – linked to improved education initiatives regards this possibility geared to shareholders, business owners, entrepreneurs, employees, and national cooperative movements – could help save more of the 150,000 firms with 600,000 employees that are not being transferred due to inefficiencies.

The figure of "one third" of EU member states' businesses transferring ownership over the first two decades of the 2000s was a recurring reason given in these Commission communiqués for promoting business conversions to cooperatives. This was repeated, for instance, in EC COM 2006, where successful business transfers, although challenging, the writers underlined, "will offer a great potential for growth and jobs" (EC Com, 2006, p. 4). More recent estimates by the Commission have suggested that while "approximately 450,000 firms are being transferred each year in the EU-27 affecting 2 million employees" - which have been mostly entrepreneur to entrepreneur transfers, leveraged buyouts between conventional firms, succession to family members, and the like - "there is a risk that an estimated 150,000 firms with 600,000 employees are not transferred due to inefficiencies" (EC-DG Enterprise and Industry, 2011, p. 111). We believe that the promotion of more transfers to employees as WBOs throughout Europe's Member States - linked to improved education initiatives regards this possibility geared to shareholders, business owners, entrepreneurs, employees, and national cooperative movements - could help improve on these figures and save more of these 150,000 firms and their incumbent jobs.

There are two recurring themes regarding business transfers that can be discerned in these EC communiqués and proposals: (1) that the financial participation of employees in conventional businesses facilitates the possibility of potential employee buyouts down the road, and (2) that a Europe-wide "business act" and Member State policies supporting cooperatives should

It is our hypothesis from the readiness of workers to assume entrepreneurial roles in Spain, France, Italy, and in Latin America, for example, that many employees are more than prepared to take on entrepreneurial projects, take over the firms that employ them, and that less "transition taboo" might exist among workers than is currently assumed.

further encourage business transfers to employees (see especially EC COM, 2008). However, while a laudable goal in itself, we feel there has been in the European Commission's proposals of the past 15 or so years too much emphasis on employees' participation in the "financial" results within established enterprises (which in essence is about some sort of co-ownership or making more shares available to employees), rather than homing in on *more employee participation in the running of firms* or how exactly *full business transfers or buyouts by employees* could be facilitated and supported. Moreover, most of the Commission's proposals have to date failed to specify, in the main, what legislation and financing schemes would need to be in place to facilitate business transfers to employees. In addition, the Commission's communiqués offer very little specifics as to the mechanisms that actually exist and that are working in several European countries already, such as Italy's Legge Marcora framework, Spain's "*pago único*," or France's various initiatives.

By 2011, the European Commission had yet to arrive at a solid consensus as far as how to encourage Member States to implement strong national business and cooperative policies that would support and promote business transfers to employees. "The number of European Commission recommendations implemented by member states [in this regard] remains low in a number of countries," the Commission itself lamented in their 2011 report "Business Dynamics: Start-Ups, Business Transfers and Bankruptcy" (EC-DG Enterprise and Industry, 2011, p. 106). Even though "[a] transfer-friendly regulatory framework has been developed in many European countries," it went on, "firms do not take advantage of it due to lack of information" (p. 106).[32] CECOP-CICOPA Europe has suggested that this "lack of information" regards business transfers related to WBOs had much to do with the focus across Europe on "failed entrepreneurs" rather than, as we and others propose, *workers' potential entrepreneurship* (CECOP-CICOPA, 2012b, p. 57).

And, again, we must point out that a lack of knowledge of the possibilities and benefits of business transfers and WBOs seems to also be prevalent throughout most EU Member States. As the European Commission's "Business Dynamics" report underscored from data collected in a survey of European entrepreneurs:

> At the same time, no strong demand for business takeovers seems to exist. Only around 25% of Europeans considering a business start-up would prefer to take over an existing business as opposed to starting a new one. (EC-DG Enterprise and Industry, 2011, p. 106).

Specific barriers to more widespread take up of business transfers by workers and entrepreneurs throughout Europe, according to the "Business Dynamics" report and CECOP-CICOPA, include: a lack of "awareness" of already existing "transfer-friendly regulatory framework[s]," a paucity of "systematic monitoring of business transfers", a dearth of sufficiently adequate support systems to build awareness of business transfers (EC-DG Enterprise and Industry, 2011, pp. 111-112), "transition taboo" amongst entrepreneurs and workers, "complexity of procedure", and "legal and tax obstacles" (CECOP-CICOPA, 2013, p. 9). Focusing on the entrepreneur rather than workers, three solutions offered by the writers of the "Business Dynamics" report included: (1) the promotion of the transfer of the business into "good hands" as "the high point of an entrepreneur's career" "by government institutions and […] business associations in all countries"; (2) that "[b]usiness transfers should receive from public authorities the same extent of support as start-ups or possibly more as they help preserve the existing stock of companies and jobs"; and (3) that "support instruments and best practices should be widely

[32] "This is the case in France for instance, where several respondents explained that despite the enterprise-friendly environment recently developed, owners are not aware of related legal and fiscal advantages [of business transfers]" (EC-DG Enterprise and Industry, 2011, p. 106).

disseminated" (EC-DG Enterprise and Industry, 2011, pp. 112-113).

To our knowledge, no European study has asked similar questions of workers that are in need of saving their jobs. It is our hypothesis from the readiness of workers to assume entrepreneurial roles in Spain, France, Italy, the UK, and in Latin America, for example, that many employees are more than prepared to take over the firms that employ them and take on self-management projects. We also suggest that less "transition taboo" exists among workers than is currently assumed and as suggested by the entrepreneur-focused "Business Dynamics" report.

Proposals for business transfers to employees in Europe as responses to the Great Recession: 2012-2016

Notwithstanding the lack of overwhelming take-up of policies geared at pan-European initiatives for business transfers to employees over the years, interest in WBOs at the European level has returned and has been gaining traction over the past four years with the lingering economic crisis in Europe. This interest can be seen in the interventions of some progressive parliamentarians, consultants to the Commission, and, in particular, with the research and lobbying efforts of CECOP-CICOPA Europe.

One example of this renewed interest in business transfers to employees that stands out is the forceful Draft Opinion from the European Commission's European Economic and Social Committee entitled "Cooperatives and Restructuring," submitted on 12 April 2012 (EC Draft Opinion, 2012). The authors of the Draft Opinion called for much more support for business transfers to employees based on the clear advantages and resilience that cooperative businesses have in times of crisis. Laying out clearly the well-accepted advantages of the cooperative form during crisis periods, and resonating with the reasons for promoting new cooperatives we started this report with (see Introduction), the EC's 2012 Draft Opinion delineated a concise proposal for business transfers to employees via worker cooperatives as business practices that go far in protecting jobs through solid "cross-generational solidarity" within firms. Boldly, the 2012 Draft Opinion stated that:

> *"The Commission has invited Member States to develop a framework for business transfers to employees based on best practices to avoid closure. As for example the single payment in Spain (*pago único*) and Legge Marcora in Italy, which allow unemployment benefits to finance new cooperative start-ups". (EC COM, 2012, p. 6)*

> Cooperatives should therefore be taken into account in *all* EU policies contributing to smart, sustainable and inclusive growth as well as in the relevant flagship initiatives of the EU2020 strategy. (p. 1)

The Draft Opinion authors further reminded European policymakers that they have a responsibility to re-consider WBO conversions to cooperatives since "the European Commission considers that restructuring involves a wider conception of enterprise" and since "it has also expressed the wish that responsible restructuring should include the involvement and participation of the workers" (p. 3). Quoting EC COM 2006, the writers of the 2012 Draft Opinion would underscore the Commission's earlier words that we have already cited in this regard:

> Employees have a particular interest in the sustainability of their enterprises and often have a good understanding of the business in which they work. However they often lack the

> appropriate financial means and support to take over and manage an enterprise. *Careful and gradual preparation of transfers to employees organised in the form of workers' cooperatives can improve survival rates.* (EC COM, 2004, p. 10 and EC COM, 2006, in EC Draft Opinion, 2012, p. 3, emphasis ours)

They also reminded European policymakers, again in the Commission's earlier words, that: "If no family successor can be found *a transfer to employees ensures a large degree of continuity of the business*" (EC COM, 2006, p. 9, in EC Draft Opinion, 2012, p. 3, emphasis ours). Again, this is also supported by the survival rate findings we review for Italian WBOs in Chapter 4.

Finally, in order to address workers' "lack of financial means and support to take over and manage an enterprise," the writers of the 2012 Draft Opinion encouraged Member States to, in direct reference to Italy's Legge Marcora and Spain's *pago único* frameworks:

> Develop a framework for business transfers to employees based on best practices to avoid closure. As for example the single payment in Spain (*pago único*) and Legge Marcora in Italy, which allow unemployment benefits to finance new cooperative start-ups. (p. 3)

Clearly, and well aware of proven national frameworks for WBOs such as Legge Marcora, the EC's 2012 Draft Opinion was an encouraging attempt by its writers to provide a way for WBOs to be taken up by Member State's business restructuring policies focused on economic stabilization and growth. Their recommendations, while slow to be taken up by Europe's policymakers despite the copious evidence the 2012 Draft Opinion authors mustered, would gain traction at the EU over the next two years given the overwhelming evidence regarding the benefits of workers' self-management, and the potential economic benefits of WBOs and new cooperatives for community economic revitalization.

A resolution entitled "Contribution of Cooperatives to Overcoming the Crisis," passed at the European Parliament on 2 July 2013 (EP Resolution, 2013b),[33] took off in part from the 2012 Draft Opinion and was another clear and recent attempt to kick-start Europe-wide support mechanisms for business transfers to cooperatives. Inspired by the Legge Marcora framework and with specific mention of the Italian law (in section 11 of the 2013 resolution) and Italy's use of "third parties to provide cooperatives with venture capital […] such as mutualisation funds and Cooperazione Finanza Impresa (CFI) in Italy" (section 31), the resolution was positioned within the EU's increased moves to support cooperatives as a resilient business model in times of crisis. Further, the 2 July 2013 resolution proposed guaranteeing the "incentivization of cooperatives" via a "dedicated line in the European Budget […] for company restructuring through cooperative support networks, in the example of the Legge Marcora […]" (Toia, 2013). Eleven sections of the resolution (sections 25-35) encompass the theme of "business transfers and restructuring", including a clear line for expanding and supporting WBOs, business transfers to employees, and the creation of worker cooperatives across all Member States. For instance, section 23 of the resolution states that:

> [The European Parliament] considers that *the transfer of a business to the employees through the creation of a cooperative and other forms of employee ownership* could be the best way of ensuring the continuity of an enterprise; stresses that *this kind of transfer of businesses to employees, in particular with regard to worker cooperatives and worker buy-outs, should be supported by a specific EU budget line* that also includes financial instruments; calls urgently for the creation, with the

[33] European Parliament P7_TA-PROV (2013) 0301 (http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2013-0301+0+DOC+XML+V0//EN).

> participation of the European Investment Bank (EIB) and the social partners, and with stakeholders from the cooperative movement, of a European mechanism designed to promote the development of cooperatives and, in particular, business transfers under the cooperative form, also through, for example, the instrument of mutualisation funds. (section 25, emphasis ours).

The 2 July 2013 parliamentary resolution at the same time encouraged the European Commission to create "a unit responsible for cooperatives and other social-economy organisations" (section 19), where WBOs and conversions can be actively and consistently promoted. The passing of the 2 July 2013 resolution has been a very positive move forward at the EU in recent years, no doubt in recognition by parliamentarians that more progressive, worker- and community-centred proposals for overcoming the lingering economic crisis and saving jobs and businesses must be pursued.

Coming off of the 2 July 2013 resolution, on 14 January 2014 the European Parliament passed another related resolution, "Financial Participation of Employees in Companies' Proceeds" (EP Resolution, 2014).[34] The January 2014 resolution mostly focused on further supporting employee *financial* participation in already established firms (already practiced in some Member States) via a common European framework for employee participation (i.e., encouraging more companies to take up the practice, overcoming cross-border barriers, offering tax incentives, etc.). The resolution also called on the European Council and the Commission to explicitly recognize the promotion of all forms of "employee participation" (section O) and "employee ownership" (section 18), including employee share ownership plans (ESOPs) (section H), "buy-out[s]" (section G), and through "business succession" (section 25). Regards employee buyouts, in particular, the January 2014 resolution asserted that

> Whereas if employees obtain from their company's owners a priority buy-out right,[35] and are thus able to take over companies in financial difficulty, they may seek to safeguard their own jobs and this procedure may reduce uncertainty about their continued employment when there is the possibility of buy-outs by other companies; whereas employee ownership may address company succession problems, as a company is often closed down or sold off for possible rationalisation or closure when succession is not possible; whereas this procedure may be helpful in particular for SMEs and micro enterprises in securing the continuation of sustainable commercial operations; whereas these advantages can only be secured in combination with the participation of workers. (section G).

Additionally, with respect to business succession to employees, and tipping the hat to already established WBO frameworks such as Spain's *pago único* and implicitly Italy's Legge Marcora WBO framework, the January 2014 resolution acknowledged the following:

> [B]usiness succession, additional funding, staff retention and other problems characteristic of SMEs can be alleviated by employee share ownership plans…[and]…employee ownership schemes in small and micro enterprises can be combined with labour market measures, such as unemployment benefits, and thus help to reinstate the unemployed. (section 25).

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[34] European Parliament P7_TA-PROV(2014)0013 (http://www.europarl.europa.eu/sides/getDoc.do?pubRef=//EP//TEXT+TA+P7-TA-2014-0013+0+DOC+XML+V0//EN).

[35] Note that Italy and France already have this "right-of-first-refusal" embedded in cooperative, business, and bankruptcy legislation for employees of failing firms (for the Italian provisions, see Chapter 3).

Tellingly, however, the January 2014 resolution, as with the July 2013 resolution, also recognized the knowledge gap that exists still in Member States concerning “possible employee ownership schemes” (a gap, as we have already stated, that our report aims to help rectify):

> The European Parliament…[n]otes that there is a lack of information and education about possible employee ownership schemes, especially among SMEs; calls on the Commission and the Member States in this regard *to better organise information campaigns* and to encourage the cross-border transferability of best practice schemes among Member States. (section 26, emphasis ours).

As a solution to this knowledge gap, and in the same spirit of the broader *New Production and Worker Cooperatives and the Employee Buyout Phenomenon* research project within which this report is situated, the resolution authors concluded by encouraging members states “in cooperation with social partners, employee ownership organizations, and the Commission” to

> use existing single information portals - one stop shops - accessible to employers and employees, or to develop new ones, in order to explain the benefits and advantages as well as risks of EFP (employee financial participation), the national incentives available and the different models which exist, with a view to allowing employers and workers to make informed judgements concerning EFP schemes and find the best option for agreements at the company level and better assessing the options available to them and the challenges of entering into an EFP scheme;…*these single information portals should be attached to or included in existing competent bodies or authorities at the national level*. (section 27, emphasis ours)

Again, with the same goals in mind as our broader research program and this report, and in the context of a “Pilot Project” recommended by the Parliament’s 14 January 2014 resolution, a follow-up conference entitled “Taking Action: Promotion of Employee Share Ownership” was held in Brussels on 30 January 2014. The “Taking Action” conference was attended by 140 registered participants from across Europe and the US, including Michel Barnier, then European Commissioner for Internal Market and Services (EC Conference, 2014). Among the outcomes of the conference was a commitment to put into practice the 14 January 2014 European Parliament resolution, including five priorities:

- “promot[ing] the exchange of best practices” in employee share and financial ownership,
- pursuing the establishment of transparent “fiscal treatments and tax incentives”,
- “combining economic and labour market policies” in order to reduce “inequality”,
- creating linkages to “corporate governance and long-term investment strategies,” and
- establishing “a legal framework on ESO [employee share ownership]” to “facilitate cross-border schemes”. (EC-DG MARKT, 2014, pp. 77-81[36])

In this spirit, the “Taking Action” conference and pilot project also responded to an earlier desire voiced by the Commission to *support instruments and best practices* in business transfers *through widespread dissemination* (DG Enterprise and Industry, 2011). Since then, and very promisingly for the promotion and spread of the WBO solution across Europe, the July 2013 and January 2014 resolutions, the “Taking Action” conference, and previous resolutions, communiqués, and Draft Opinions have also laid the groundwork for a call for proposals, made public in June 2015 by the European Commission, in order to:

[36] For details of the “Taking Action” conference, see http://www.intercentar.de/en/conference/download-the-materials/ and http://ec.europa.eu/internal_market/conferences/2014/0130-employee-ownership/index_en.htm.

> Improve the environment for transferring businesses to employees or workers organised in cooperative form and to raise awareness about the benefits of a cooperative model in Europe.
> (EC Call for Proposals, 2015)

Finally, then, it seems that the EU, after over 20 years of considerations, recommendations, communiqués, studies, and proposals, is coming around to the WBO solution as a sound, stable, and efficacious model for saving jobs and local community economies in times of micro- and macro-economic insecurity. We are encouraged by this revised and more solid take up of the WBO solution for Europe. With the lingering effects of the crisis and the paucity of viable alternatives to it in much-tried and failed orthodox interventions and austerity policies, there is now a growing flurry of proposals for new research and promotional activities focusing on business transfers to workers and buyouts of troubled businesses by workers.

A few very recent initiatives that underline this growing interest and potential include: an event at Expo Milano 2015 organized by Italy's Confcooperative on "the cooperative view" that "kick start[ed] with the stories of workers' buyouts in Europe" (CECOP-CICOPA, 2015a); the June 2015 call for proposals by the European Commission; the continued and diligent work of CECOP-CICOPA Europe in lobbying for more interest and consideration of the WBO model by European policy makers (for its latest intervention, see CECOP-CICOPA, 2015b); and, indeed, research interventions such as this report. There has also been a growing international interest in European WBO solutions as possible avenues beyond the crisis for local communities, as was recently highlighted by a feature article in the New York Times that focused on WBOs in Italy (including a case study of the Lavoratori Zanardi WBO), and a mention of WBOs in France and Spain (New York Times, 2015; Panigiani, 2015).

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It is in the precise spirit of the European Parliament's 2 July 2013 and 14 January 2014 resolutions, the "Taking Action" conference, and the June 2015 Pilot Project call for proposals that we have also decided to embark on this research, to write and make public this report, to detail the Legge Marcora framework, and to complement it with the publically accessible and emergent database of Italian WBOs.

It is in the precise spirit of the European Parliament's 2 July 2013 and 14 January 2014 resolutions, the "Taking Action" conference, and the June 2015 Pilot Project call for proposals that we have also decided to embark on the *New Production and Worker Cooperatives and the Employee Buyout Phenomenon* research project, to write and make public this report, to detail the Legge Marcora framework, and to complement it with the publically accessible and emergent database of Italian WBOs.

1.3 Looking Forward

The years 2013-2016 have been promising at the European level for the possibilities for new pro-WBO policies across Europe. To date, however, interest in business conversions and transfers have served to, at most, raise awareness of the possibilities of the WBO solution for saving jobs, businesses, and local economies. With the exception of the European Parliament's 2 July 2013 and 14 January 2014 resolutions and the 2015 Pilot Project call for proposals, no actual EU-wide WBO-specific initiatives or policies have been effectively implemented to date. As of the summer of 2016, policies regarding business transfers to employees remain within key national jurisdictions, with Italy, Spain, and France leading the way, as well as in pockets of more modest experiences in the UK, Belgium, Finland, and Greece, and in some Eastern European countries such as Turkey. As we have suggested, then, there is still much to learn about why, how, and where these business conversions happen, and what their organizational characteristics, successes, and challenges are exactly.

The authors of this report particularly believe that Italy's Legge Marcora framework deserves a closer and continued look by EU policymakers because it is one of the three comprehensive and long-standing national WBO models in Europe today with respect to the historical number of its experiences, the various stakeholders it takes into account, and the flexibility of its financing mechanisms. We review in detail the "Italian road" to WBO creation and its Legge Marcora framework in Chapter 3. Indeed, we are not alone in affirming the virtues of Italy's Legge Marcora framework, as we showed in this chapter and will do so throughout the remainder of this report. As we have also already noted, CECOP-CICOPA Europe has taken an important leadership role in forcefully promoting the WBO model. Moreover, as we reviewed in this chapter, in recent years the Legge Marcora framework has been inspiring some European legislators, cooperative sector representatives, and policymakers to propose, at *minimum*, more supports and financing possibilities across the EU's Member States for business conversions to cooperatives and, at its most ambitious, a European framework for WBOs and business transfers to workers.

CHAPTER 2 - WORKER-RECUPERATED ENTERPRISES AND WORKER BUYOUTS: DEFINING KEY TERMS, INTRODUCING THE ITALIAN EXPERIENCE

by Marcelo Vieta

2.1 Introduction

This chapter sets out to define worker-recuperated enterprises and one particular subset of these firms - worker buyouts (WBOs). It also taps into the socio-economic contexts from out of which WBOs tend to emerge in Italy in relation to various socio-economic indicators of the past 35 years. The emergence of WBOs in Italy is, we argue in this chapter, illustrative of the conjunctural conditions that stimulate their emergence more broadly. The introductory analysis in this chapter also serves as a primer to the detailed policy assessment of the Legge Marcora framework in Chapter 3, and the demographic, geographic, organizational, and case study analyses we carry out in Chapters 4 and 5.

2.2 What are Worker-Recuperated Enterprises?

Worker-recuperated enterprises (WREs) are *former investor-owned, sole proprietary, or other forms of firms that have subsequently been occupied, taken over, or bought out by employees and reopened by them as worker cooperatives or some other type of labour-managed enterprise*. Often, WREs emerge when a former capitalist firm is or has experienced crisis leading to bankruptcy, from out of conflicts between employees and the firm's owners or managers, or due to succession issues. WREs can also emerge from the conversion of established cooperatives to new cooperatives. Around the world, WREs are known as: *empresas recuperadas por sus trabajadores* (Spanish), *imprese recuperate dai lavoratori* (Italian), or, in English, variously as worker-recuperated, worker-occupied, or worker-recovered companies; business transfers to workers/employees; or business conversions to employee/worker ownership. Worker buyouts, which we will define shortly, can be considered a subset of WREs. Figure 2 provides a sketch of countries from around the world with proportionately large numbers of worker-recuperated enterprises of some sort today.

> *Worker-recuperated enterprises: former investor-owned, sole proprietary, or other forms of firms that have subsequently been occupied, taken over, or bought out by employees and reopened by them as worker cooperatives or some other type of labour-managed enterprise.*

While in this chapter we are most interested in workplace conversions led by workers, it is important to note that not all conversions into labour-managed firms emerge out of workers' initiatives.[37] There are other types of conversions of productive entities into some form of worker-controlled or co-owned firm:

1. Work-integration social cooperatives (WISCs) can form from the transformation of workplaces to cooperatives with strong social missions or other forms of labour-managed firms, or from the conversion of properties confiscated or expropriated by the state to worker ownership (i.e., as in the conversion of businesses emerging from the proceeds of criminality to workers' control in Italy in recent years, reviewed in section 3.4 of Chapter 3).

[37] Later phases of the *New Production and Worker Cooperatives and the Employee Buyout Phenomenon* program, with the collaboration of other research partners, will continue to map, categorize, and define the various forms of business conversions where workers and the community control the running of the firm.

2. Business conversions can be initiated by state initiatives of some kind via the transfer of state-run firms into cooperatives to deliver public services under government oversight in new private markets, as in Cuba after the Communist Party's economic reforms of 2012,[38] or in contemporary Bolivarian Venezuela.
3. Nationalization schemes can also form worker-controlled productive entities, such as farms and industrial plants under workers' self- or co-management (e.g., *kolkhozes* in the former USSR, self-managed firms in the former Yugoslavia, or Bolivarian Venezuela's "social production units" and "socialist factories" often emerging from the state's expropriation of capitalist firms).

Of course, while worker cooperatives themselves can emerge in differing ways, the most common is a start-up of a new enterprise via some form of social or collective entrepreneurship, which includes collective risk sharing and workers' pooling of start-up funds and resources (Connell, 1999; Duguid, Tarhan, & Vieta, 2015; Spear, 2012; Vieta, Tarhan, & Duguid, 2016b). Two additional ways that worker cooperatives can emerge are through employees' recuperation of a troubled or bankrupt firm, or via the succession of a healthy conventional firm that sees owners sell the firm to employees (Quarter & Brown, 1992; Paton, 1989; Vieta, Quarter, Spear, & Moskovskaya, 2016a). Indeed, most WREs emerging from WBO processes convert conventional captialist firms - investor-owned, sole proprietorships, partnerships, or family businesses - into worker cooperatives.

As the cooperative and alternative organizational studies literatures have made clear, challenges for worker cooperatives, as with those emerging from WBOs, tend to include start-up financing, ongoing capitalization and, as for small businesses in general, surviving the early years in competitive markets with non-cooperative competitors and drawing a decent income for the worker-members (Ben-Ner & Jones, 1995; Craig, 1993; Dow, 2003; Pérotin, 2006; Vieta, 2013; Vieta *et al*., 2016a; Webb & Cheney, 2014). Even given these challenges, however, worker co-ops can be as productive and even out-perform conventional firms, especially during economic downturns (Altman, 2014; Birchall & Hammond Kettilson, 2009; Sauser, 2009; Pérotin & Robinson, 2004).

WREs, especially those emerging from business failure, market crises, or out of labour conflict, generate more media attention than cooperative start-ups from social entrepreneurial activity, particularly if the firm is high profile - as in the case of Chicago's New Era Windows worker cooperative (Alperovitz, 2012) or Argentina's Zanón/FaSinPat *empresa recuperada* (Lewis & Klein, 2004) (also see Vieta *et al*., 2016a). Worker buyouts also draw publicity if many jobs or the survival of an entire community are at stake (Vieta, 2013, 2017; Vieta *et al*., 2016a).

WREs are usually more precarious during their initial start-up period when compared to planned cooperative start-ups, especially if no external sources of funding and support exist. This is because a WRE often emerges form a troubled firm and workers engaging in a WRE project often have to go through long periods of struggle to take over the firm, make wage sacrifices, and replace depleted machinery (McCain, 1999; Paton, 1989; Quarter, 1995; Ruggeri & Vieta, 2015; Vieta, 2013, 2017). Where no other financial supports specifically geared at WREs or WBOs exist, conversions of healthy companies into worker cooperatives - either via a retiring owner's selling or bequeathing the firm to employees - tend to have better prospects, emerging at times via owner idealism (Erdal, 2011) or retiring owners' desires to have their firms continue (CECOP-CICOPA, 2013; Quarter & Brown, 1992;Quarter, 1995; Vieta *et al*., 2016a).

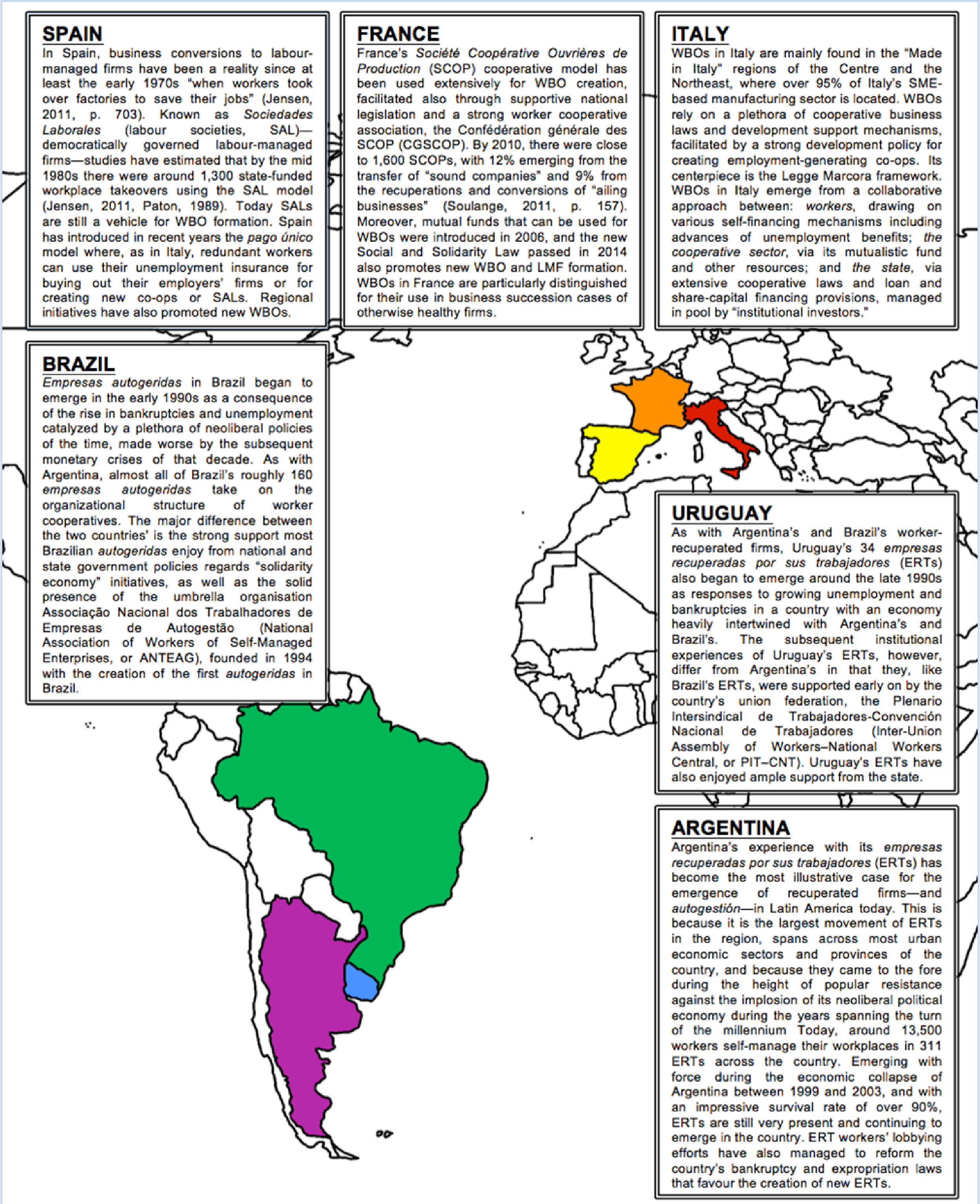
[38] There has been a new wave of non-agricultural cooperatives in Cuba since 2012 in sectors such as tourism, public transport, and construction, which have been encouraged by the economic reforms of the Sixth Congress of the Communist Party (Giovannini & Vieta, 2016; Vieta, 2012c).

Key countries where worker-recuperated enterprises are present

In several jurisdictions specific legislation has facilitated the conversions of businesses into worker cooperatives, other forms of labour-managed firms (LMFs), or other employee share ownership arrangements. For instance, employee share ownership plan (ESOP) legislation, as we will address shortly, has existed in the US since the 1970s (Freeman, 2007). As we reviewed in Chapter 1, a handful of European jurisdictions have also been at the forefront of business conversions to employee ownership. Employee share-ownership provisions have existed for several decades in the UK. The UK also has older experiences with WREs dating back to its Industrial Common Ownership Movement (ICOM) of the 1970s, and WREs continue to emerge to this day, with a modest but promising number in England, Wales, and Scotland. In Spain, the emergence of WBOs has been facilitated by its *pago único* scheme, its *Sociedades laborales* (SALs) LMF model (Jensen, 2011, 2012), as well as regional initiatives for conversions to worker cooperatives. And France's *Société coopérative ouvrières de production* (SCOP) (Soulange, 2011) model, as well favourable national legislation and cooperative movement support, such as its new Social and Solidarity Economy Law passed in 2014, have promoted new WBO and LMF formations (see Chapter 1). All of these routes to LMF formation via WBOs emulate in ways Italy's Legge Marcora framework (for more, see Chapters 1 and 3).

Perhaps the most renowned worker-driven business conversion movement today is Argentina's *empresas recuperadas por sus trabajadores* (worker-recuperated enterprise, ERTs). While new ERTs are still emerging today, the phenomenon began to surge in the late 1990s and early 2000s in the thick of a near-total collapse of Argentina's neoliberal model that included record rates of unemployment and business closures. To date, hundreds of businesses from across its urban-based economy and in all regions of its national territory have been taken over by ex-employees (Atzeni & Ghigliani, 2007; Atzeni & Vieta, 2014; Ruggeri, 2010; Ruggeri & Vieta, 2015; Vieta, 2010, 2012a, 2013, 2014a, 2017; Vieta & Ruggeri, 2009). Around 95% of these firms - currently numbering at well-over 300 firms and counting (Ruggeri & Vieta, 2015) - have become worker cooperatives, a recognized business model in Argentina that facilitates restarting a firm by former employees and makes it possible to access some government subsidies and value-added tax exemptions on revenues (Ruggeri, 2010; Ruggeri & Vieta, 2015). Considering that almost all ERTs in Argentina have emerged from conventional small- and medium-sized enterprises (SMEs) in crisis, remarkably only around 9% of ERTs that have emerged since the early 1990s have since closed (Ruggeri, 2010). Nevertheless, many of them do subsequently experience hardships in raising capital and renewing aging machines (Rebón, 2007; Ruggeri, 2010). Although there have in recent years been reforms to Argentina's bankruptcy laws, giving workers a right-of-first-refusal for proposing a WBO of troubled firms, the government still lacks consistent policies for assisting worker-recuperated firms such as in Italy, Spain, and France (Ruggeri & Vieta, 2015). Because of Argentine ERTs' challenges, ERTs have sought and received continued assistance from cooperative federations, some unions, and myriad community groups and social movements (Vieta, 2013, 2014a, 2017). Moreover, in the late 2000s Italy's Legacoop, Confcooperative, and CFI, with the sponsorship of the Italian Ministry of International Commerce, had begun to establish a working relationship with Argentina's ERTs, transfering Italian funds and know-how for assisting these firms and proposing purchasing and trade between Italy's cooperative sector and some of Argentina's ERTs (Ministero del Commercio Internazionale, 2007).

Figure 2 - Key countries with extensive experience of worker-recuperated enterprises



Underscoring how worker cooperatives often emerge in moments of distress (Birchall, 2003, 2011; Briscoe & Ward, 2005), similar experiences of worker-recuperated firms exist throughout Latin America, in Uruguay, Brazil, Venezuela, and to a lesser extent in Paraguay, Peru, Mexico, Colombia, and Bolivia (Henriques, 2014; Martí, Thul, & Cancela, 2013; Vieta, 2017; Vieta & Ruggeri, 2009). Beyond Latin America, older experiences of conflict-based workplace takeovers, dating back to the 1910s, 1930s, 1960s, 1970s and 1980s have also existed in the US, Spain, France, Finland, the UK, and Italy, emerging from similar situations of market crises, severe unemployment, or over union-led shop-floor labour conflicts (Atzeni & Vieta, 2014; Birchall, 2003; Hunnius *et al*., 1973; Howard, 2000; Hunnius, Jensen, 2012; McCain, 1999; Montgomery, 1979; Paton, 1989). And as direct responses to the lingering crisis emerging from the Great Recession, most recently new worker-recuperated firms have been emerging again in other Southern European countries, including recent experiences in Serbia, Greece, and Turkey (Vieta, 2013, 2017). Outside of Europe and Latin America, they can also be found in South Korea, the Phillipines, India, South Africa, and in a handful of cases in the US and Canada.

In the next section, we specifically define the worker buyout, a subset of worker-recuperated enterprises. The worker buyout is the predominant form of worker-recuperated firm in Italy. We suggest there are four general routes that can lead to a WBO, and three general types of WBOs: the "labour conflict WBO," the "Employee Share Ownership Plan (ESOP) WBO," and the "negotiated WBO". In Italy, WBOs tend to be of the negotiated type, but there are also cases of labour conflict and non-conflictive succession WBOs, which we document in our case studies in Chapter 5.

2.3 What are Worker Buyouts?

A worker buyout (WBO) is *an employee-led business rescue, restructuring, and conversion process whereby employees purchase an ownership stake in the entire business that employs them, or in a division or subsidiary of the business*.[39] In its more progressive expression, a WBO also includes workers' participation in the running of the firm - employees both co-own all or part of the firm and are involved in its management, either directly or through the election or appointment of management (Dow, 2003; Estrin, 1985; McCain, 1999; Quarter, 1995; Quarter & Brown, 1992; Vieta *et al*., 2016a). A related form is the management buyout, where management buys the firm from its owners with or without employee involvement (Scholes, Wright, Westhead, & Bruning, 2010). In this report, we exclusively focus on the worker-centred buyout.

*A **worker buyout (WBO)** is an employee-led business rescue, restructuring, and conversion process whereby employees purchase an ownership stake in the entire business that employs them, or in a division or subsidiary of the business.*

Through a variety of legal mechanisms that vary according to the national jurisdiction, employees involved in a WBO may first form a new entity, termed a "newco" by accountants, in order to engage in the legal requirements for purchasing all or part of the original business

[39] The worker buyout process we are focusing on in this report is where employees of a firm purchase or otherwise take over the legal ownership of a former investor-owned or proprietary firm and subsequently also self- or co-manage the firm. Here, we are not interested in and differentiate this form of WBO from processes whereby employees are "bought out" via severance or other compensation mechanisms during the restructuring of a company or as a means of saving on labour costs. In this report we are also not focusing on processes of management-led buyouts (although some WBOs do also include former managers and even former owners of the previous firm in the WBO process, as some of our case studies in Chapter 5 will show).

interest, which in turn is known as the "target company" (Bernstein & Hodge, 2008). In simpler WBO procedures, the newco can be a transitory employee association of some sort or employees can form a trust through which the target company is subsequently purchased (or at times rented) and converted into a new legal entity, usually a worker cooperative (Kruse, Freeman, & Blasi, 2010). The newco association or trust is entrusted on behalf of the employee collective with the details of the conversion, whereby the newco then either fuses with the target company or forms a new company and dissolves the target company (Borsa Italiana, 2014; Mraz, 2012).

Four possible routes to the formation of a worker buyout

While there are many reasons for and variations of the WBO (Co-operatives UK, 2013), broadly they can take four routes:

(1) Employees form a newco that then buys some or all of the assets of the target company in what is known as an "asset sale," often carried out through the issuance of share capital to the new worker-owners. This purchase is financed by workers' shared contributions to the newco from their savings, redirected pension plans (as in the case of ESOPs, see below), advances on unemployment insurance (as with Italy's Legge Marcora framework or Spain's *pago único*), or from other financial sources (such as institutional investors, which can themselves be cooperatives, individuals, or publically traded or private business, such as with Italy's institutional investors and *socio finanziatore*, see below and Chapter 3).

(2) The employees' newco purchases some or all of the assets of the target company as in scenario 1 but via debt financing (either from private or public sector banks, credit unions or cooperative banks, or other institutional financiers). These loans are secured by the assets or future revenue potential of the target company or newco, or at times in combination with or directly by workers' own collateral. This could be viewed as a kind of worker-centred "leveraged buyout".

Four possible routes to a worker buyout: (1) Employees form a newco that then buys some or all of the assets of the target company in what is known as an "asset sale" via share capital contributions. (2) Employees purchase some or all of the assets of a target company via debt financing. (3) Employees first negotiate the transference of a failing company or a company with succession issues with the appropriate authorities. (4) Any combination of the above three scenarios, including co-ownership and co-administrative models between employees and owners or employees and managers of the target company.

(3) The employees, with their unions or other local supporters and legal representatives, first negotiate the transference of all or part of a failing or bankrupted target company (or a company with succession issues) with bankruptcy courts or local authorities through some sort of legal or legislative mechanism. These mechanisms may include: bankruptcy laws or business legislation recognizing and facilitating the conversion of firms to workers' control, favourable expropriation legislation, or even supportive usufruct laws. These mechanisms, in turn, secure the conversion of the target company to the workers' collective ownership and management. Versions of this model are used, for instance, in Argentina, Spain, France, and Italy (La Repubblica, 2013; Ruggeri & Vieta, 2015; Roncato, 2013; Vieta, 2013). In this third scenario, the newco, most usually in the form of a worker cooperative, is established before or early on in the negotiation process and the newco legally takes over the assets of the target company, while the latter in turn is dissolved. Negotiated conversion settlements may arrive

at: (a) a usufruct legal structure where the workers can use, manage, and work the assets of the firm before a final settlement is reached; (b) a rent or lease-to-own model where the workers pay for the use of the assets of the target company over an agreed upon timeframe and sometimes from so-called "labour credits" calculated on unpaid wages incurred by the target company; or (c) from an "expropriation" of the firm through specific legislation passed by local or regional governments on behalf of employees when saving a failing firm is deemed to be in the public interest. These are all common scenarios with Argentina's ERTs (Ranis, 2006, 2014; Ruggeri & Vieta, 2015; Vieta, 2013, 2017).

(4) Any combination of the above three scenarios, including co-ownership and co-administrative models between employees and owners or employees and managers of the target company (as in some cases in Argentina, Italy, France, and Spain, or as with Quebec's worker shareholder cooperative model).

Whether or not WBOs are part of the repertoire of business succession, restructuring, or organizational change in a particular jurisdiction depends on its legal, political, social, cultural, and economic norms and historical contexts (CECOP-CICOPA, 2013). Moreover, the form of WBO that predominates in any jurisdiction is influenced by micro- and macro-economic realities or crises, political traditions, organized labour or cooperative sector practices, and in the specific types of collaborations or conflicts that might exist between a firm's employees and its owner(s) and administrators (Jensen, 2012).

Often, the emergence of a WBO is motivated by workers' direct desires to secure jobs when their places of work face imminent closure and is facilitated by some form of enabling public policy that is mindful of the wellbeing of workers and communities and the need to reduce unemployment, protect existing jobs, and prevent the depletion of local economies. At other times, a firm's owners might initiate the WBO process by offering to sell it to employees as a business succession strategy (Bernstein & Hodge, 2008), usually when owners do not have heirs or from ideological conviction (Erdal, 2011). This type of business succession WBO has been in practice in Canada, the US, Italy, France, Spain, the UK, and in other countries for some time.

In sum, employees are motivated to engage in a WBO because they are at risk of being furloughed, unemployed, or in other scenarios where the security of employees' jobs are in play. This is most often due to the risk of firm closure due to a lack of heirs or succession planning, liquidation, bankruptcy, mismanagement, market failure, or other micro- and macro-economic crises.

Three general types of worker buyouts

Generally, today's WBOs consist of three types: the "labour conflict WBO," the "Employee Share Ownership Plan (ESOP) WBO," and the "negotiated WBO".

Recent years have witnessed a rise in the "labour conflict WBO". Having a long pedigree as a form of workers' control dating back to the factory occupations of early 20th century Europe (Bayat, 1991), these types of WBOs have been particularly visible recently in countries and communities hardest hit by macro-economic crises, such as the Great Recession that began in 2008 and its consequences on rising rates of unemployment and firm closure due in part to the austerity measures that have followed. Labour conflict WBOs emerge in situations with some degree of conflict between workers and owners, management, or with local and regional authorities, as witnessed for instance in Latin America in the past 20 or so years (especially in Argentina, Uruguay, and Brazil) and with a growing number of new workplace takeovers in Southern Europe today. Often, local unions, community activists, or social movement groups become involved in assisting the workers in their struggle to save the firm and their jobs. At times, these conflicts lead to extreme measures, such as owner abandonment or owner's asset stripping of failing firms and subsequent worker takeovers and occupations of their workplaces, sometimes with some degree of repression by the state justified by the upholding of property laws that clash with people's rights to decent jobs. Part of the resolution of these conflicts and the conversion of firms to the control of their workers includes transitioning them legally into worker cooperatives or other forms of employee ownership. In these scenarios, such as occurred in Argentina around the years spanning its economic crisis of 2001-2002, and more recently in a Greece, Turkey, and in some cases in Italy, for instance, the WBO process happens after the worker collective's occupation of the business, which can sometimes last weeks or months (Ruggeri & Vieta, 2015). The newco - again, usually as a worker cooperative - is formed during this period of conflict. Part of resolving the conflict usually also involves the worker collective negotiating the control of the firm's assets with bankruptcy courts and/or local authorities (Vieta, 2013, 2017).

The second type of worker buyout, the "ESOP WBO," is based on the Employee Share Ownership Plan model. The ESOP model was created in the US in the 1950s and was legislated formally in the US in the early 1970s with reforms to its pension laws (Freeman, 2007). Growing in numbers throughout the 1970s and 1980s, ESOPs have seen a re-emergence in recent years in the US, Canada, and the UK, in particular (NCEO, 2014). ESOPs are a mechanism whereby employees of the target company, via an "ESOP trust" (a trust fund comparable to a defined contribution pension plan) purchase shares of the target company. Retiring owners gain tax advantages for selling part or all of their company (Kruse, Freeman, & Blasi, 2010) and ownership of the target company is usually shared between employees and other types of more traditional shareholders. Often the ESOP purchase is financed via the use of workers' pension plans paid out to workers when they leave the firm, but can also be financed by employees' personal savings or via loans (Freeman, 2007; Quarter, 1995). Today in the US over 7,000 firms have ESOPs involving over 13.5 million employees, including companies such as Publix Supermarkets, Price Chopper, W.L. Gore, and Austin Industries (NCEO, 2014). While ESOPs may take on the structure of a worker cooperative, usually ESOPs do not include workers' direct control of the target company's assets or administrative rights. Hence, the "ESOP WBO" is, in reality, only a partial WBO.

***Three general types of worker buyouts**: (1) the "labour conflict WBO"; (2) the "ESOP WBO"; and (3) the "negotiated WBO".*
Italy's WBOs are in general (but not exclusively) the third type - a negotiated WBO arrangement between exiting business owners, employees desiring to save their jobs, their organized labour representatives, the state, and the cooperative sector, going far in saving or creating at least 9,500 jobs and the 257 firms across Italy in our database. Italy's worker/state/cooperative sector capitalization and support mechanisms for WBOs - rooted in a strong policy framework - in essence contribute to a unique business conversion enabling environment.

A third type of worker buyout can be recognised in the "negotiated WBO". These buyouts are positioned in between the two extremes of the labour conflict and ESOP WBO and are negotiated between owners and workers or the state and workers, usually with the mediation of unions, cooperative apex federations, or local authorities and courts. Most often in the negotiated WBO, workers have already established a newco early on in the negotiation process with the intent of buying or renting part of or all of the business that employs them (i.e., the target company). As with Italy's Legge Marcora WBOs, the negotiated WBO model is further facilitated by clear legislation for such buyouts and works with various community experts, lawyers, businesses, the cooperative sector, or unions, as well as with local, regional, or national authorities. In some instances, such as in Quebec's worker shareholder cooperatives, employees of an existing company may form a worker cooperative and purchase a portion of the stock of the target company, entering into an agreement with the other shareholders (Vieta *et al*., 2016b). In this scenario, the worker cooperative may or may not also participate in the management of the firm, depending on the agreement reached with the target company's original owners and administrators. Other such negotiated WBOs include business succession plans and converting conventional sole proprietorships or investor-owned firms into already-existing labour-owned company structures such as France's *Société coopérative ouvrières de production* (SCOP) or Spain's *Sociedades laborales* (SAL) (where the majority of share capital must be owned by employees). The negotiated WBO also characterizes the majority of Italy's Legge Marcora-based worker buyouts.

2.4 Italy's Worker Buyouts: A Brief Overview

WBOs in Italy have been, in the main, negotiated arrangements between employees desiring to save their jobs and their organized labour representatives and exiting business owners, the state, and the cooperative sector, going far in saving or creating at least 9,500 jobs and most of the 257 WBO firms across Italy that we track in this report (see Chapter 4). Italy's worker/state/cooperative sector capitalization and support mechanisms for WBOs - rooted in a strong policy framework - in essence contribute to a unique business conversion enabling environment.

It is well accepted in the literature on labour-managed firms that governments and other institutional actors, such as cooperative movements and unions, can play an important part in the formation of new cooperatives, as well as in the institutionalization of the WBO process within a particular jurisdiction (Ben-Ner, 1988; Bernstein & Hodge, 2008; CECOP-CICOPA, 2012, 2013; Dow, 2003; Jensen, 2011; Nightingale, 1982; Pérotin, 2006; Quarter & Brown, 1992; Quarter, 1995; Ruggeri, 2014; Ruggeri & Vieta, 2015; Vieta, 2013, 2016). While the oldest Italian WBOs in our database still in existence today were formed decades ago, WBOs in Italy were encouraged after the Italian government's passing of Law 49/1985 on 27 February 1985, recognized informally but widely as Legge Marcora (Marcora Law) after the Italian Minister of Industry and former senator who sponsored it. Officially known as "*Provvedimenti per il credito alla cooperazione e misure urgenti a salvaguardia dei livelli di occupazione*,"[40] Legge Marcora has facilitated a collaborative approach to the creation of new start-up cooperatives and WBOs in Italy, assisting in the conversion of firms in crisis or with succession issues into worker cooperatives.

While the Legge Marcora (L. 49/1985) framework also considers the development of established and *de novo* start-up cooperatives that focus on employment protection and generation, this report primarily focuses on the Legge Marcora framework as it specifically applies to the conversion of firms in crisis or with succession issues into worker cooperatives via the WBO process. In the rest of section 2.4, we outline in brief the main stakeholders and processes for the formation of WBOs in Italy, anticipating the more detailed discussion of the legal and financial parameters for the creation of WBOs in Chapter 3.

Main stakeholders and processes

The "Italian road" to recuperating enterprises - Italy's cooperative development legislation, financing mechanisms, and practices upon which its Legge Marcora-based negotiated WBO approach rests - includes the following processes and stakeholders:

[40] "Provisions for credit to cooperation and urgent measures to safeguard employment levels".

1. ***Workers.*** Employees in Italy can begin to consider a WBO project as soon as they: (a) anticipate the closing of a firm or (b) if part of or all of a firm is offered to employees by its owners, (c) if a group of employees have been or will be laid off due to the closing of a business,[41] and (d) after a group of workers from the closing target company form a newco cooperative. During this initial process, employees will find out about the WBO possibility most often after consulting with their local unions, the regional offices of one of Italy's cooperative federations, from local experts or authorities, or from other contacts in their social networks. Once employees form into a worker cooperative newco they can begin the process of acquiring part or all of the target company via share capital[42] purchases financed by their personal savings, severance pay,[43] or advances of their cash transfer-based unemployment insurance benefits.[44] Workers can also pursue debt capital[45] financing from either the cooperative sector or an institutional financier (see points 2, 3, and 4 below). If they do so, the funds can be secured by projections on future revenues of the worker cooperative and/or by the collateral offered from the acquired assets of the target company. The minimum contribution per worker to the start-up capital of a WBO cooperative can be no less than 4,000 euro (1,000 euro for social cooperatives). Moreover, most WBOs in Italy are limited liability cooperatives, thus protecting participating workers form risking personal assets should the cooperative venture fail.
2. ***The cooperative sector.*** Employees involved in a WBO most often will eventually also work with one of the Italian cooperative federations: the Lega Nazionale delle Cooperative e Mutue (Legacoop), the Confederazione Cooperative Italiane (Confcooperative), or with one of the other smaller federations. The worker-members of the newco can access technical assistance and know-how and/or secure share capital or debt capital financing from the federations' portion of the cooperative movement's *fondo mutualistico* (mutualistic fund), the national fund for cooperative development made up of 3% of all Italian cooperatives' yearly net income that, by legislation, must be contributed to the fund on an annual basis (most of the remaining proceeds from dissolved Italian cooperatives also go to the *fondi mutualistici*) (Fici, 2010, 2013, 2014). The entities that control the *fondi mutualistici* are arms length agencies responsible for autonomously managing each federation's *fondo mutualistico*, such as Legacoop's Coopfond and Confcooperative's Fondosviluppo.

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[41] Either due to market-failure, bankruptcy, succession, strategic downsizing, or owner retirement.

[42] *Capitale sociale*.

[43] I.e., from workers' *Trattamento di fine rapporto* (TFR). The TFR is severance pay given to employees upon termination of the employment contract. It is based on deferred salary at source and is managed by private sector employers by law on behalf of employees.

[44] Besides using their personal savings and TFR, employees who have become laid off or unemployed due to company crisis, restructuring, or closure can contribute to the initial start-up capital of a new work-related cooperative by tapping into their cash transfer-based unemployment benefits. Before reforms to Legge Marcora in 2001, this was primarily done through the use of their allowable *Cassa integrazione guadagni straordinaria* (temporary layoff benefits, CIGS). Laid off workers who decided to use their CIGS allowance for financing the start-up of a new cooperative could not subsequently draw on their CIGS for three years thereafter. After reforms to Legge Marcora (and also based on the provisions of Article 7, paragraph 5 of L. 223/1991), use of unemployment insurance for the creation of new cooperatives are now primarily drawn from advances on redundant employees' *Indennità di mobilità* benefits. The *Indennità di mobilità* (mobility allowance) is an unemployment benefit that is given to workers after they have received their CIGS and who are registered on national "mobility lists". Both the CIGS and *Indennità di mobilità* are cash transfers by the Istituto Nazionale della Previdenza Sociale (INPS, National Institute of Social Security) for workers suspended from work, unable to work, or for those workers forced to work part-time due to company crisis or closure. Today, unemployed workers from the manufacturing, services, and commercial sectors, as well as workers from the cooperative sector, can request a lump-sum payout of their *Indennità di mobilità* payments for starting a new cooperative (either *de novo* or for a WBO). For more details, see Chapter 3.

[45] *Capitale di debito*.

3. ***The state.*** Complimented by numerous laws and provisions guiding Italian cooperative societies, the Italian state, via L. 49/1985 and its subsequent amendments and reforms, has made available two funds for the development and consolidation of worker cooperatives in order to promote and secure levels of employment in times of crisis and for the conversion of businesses in crisis into cooperatives:
   - Foncooper ("*Fondo di rotazione per la promozione e lo sviluppo della cooperazione*"[46]) (Title I of L. 49/1985), a rotating fund consisting of low-interest loans and accessible to cooperatives motivated to generate or improve employment levels or productivity and for increasing or modernizing production equipment, technical services, sales, and administration.
   - The "*Fondo speciale per gli interventi a salvaguardia dei livelli di occupazione*"[47] (or "Special Fund") (Title II of L. 49/1985), set up for the development of new work-generating or production cooperatives. The Special Fund is made available to the institutional investors that are then mandated to make risk capital investments into new cooperative projects (see point 4 below).[48] This fund is especially used for cooperatives established by workers at risk of redundancy or workers already expelled from the workforce, including WBOs.

   Foncooper has been used extensively to, among other objectives, "increase productivity or employment" or for the "restructuring and conversion of (cooperative) firms" or firms to cooperatives. Foncooper has been managed by the Banca Nazionale del Lavoro's (BNL) "*Sezione speciale per il credito alla cooperazione*"[49] (Zevi, 1990), and, in recent years, by Italy's administrative regions[50] in collaboration with financial institutions such as BNL, UniCredit Banca SpA, regionally based banks (i.e., Banca Popolare dell'Emilia Romagna, Banca Popolare di Verona e Novara, etc.), and Cooperfidi Italia (an institution that facilitates favourable credit to cooperatives through accessible terms of repayment and loan guarantees on the financial resources provided to co-ops, see Chapter 3). The Special Fund is distinguished in that "the financial institutions able to [deploy] its resources" and assist new cooperatives (see point 4 below) "in fact, share in the corporate capital of the worker cooperatives in proportion […] to the amount their worker-members invest" (Zevi, 1990, p. 358). Differentiating the strategy undergirding both funds, while Foncooper is offered as debt capital financing to new or established work-generating cooperatives, the Special Fund contributes risk capital financing to work-generating cooperatives by institutional investors that take on a temporary stake (or shares) in the cooperative as a financial member. And while both funds are initially provisioned from the state budget, they have been set up to minimize its burdens on state coffers by placing the onus for repayment and fair return on investments on the beneficiary cooperatives. These two funds, the backbone of the Legge Marcora framework, are ultimately overseen by the Ministero dello Sviluppo Economico (Ministry of Economic Development) in agreement with the Ministero dell'Economia e delle Finanze (Ministry of the Economy and Finance) and the Ministero del Lavoro e delle Politiche Sociale (Ministry of Labour and Social Policy) (Article 7 of L. 49/1985).
4. ***Institutional investors.*** Much of the Legge Marcora process for WBOs in Italy has been managed by two national institutional investors: Cooperazione Finanza Imprese (CFI) and, to a

[46] "Rotating loan fund for the promotion and development of cooperativism".
[47] "Special fund for initiatives to protect occupational levels".
[48] Before the reforms to Legge Marcora in 2001 (see below and Chapter 3), Special Fund contributions were initially made available, via grants-based contributions to new cooperatives and WBOs.
[49] "Special section for credit to cooperation" (see http://www.bnl.it/SupportingFiles/_scheda_prodotto_agggiornata_gennaio_2009.pdf) (BNL, 2009).
[50] The involvement of Italy's administrative regions in co-managing Foncooper in conjunction with BNL emerged out of the broader process of decentralizing public policy to the regions in the late 1990s (see Chapter 3).

much lesser extent, Società Finanza Cooperazione (SOFICOOP). Both CFI and SOFICOOP have been subsequently mandated by the Italian state, via the auspices of the Ministry of Economic Development, to coordinate and facilitate the financing of cooperatives within the Legge Marcora framework.

CFI, the larger of the two and Italy's main national institutional investor for WBOs, is a "limited liability" second-tier cooperative formed in 1986 by the initiative of Italy's three major cooperative federations, Legacoop, Confcooperative, and AGCI. Besides the three main Italian cooperative federations, CFI also collaborates with the three major national unions (CGIL, CSIL, and UIL), financial institutions, local and regional authorities, and other national and regional development agencies that finance and support cooperatives (such as local cooperative banks or cooperative credit agencies) (CFI, 2014b). As a second-tier cooperative, CFI's members include the Ministry of Economic Development, Invitalia SpA (an agency of the Ministry of the Economy and Finance that was established to promote the development of enterprises in Italy), and 270 cooperatives (including some of the co-ops they have helped fund). Providing technical assistance, SWOT-type business analysis, business feasibility studies, and participating with risk capital or debt capital financing of WBOs and other cooperatives, CFI works closely with the employees of its beneficiary cooperatives, local labour and business representatives, cooperative associations and consortia, and other "territorial experts" before deciding to invest in or assist in the start-up or further consolidation of WBO and cooperative development projects.

Institutional financing entities, in collaboration with numerous other national and local cooperative development agencies, are thus entrusted to carry out the objectives of Legge Marcora. The task of these institutional investors is not only to provide financing to employment generating cooperative societies in the form of share or debt capital, but also to ensure the sustainability of the investments in new cooperative projects and, additionally, to carry out technical, economic, and financial consulting and oversight.

Often, institutional investors such as CFI will also temporarily participate in the newco as a "financing member" (*socio finanziatore*) of the worker coop as allowed by Italian legislation after reforms to cooperative law in 1992 and the Civil Code in 2003 (see Chapter 3). As of 31 December 2014, CFI had intervened in 202 WBOs, or almost 80% of WBOs tracked in the IRL Database (see section 3.4 of Chapter 3 for more details).

A smaller institutional investor, SOFICOOP, was also created during the same period as CFI. SOFICOOP is intervened by the Ministry of Economic Development as its main financial member, sharing a seat on SOFICOOP's administrative council with eight other members. SOFICOOP has mainly managed the start-up, development, repositioning, and consolidation of cooperatives under the Legge Marcora provisions. To date, SOFICOOP has financed 15 active cooperatives plus 49 new cooperative start-ups including 17 WBOs and financed the first WBO under the Legge Marcora provisions: Nuove Officine San Mauro from the Province of Florence (SOFICOOP, 2015).

In sum, institutional investors such as CFI and SOFICOOP (in collaboration with numerous other national and local cooperative development agencies) are thus entrusted to carry out the objectives of Legge Marcora. The task of these institutional investors is not only to provide financing to employment-generating cooperative societies in the form of share or debt capital, but also to ensure the sustainability of the investments in new cooperative projects and, additionally, to carry out technical, economic, and financial consulting and oversight.

Especially after the 2001 reforms of Legge Marcora with L. 57/2001 (detailed in Chapter 3), institutional investors are now not only involved with cooperatives emerging from workers at risk and WBOs, but with all forms of cooperatives linked to the promotion of employment via *autoimprenditorialità* (self-employment via workers' self-management), such as non-WBO worker cooperative start up projects, work-integration social cooperatives, cooperatives formed from property confiscated from the the proceeds of crime, and established worker or social cooperatives in need of further development and consolidation of their business.

Between the late 1990s and the mid 2000s, while the Legge Marcora reforms were being worked out and consolidated with a European Union ruling that deemed the original L. 49/1985 to be anti-competitive (see section 3.3 in Chapter 3), there were only a handful of new WBOs (see Figure 3, also see Chapter 4). During this period, institutional investors such as CFI continued to provide technical consulting with already-existing WBOs. Due to this gap in the emergence of WBOs in Italy, marked by the legal changes to the Legge Marcora framework of 2001, we can divide Italy's WBOs of the past four decades into three periods: Pre-Legge Marcora (WBOs established before 1985[51]), Legge Marcora I (WBOs established between 1985-2001), and Legge Marcora II (2002[52]-present).

2.5 Macro-Economic Conjunctures in the Emergence of Worker Buyouts in Italy

Earlier experiences of workplace takeovers by employees in Italy, while certainly not insignificant, tended to be comparatively short-lived and mostly due to periodic conflicts over the labour process, struggles related to improving the conditions of work, or for gaining union-based demands, such as the factory occupations of the *Bienno Rosso* of 1919-1920 (Forgacs, 2000). Worker-led recuperations of firms would occur again after WWII and into the 1950s during Italy's social and economic reconstruction. They were also present in the 1960s and 1970s with the factory occupations of the era during periods of strong labour strife (Gherardi, 1993; Paton, 1989).

Today's Legge Marcora-based WBOs have historical roots in the late 1970s and early 1980s with the macro- and micro-economic difficulties marking those years (Gherardi, 1993; Zevi, 2012). In one account, the 1970s and 1980s saw upwards of 1,000 worker-recuperated firms in Italy (Paton, 1989, p. 20). Alberto Zevi, president of Legacoop's Centro Studi and former president of CFI, has confirmed to us that this estimate is extremely ambitious and unlikely (Zevi, 2012). Instead, Zevi pegs recuperations during the 1980s at over 100 firms, with around another 100 WBO attempts that were not ultimately successful and not funded by Legge Marcora provisions because they did not meet rigorous evaluation standards concerning the potential future success of the buyout (see Chapter 3). Confirmed by the IRL Database and graphically represented in Figure 3 (also see Figures 15 and 16 in Chapter 4), we have verified that there were at least 114 active WBOs in existence in Italy by the end of 1990,[53] which would eventually rise to 134 active WBOs by 1995, the peak year of active WBOs during the Legge Marcora I period.[54] This is very close to Italian parliamentarian and Democratici di Sinistra-L'Ulivo di Toscana's Elena Cordoni's estimate of the

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[51] Note that most of the WBO firms that emerged before 1985 were in subsequent years financed retroactively under the Legge Marcora I provisions, as permitted by the law (see L. 49/1985).

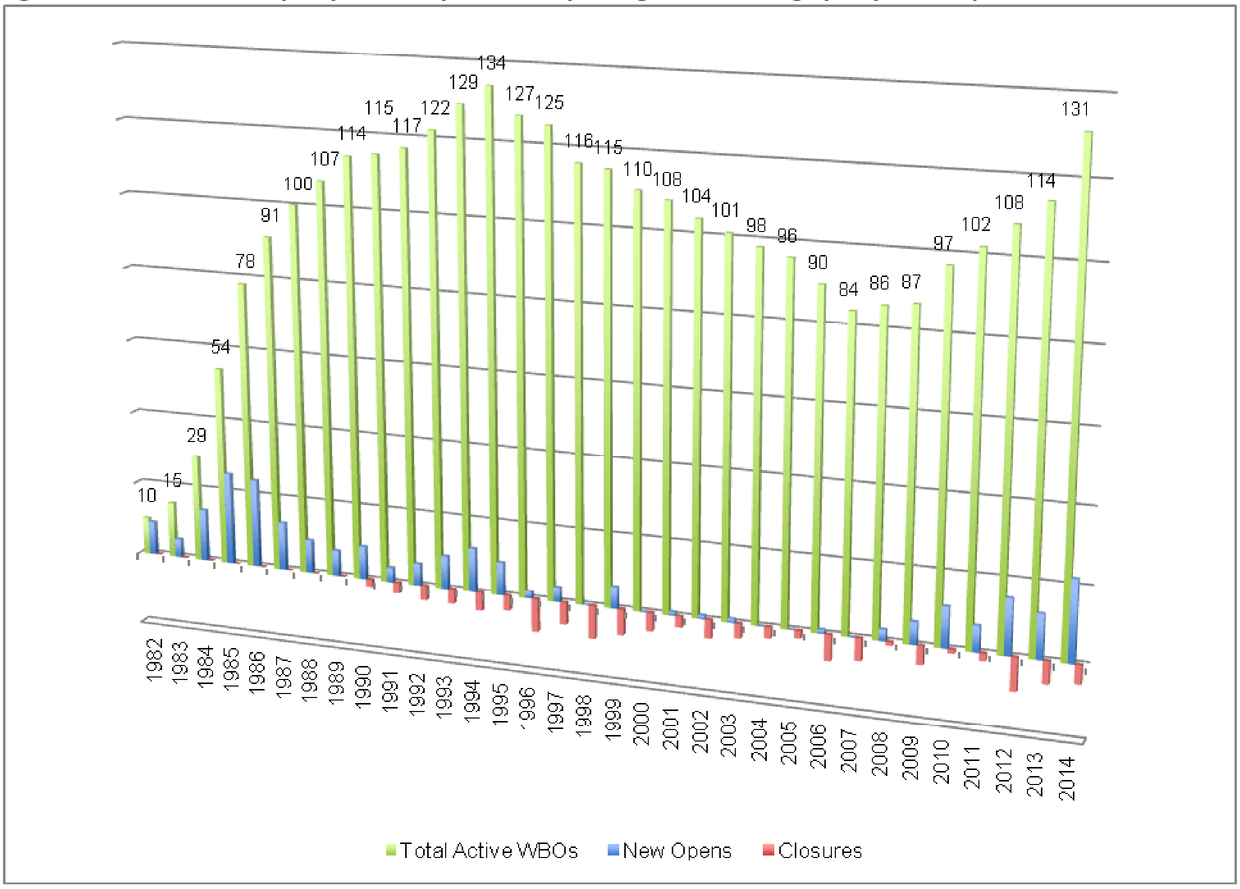
[52] While the L. 59/2001 reforms officially took effect in the summer of 2001, 2002 was the first year that Legge Marcora II WBOs in our database began to emerge under the L. 59/2001 provisions.

[53] The year 1990 in Figure 3 also includes the first two closings of WBOs during the Legge Marcora I period registered in our database. For more, see Chapter 4.

[54] Note that 2014's 131 active WBOs is the highest peak of active WBOs during the Legge Marcora II period up to 31 December 2014 and that, as we will outline in Chapter 4, WBO formations in Italy have been seeing a new steady rise since 2008 that parallels in intensity the steady rise in WBOs during the 1980s (see: Figures 3, 4, 14-16).

number of WBOs in the '80s and '90s. In an interview with Argentina's *empresas recuperadas*-based Nudos magazine in 2006, Cordoni calculated that there had been 112 businesses that were bought out by employees and converted to cooperatives in the first years after the application of Legge Marcora, saving 514 jobs, and that by 1997, towards the end of Legge Marcora I, a total of 5,569 jobs had been saved or created (Nudos, 2006). As Figure 3 depicts, and as we will further show in Chapter 4, these numbers are consistent with our database of Italian WBOs.

Figure 3 - Active WBOs per year compared to openings and closings per year, as per the IRL Database[55]

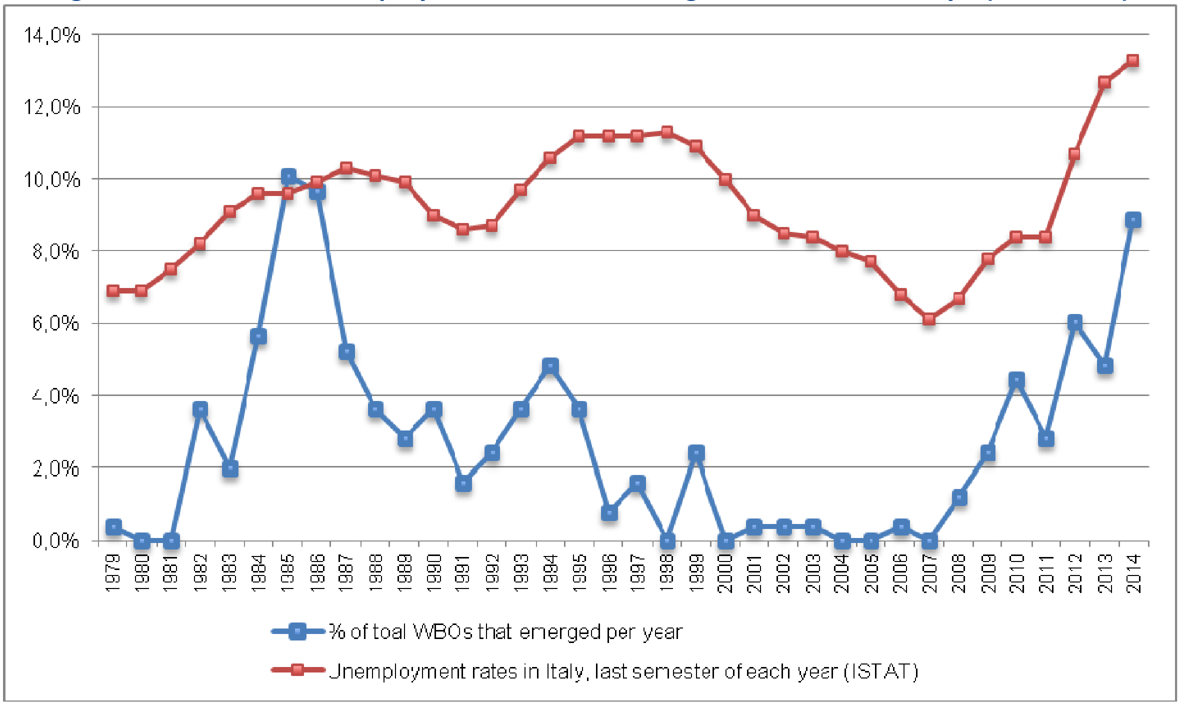


n = 248 WBOs with complete opening and closing dates as of 31 Dec. 2014,
inclusive of one WBO in database that emerged prioer to 1982.

Motivating the creation and passing of Legge Marcora in 1985 were the lingering years of economic stagnation of the 1970s and 1980s with concomitant rising unemployment rates, in large part due to the oil shocks and the political and social unrest of the era (Boltho, 2013). A consistently rising number of WBOs in the years just before and leading up to the passing of L. 49/1985 (many of them still surviving to this day as we will show in Chapter 4) were subsequently initiated by workers as responses to escalating unemployment and failing businesses in particular sectors of the era. As Figures 3 and 4 also clearly show, WBOs in Italy have been in resurgence once again since 2008 in the continued wake of the Great Recession, especially in response to growing net closures of businesses and a shrinking Italian manufacturing sector (Figure 5), a sharp rise in Italy's unemployment rate (Figures 4 and 6), and new lows in its GDP (Figure 6).

[55] For a more detailed presentation of this data, see: Figures 14-16 and Table 7 in Chapter 4.

Figure 4 - The rate of unemployment[56] and the emergence of WBOs in Italy[57] (1979-2014)



Hence, as with most cases of WBOs around the world and with historical precedence regarding the rise of worker-owned and labour-managed firms (Ben-Ner, 1988; Pérotin, 2006; Ruggeri & Vieta, 2015; Vieta, 2013; Vieta & Ruggeri, 2009), Italy's WBOs of the past 35 years have a pattern of development following closely the country's macro-economic ebbs and flows. WBOs in the early 1980s began to emerge in Italy as responses to the rise in unemployment caused by economic stagnation and, specifically, due to the business downsizings, restructurings, and closures in its industrial sector during the late 1970s and into the 1980s (especially in the "industrial triangle" of the Northwest of the country), which paralleled the attendant rise of the SME-based "Made in Italy" (or the "Third Italy") industrial districts of that era (Bagnasco, 1977; Becattini & Dei Ottati, 2006; Piore & Sabel, 1984; Triglia & Burroni, 2009). Much of this economic upheaval and restructuring was also due to the increased competition that Italy's traditional industrial sector faced from developing countries with cheaper labour markets (i.e., China, India) or more productive labour processes (i.e., Japan) (Malanima & Zamagni, 2010; Morone & Testa, 2008; Whitford, 2001). Downsized and redundant employees from its industrial sector would subsequently create new cooperatives (some via WBOs) as responses to continued economic uncertainty and personal insecurity affected by the industrial restructuring of the late 1970s and early 1980s. The surge in unemployment and labour strife, the continued recessions of

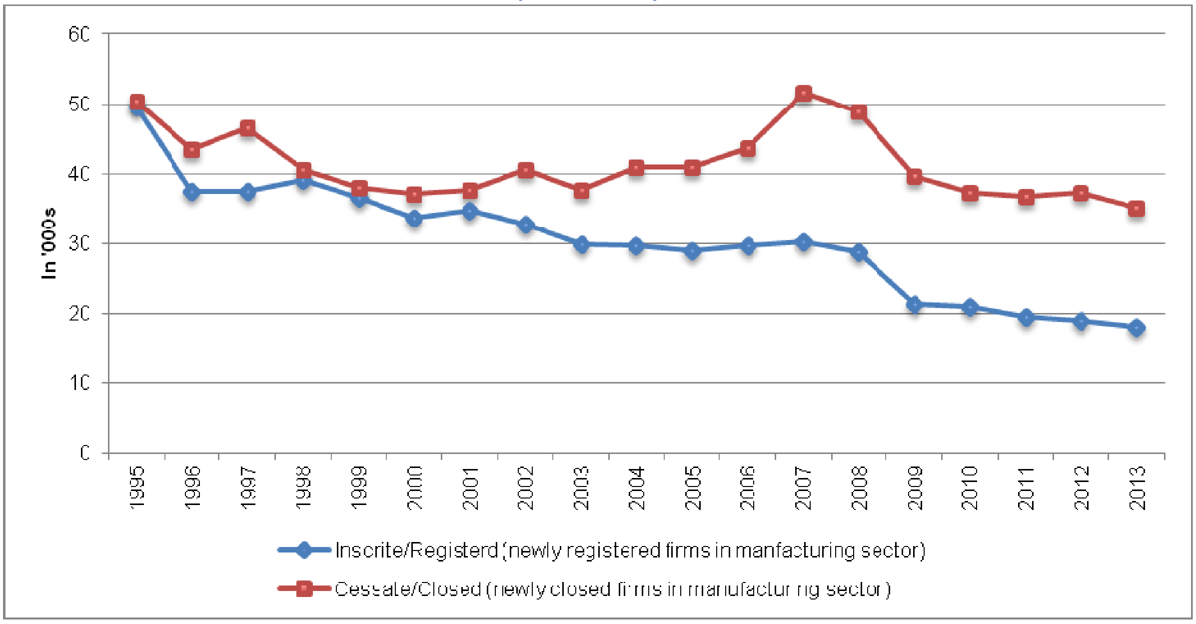
The surge in unemployment, labour strife, and the continued recessions of the 1970s and 1980s, and the rise of the first WBOs of the 1980s would ultimately lead to the passing of the Legge Marcora (L. 49/1985), promoted by Italian Minister of Industry Giovanni Marcora, national legislators, and the cooperative and labour movements as a way to stimulate local economic revival, prevent further business closures, and promote workers' sense of entrepreneurialism.

[56] ISTAT (2014, Dec.) "Tasso di disoccupazione". http://dati.istat.it/Index.aspx?DataSetCode=DCCV_TAXDISOCCU

[57] Percentage of new WBOs per year calculated by dividing new WBO entries by total number of WBOs in IRL Database as of 31 December 2014 (N=257).

the 1970s and 1980s, and the rise of the first WBOs of the 1980s would ultimately lead to the passing of the Legge Marcora (L. 49/1985), promoted by Italian Minister of Industry Giovanni Marcora, national legislators, and the cooperative and labour movements as a way to stimulate local economic revival, prevent further business closures, and promote workers' sense of entrepreneurship (i.e., *autoimprenditorialità*) (Dandolo, 2009).

Figure 5 - The growing gap between business closures and start-ups in the Italian manufacturing sector (1995-2013)[58]



Graphically highlighted by recent socio-economic indicators in Figure 6, WBOs would see a new resurgence in the early-to-mid 1990s with the new wave of business restructurings and privatizations of the era; lingering structural unemployment (also see Figure 4); the reforms of long-standing labour legislation; the overall shrinking of its SME-based manufacturing sector (Sforzi, 2007; Triglia & Burroni, 2009; Tridico, 2012), measured by negative rates of business openings in manufacturing (Figures 5 and 6); and the concurrent erratic ebbs and flows of Italy's GDP (Figure 6). In short, the resurgence of WBOs in more recent years since the beginning of the Great Recession of 2008, as Figures 4 and 6 show, has paralleled the latest rise in unemployment, the fall of Italy's GDP to new lows (in an inverse trend to the growth of WBOs[59]), and the continued decline of its manufacturing base (Figure 5). The latter is a particularly important factor in the rise of WBOs in Italy in recent years since most Italian WBOs, as we will shortly show, are manufacturing sector SMEs.

Figures 5 and 6 particularly show three negative trends in the Italian economy that have, in no small way, re-stimulated the rise of WBOs in recent years: (1) the widening gap between manufacturing firm closures versus start-ups since the mid 1990s (represented by the growing gap

[58] For business start-up and closure numbers, we relied on the database of the Italian Chamber of Commerce's Infocamere-Movimprese (as of Jul. 2014) for all manufacturing sector firms in Italy between 1995 (the first year where Chamber of Commerce data is available) to 2013. This data includes all firms in Italy that fall within section "C. Attività Manifatturiere" (Manufacturing Activity) in the ATECO2007 codebook for categorizing all economic activity in Italy (ATECO2007, 2007). We included all manufacturing business types in the Movimprese database, which were: "*società capitale*" (corporations) "*società persone*" (partnerships), "*ditte individuali*" (sole proprietorships), and "*altre forme*" (other types). See http://www.infocamere.it/movimprese.

[59] This inversely parallel trend between the formation of WBOs and the decline of the country's GDP has also been witnessed with the formation of Argentina's ERTs (see Ruggeri & Vieta, 2015).

between the red and blue lines in Figure 5, and repeated again comparative to other socio-economic indicators in Figure 6), (2) the concomitant shrinking of the manufacturing sector (represented by the rising green line in Figure 6), and (3) a new and sharp rise in unemployment caused by the lingering effects of the post 2008 recession.

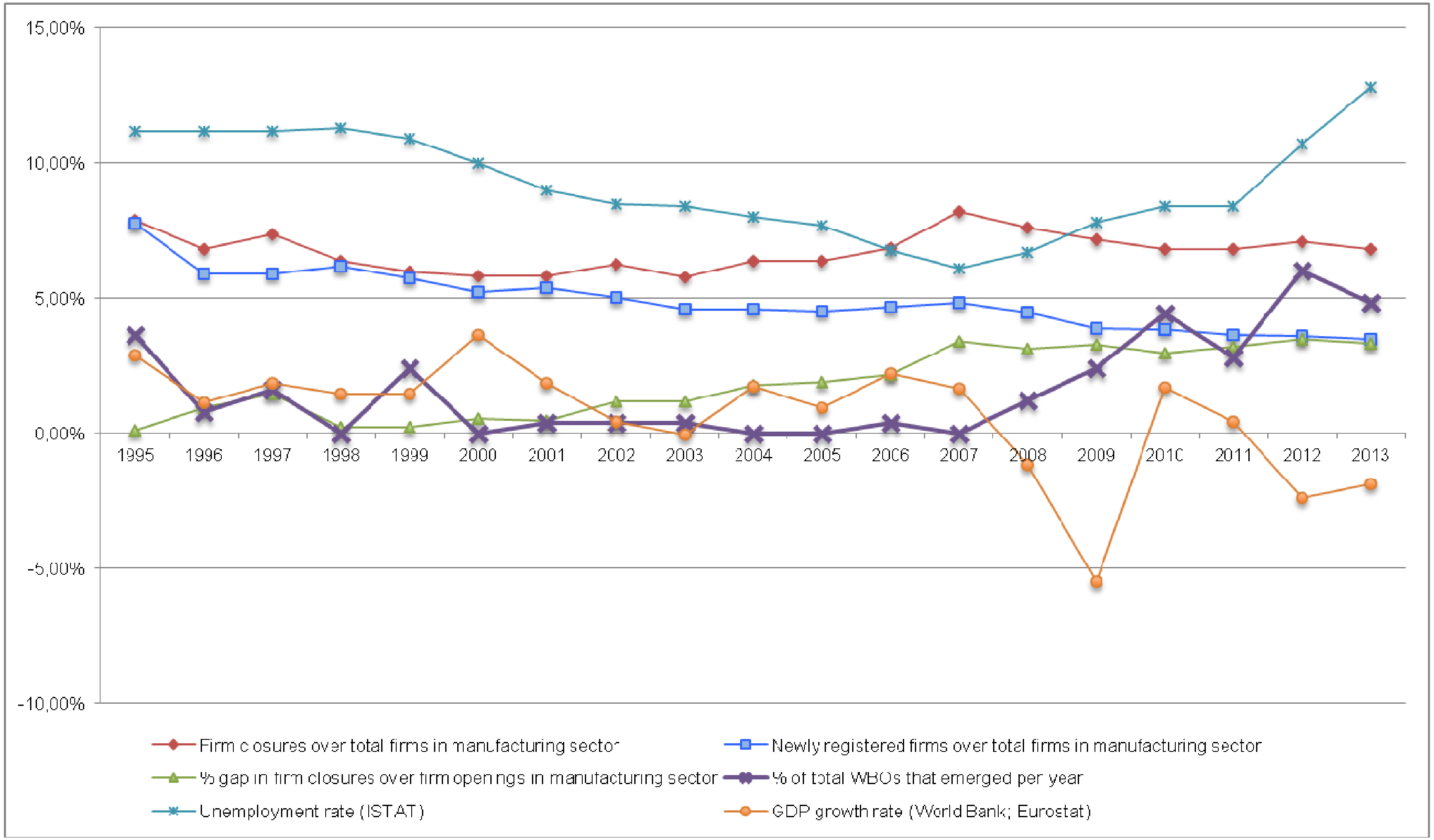
For instance, and in reference to Figure 5, according to the Italian Chamber of Commerce's InfoCamere-Movimprese database (2014), in 1995 there were 639,100 manufacturing firms in Italy. By 2013 there were roughly 596,200, a drop of 42,900 firms in almost 20 years. Most alarming, as the InfoCamere-Movimprese database shows, has been the consistently widening gap year-over-year between business closures and start-ups in the manufacturing sector since 1995 (again, represented by the incrementally rising green line and increasingly widening blue and light red lines of Figure 6). While in 1995 there were almost 50,400 closures of manufacturing firms and 49,700 openings - a negative net difference of only around 700 firms - by 2013 there were around 35,100 business closings and only 18,000 openings, a negative net difference of more than 17,000 firms. Indeed, one report in the first quarter of 2013 estimated that by then 1,000 Italian firms were entering bankruptcy every day (Evans-Pritchard, 2013).

> *[T]he general decline of economic circumstances, merging with the country's history and traditions of cooperativism, long-held practices of shop-floor labour organizing and workers' self-activity, and its legislated support mechanisms under the Legge Marcora framework, has made Italy ripe for WBOs.*

As Figure 6 also vividly shows, the rise of WBOs with the shrinking of Italy's manufacturing sector and the increasing rate of firm closures have gone hand-in-hand with the most recent economic and financial crisis and subsequent austerity measures that have dealt a blow to the employment prospects of more and more workers throughout the country.[60] This has all inevitably contributed to increasing unemployment rates that have reached worrying levels in Italy. As Figure 6 illustrates, ISTAT (Italy's national institute of statistics) calculated an unemployment rate hovering above 13% by the last semester of 2014, a steady climb from just over 6% in the last quarter of 2007. In Italy, these unemployment rates are much higher when one homes in on the labour situation in the *Mezziogiorno* (Italy's South) or, as in other Southern European countries, among young adults (ISTAT, 2014).

[60] Consider Italy's expected labour reforms of Article 18 of the *Statuto dei Lavoratori* (Workers' Statute) (in discussions for several years now) and the recent introduction of the "Jobs Act" by the government of Prime Minister Renzi, paralleling similar recent labour flexibilization initiatives in Spain, Greece, the UK, and other European jurisdictions (also see Chapter 3).

Figure 6 - Various socio-economic indicators and the emergence of WBOs in Italy (1995-2013)[61] [62]



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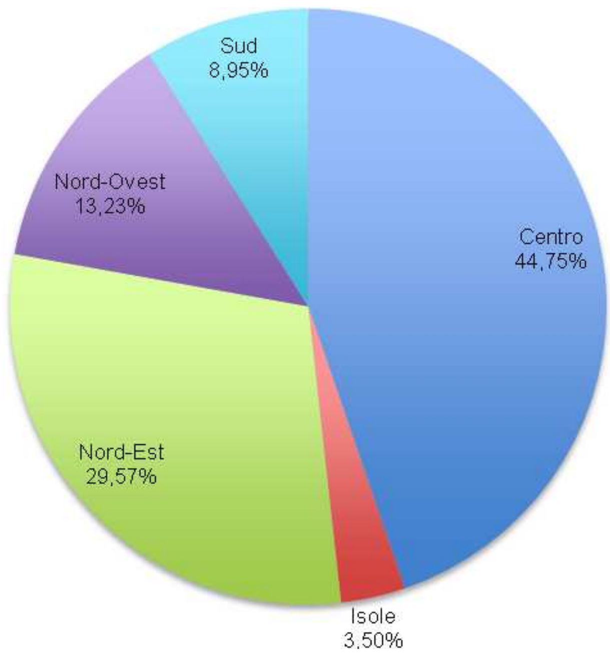
[61] Sources: Firm closures, Newly registered firms, Total active firms (InfoCamere-Movimprese, Jul. 2014). GDP growth rate (World Bank, 2014, Nov.; Eurostat, Nov. 2014). Unemployment rates (ISTAT, Aug. 2014). % of total WBOs emerging per year (IRL Database as of 31 Dec., 2014).

[62] The green line ("% gap in firm closures over firm openings in manufacturing sector") indicates the *net rise in closures over openings of firms in the manufacturing sector*. This was calculated by taking the percentage derived from dividing the difference between total business closures ("*cessate*") and total start-ups ("*inscrite*") by total active firms ("*attive*") for a given year.

As we will discuss further in Chapters 4 and 6, this general decline of economic circumstances, merging with the country's history and traditions of cooperativism, long-held practices of shop-floor labour organizing and workers' self-activity (Becattini & Dei Ottati, 2006; Piore & Sabel, 1984), and its legislated support mechanisms such as the Legge Marcora framework, has made Italy ripe for WBOs. The combination of these conjunctural factors has reduced the barriers and opportunity costs for workers contemplating starting a worker cooperative via a WBO, especially in particularly conducive areas of the country where all of the factors we have been describing in this section meet, such as in the "Made in Italy" regions of the Centre and the Northeast (see Figure 7). As Ben-Ner (1988) has asserted, in a comprehensive study comparing the formation of capitalist firms (CF) to worker-owned firms (WOF) that also serves to synthesize for us the conjunctural realities for the emergence of WBOs in Italy:

> *Declining economic conditions*…reduce the obstacles present to WOF formation…. The buyout of a CF entails particularly low formation obstacles because the firm is already in existence and because the cost of purchasing capital that lacks alternative uses is lower. Thus industrial decline and recessions simultaneously increase the demand for WOFs and lower the obstacles to their entry, increasing the probability of WOF formation. *Governments and other organizations may accentuate the trend of WOF formation* if they realize that WOFs constitute a comparatively inexpensive measure to *combat loss of employment and unemployment*… *As relatively large numbers of WOFs are established they become more widely known*, and the recurrence of recessions or decline of industries prompts even larger waves of WOF formation. (p. 23, emphasis ours)

Figure 7 - Geographic distribution of WBOs in Italy (1979-2014)[63]



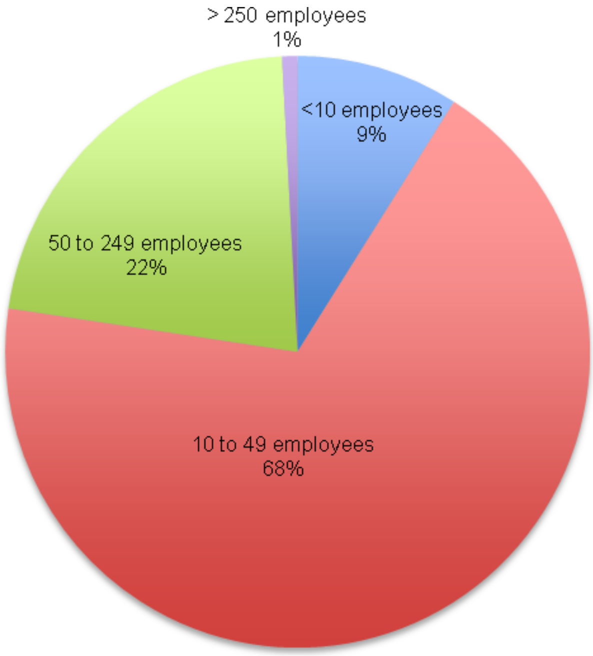
N=257

Moreover, the creation of worker cooperatives from failing capitalist firms in Italy were further stimulated by the interest in WBOs taken up by local chapters of Italy's "red" trade unions and

[63] Nord-Est = Northeast; Nord-Ovest = Northwest; Centro = Centre; Sud = South; Isole = Islands.

affiliated cooperative sectors, mostly in the Centre regions and Emilia-Romagna, as well as by Christian Democratic ("white") cooperative sectors in other industrial centres of the Northeast, such as in Veneto and the Province of Trento.[64] In particular, Legacoop and, to a lesser extent, Confcooperative, for instance, have taken a close interest in the WBO solution over the past two decades, reflected in the fact that over 57% of Italy's new worker cooperatives emerging from WBOs are affiliated with Legacoop and over 18% with Confcooperative (see Figure 10 in Chapter 3).

Figure 8 - Size of Italy's WBOs by number of workers (members and hired) (1979-2014)



n=234 WBOs with verifiable employee data, including members and non-members of the cooperative.[65]

Italian WBOs are overwhelmingly SMEs (Figure 8), with 74.32% of them found historically in the geographic areas of the Centre and the Northeast (Figure 7). As suggested by Figure 7, made explicit in Figure 1 (see Executive Summary), and detailed further in Chapter 4, Italy's WBOs have thus particularly taken off in the "Made in Italy" regions of the Centre - particularly in Toscana, Umbria, and Marche, but also in Lazio - and the Northeast - especially in Emilia-Romagna and Veneto, but also to lesser degrees in Friuli-Venezia Giulia and Trentino-Alto Adige.[66] These are the regions where the majority of the specialty "Made in Italy" manufacturing industry is located (Bagnasco, 1977; Becattini, Bellandi, & De Propis, 2009). It should be no surprise then that, as Figure 9 illustrates, 68.52% of Italy's WBOs are found in the manufacturing sector; 11.11% in the information, communication, or business support services sectors; and 9.26% in the commercial wholesale and retail sector. Additionally, around 77% of WBOs that have existed are classifiable as small or micro-enterprises of less-than 50 employees and the remaining WBOs are made up of

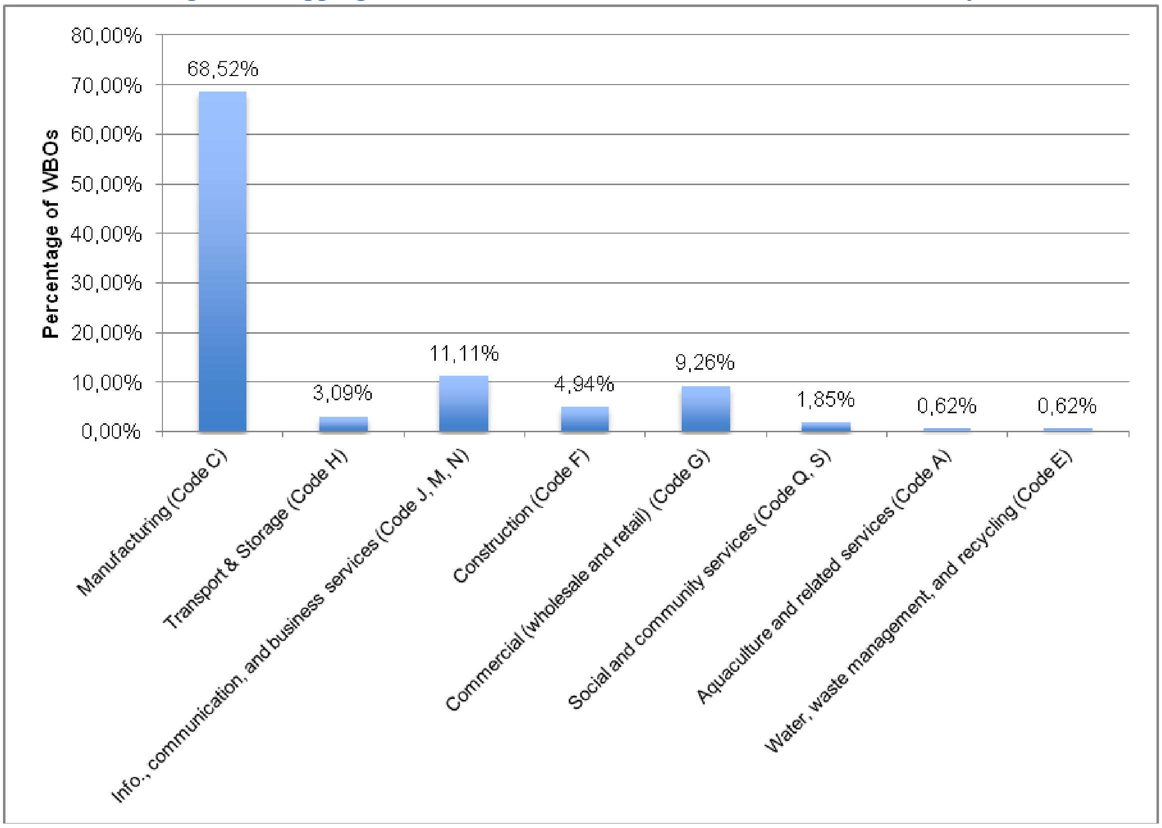
[64] Note that while the IRL Database records 11 WBOs in the Province of Trento, for reasons that we will specify in Chapter 3, Legge Marcora provisions have been exempted in the two autonomous provinces that make up the Region of Trentino Alto-Adige.

[65] Figures here are calculated based on the latest Italian Chamber of Commerce and CFI employee numbers available as of 31 December 2014.

[66] For designating the main geographic areas of Italy, we follow EURICSE's method in their two reports on Italian cooperatives (EURICSE, 2011, 2013). For more see Chapter 4.

firms of over 50 employees (Figure 8). These are typical sizes for firms in the Made in Italy regions. These overarching dimensions to Italy's WBOs will, in Chapters 4-6, help point out some of the most salient characteristics of WBOs and the most common conditions out of which they are likely to emerge.

Figure 9 - Aggregated economic sector breakdown of WBOs in Italy[67]



n=162 WBOs with available ATECO2007 economic activity data as of 31 Dec. 2014.

The Italian case of worker-recuperated firms via WBOs generally corresponds with the three well-known conditions for the formation of labour-managed firms (LMFs): (1) firm size (i.e., WBOs tend to be SMEs), (2) their propensity to be located in labour-intensive and highly-skilled sectors, and (3) their likliehood of emergence during conjunctures of economic downturn (also see: Ben-Ner, 1988; Dow, 2003; Estrin, 1985; Jensen, 2012; Quarter & Brown, 1992; Ruggeri & Vieta, 2015; Vieta, 2010, 2013, 2014a, 2017). In Chapter 4 we conduct further descriptive and theoretical analysis of Italy's WBOs and home in on their concentration in the Made in Italy regions. In Chapter 5 we zero in on the specifics of Italian WBOs at the organizational level. And in Chapter 6 we summarize the factors undergirding the emergence of WBOs in Italy in the following seven Italian pillars (or characteristics) for WBO formation:

1. Italy's WBOs are undergirded by "a strong policy and financing enabling environment", grounded first and foremost in its Legge Marcora framework.
2. "Economic downturns or market difficulties", such as Italy has cyclically gone through over the past 35 years, open up the possibilities for WBO cases.
3. Italian WBOs are situated with "some degree of inter-firm and territorial networks", emerging and growing within tightly interwoven relations of production and socio-economic exchange.

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[67] "Codes" correspond to ATECO2007 economic sector codes for Italian firms (ATECO2007, 2007). For a more detailed analysis, see Chapter 4.

4. As with other labour-managed firms, Italian WBOs tend to emerge ″in labour-intensive sectors″ made up, on the whole, of highly skilled workers.
5. Italian WBOs tend to arise with "a workforce profile of relative geographic and sectoral immobility", with workers firmly entrenched in and committed to their localities and the businesses they revitalize.
6. Italian WBOs tend to emerge within "some degree of intra-firm social networks", distinguished by workforces that have forged strong bonds of solidarity.
7. Italian "WBOs are resilient", witnessing relatively l"ong lifespans and robust survivability rates" linked to the age of the firm and when it was founded.

We will delve into these seven characteristics of Italian WBOs in Chapters 3-5, summarizing them in Chapter 6. The seven characteristics of Italian WBOs both highlight the conditions for the emergence of WBOs in Italy over the past three decades and simultaneously allude to some of the conditions for WBO growth and diffusion more broadly.

2.6 Conclusion

This chapter has situated worker buyouts in Italy within the broader literature and experiences of worker-recuperated enterprises (WREs). We defined and gave examples of WREs and WBOs globally, and situated the Italian experience within these wider experiences. We also suggested four general situations that may lead to the creation of a WBO, and the three most common types of WBOs: the "labour conflict WBO," the "Employee Share Ownership Plan (ESOP) WBO," and the "negotiated WBO". We then specifically suggested that Italy's WBOs are mostly of the negotiated type. We also highlighted the principal elements of the negotiated WBO model in Italy in anticipation of our more detailed discussion of the Legge Marcora framework in the next chapter. Finally, we situated the emergence of Italy's WBOs with the most salient socio-economic realities that the country has faced over the last few decades, and finally described some of these firms' most noticeable characteristics.

To summarize, and as we will detail further in the rest of this report, the Italian phenomenon of worker-recuperated enterprises has historical and conjunctural roots in: (1) the general decline of its SME-based manufacturing sectors; (2) lingering high rates of unemployment and other macro- and micro-economic factors; (3) workers' links to social networks and local associations that preserve connections to local and regional chapters of the country's trade unions and cooperative federations; (4) well-established cooperative legislation and financial support mechanisms; (5) and a long-standing tradition of cooperativism for local economic development (Salvatori, 2011, 2012; Menzani & Zamagni, 2010; Zamagni & Zamagni, 2010).

Taken together, the factors for the emergence WREs mapped out in this chapter and that we explore further in the remainder of this report suggest that Italy has provided fertile soil for the emergence of WBOs. The Italian experience with WBOs also begins to touch on some of the main socio-economic factors for the emergence of worker-recuperated enterprises more broadly, which we will take up in more detail in Chapters 4-6.

CHAPTER 3 - THE ITALIAN ROAD TO WORKER BUYOUTS: AN INNOVATIVE MODEL OF WORKER, STATE, AND COOPERATIVE MOVEMENT COLLABORATION

by Marcelo Vieta and Antonella Carrano

3.1 Introduction

As we touched on in the previous chapter, WBOs in Italy have been surging once more since 2008 to coincide with the Great Recession and its economic aftershocks that continue to impact the country with force as of this writing (see Figures 3, 4, and 6 in Chapter 2). Their emergence is also rooted in the country's rich tradition of cooperativism and trade unionism and are most widespread in the "Made in Italy" manufacturing heartland, where almost three-quarters of Italian WBOs are found (see Chapters 2 and 4).

While increased attention is being paid to new WBOs in Italy, as we pointed out in Chapter 1, the specifics of the unique legal and financial mechanisms of its WBO process and its Legge Marcora (Marcora Law) provisions remain under-researched and not well understood outside of specialist circles. Given the rise of the conversions of businesses in trouble by their employees in recent years in Italy, lingering economic crisis, and the promise offered by the multistakeholder and collaborative Legge Marcora framework as an exemplar worker buyout and business conversion model (Jensen, 2012; CECOP-CICOPA, 2013), it is important, we believe, for researchers, cooperative federations, unions, and policymakers at all levels and within and outside of Italy and Europe to understand better the intricacies of the Italian WBO model. It is the intent of this chapter to begin to do so, specifically detailing the legal and financial parameters of Italy's arrangement for WBOs.

Given the rise of the conversions of businesses in trouble by their employees in recent years in Italy, lingering economic crisis, and the promise offered by its multistakeholder and collaborative Legge Marcora framework as an exemplar worker buyout and business conversion model, it is important, we believe, for researchers, cooperative federations, unions, and policymakers at all levels and within and outside of Italy and Europe to understand better the intricacies of the Italian WBO model.

3.2 General Overview of Creating a Worker Buyout in Italy

Under the auspices of a plethora of related legislation and norms for the creation of work-centred and employment-generating cooperatives, and spearheaded by the Legge Marcora framework (L. 49/1985[68]), Italy's worker-recuperated firms are, on the whole and as we suggested in Chapter 2, "negotiated WBOs". Italy's WBOs arise essentially for two reasons:

1. *Company crisis*[69] linked to: (a) broader economic downturns; (b) a company's poor investment choices or misplaced strategic decisions to diversify into new markets; (c) crisis or collapse of larger markets in which the firm is situated (an increasing reality in recent years); or (d) the

[68] All specific Italian laws referred to in this chapter will follow Italian convention: "L". for *legge* (law), followed by the number of the particular piece of legislation, a forward slash, and then the year that it was passed.

[69] According to CFI, 90% of the WBOs they have financed are due to company crisis (CFI, 2014e).

voluntary actions of the firm's original entrepreneurs that see them transferring production elsewhere to a location where labour costs are lower.[70]

2. *Transfers of one or more branches of the company or the entire firm*, linked to: (a) strategic business choices by owners or managers; (b) employee succession of part or all of the firm due to a lack of alternative generational turnover (mostly in family-owned sole proprietorships or small partnerships); or (c) when owners choose, for various other reasons, to transfer the firm to employees.[71]

Three explicit notions entrenched in Italian legislation and carried out in practice underscore Italy's process of WBO formation:

1. a *right-of-first refusal for employees* seeking to buy out companies in crisis and that are particularly undergoing liquidation or bankruptcy procedures;
2. the use of *workers' own entrepreneurial initiative* (i.e., *autoimprenditorialità*, or self-employment via workers' self-management) and *their own resources* for investing in new cooperatives, including the possible use of *lump-sum payments of appropriate unemployment benefits* to employees of closing firms intending to convert their employers' businesses to cooperatives; and
3. *saving jobs and productive capacity* via the formation of cooperatives while *minimizing undue burdens to the state's budget*.

For employees at-risk of redundancy or actually unemployed workers intending to begin a new cooperative project, the procedures for starting up a new cooperative (either *de novo* or as a buyout) have been streamlined somewhat in recent years via reforms to Italy's Legge Marcora and in several other provisions emanating from cooperative and labour law. While in this chapter we will detail the historical trajectory of the legal underpinnings of Italy's WBO process, the specifics of its Legge Marcora framework, as well as the complementary legislational and funding landscape within which the framework is situated, we begin with two recent and important regulatory amendments impacting the creation of WBOs in the country.

Three explicit notions entrenched in legislation and carried out in practice underscore Italy's process of WBO formation:
1. A right-of-first refusal for employees seeking to buy out companies in crisis.
2. The use of workers' own entrepreneurial initiative and resources for investing in new cooperatives, including the possible use of lump-sum payments of appropriate unemployment benefits.
3. Saving jobs and productive capacity via the formation of cooperatives while minimizing undue burdens to the state's budget.

Article 11 of Executive Decree 145, entitled "*Misure per favorire la risoluzione di crisi aziendali e difendere l'occupazione*"[72] (Decreto Legge 145, 2013), delivered on 23 December 2013 and sinced passed into law on 21 February 2014 as "*Destinazione Italia*" (L. 9/2014), solidifies Articles 7, 9 and 17 of L. 49/1985[73] by reinforcing two factors directly related to WBOs (Ricci, 2015). First, paragraph

[70] The latter has increasingly been the case in Italy in recent years, witnessing Italian companies close shop only to reopen production in other countries, particularly in Eastern Europe where the cost of labour is much cheaper than in Italy (Curzio & Fortis, 2008, p. 183; Seller, 2007).

[71] While some WBOs are carried out to resolve problems of generational turnover, recurring economic crises in contemporary capitalism, however, has resulted in an exponential growth of WBOs emerging from cases of macro- and micro-economic crises, the latter at the level of the firm and local markets (CECOP-CICOPA, 2013; Vieta & Depedri, 2015).

[72] "Measures favouring the resolution of business crises and to defend employment".

[73] Articles 7 and 17 of L. 49/1985 were themselves reformed earlier by Article 12 of L. 57/2001 (see below).

2 of *Destinazione Italia*'s Article 11 firmly establishes a "right of first refusal" for employees in Italy desiring to:

> rent or purchase […] companies subject to bankruptcy […] by a cooperative made up of employees of the company subject to bankruptcy procedures, creditors' agreements, or under special administration. (Decreto Legge 145, 2013, Article 11)

Whereas a right of first refusal for employees wanting to engage in a WBO was stipulated in the original L. 49/1985 (original Article 14, paragraph 2), it was originally directed at workers able to access their *Cassa ingerazione gudagni straordinaria* (CIGS) layoff benefits (see below). These workers were permitted to use advances of their CIGS benefits to buy out their employer's businesses in crisis or to start new cooperatives. The *Destinazione Italia* provisions now underscore that any group of employees of a firm in crisis, after having created a cooperative, can buy out their workplace before the full dissolution of the firm, its liquidation, or its sale to other parties. Moreover, redundant workers can now use a broader set of resources for self-financing the creation of the new cooperative, including their severance pay, unemployment insurance, personal savings, or debt or risk capital financing explicitly afforded by Legge Marcora after its 2001 reforms (Mazzotta, 2008; Ricci, 2015; Simone, 2014). This has in effect extended the right of first refusal from its specific links to CIGS benefits articulated in the original L. 49/1985 to now include other sources of funding to more at-risk workers desiring to create new cooperatives and practice collective self-employment.

From our research to date and the literature on labour-managed firms and workplace democracy, we can assert that, while a difficult path, creating new worker cooperatives from out of the ashes of troubled firms can be viable responses to ongoing macro- and micro-economic crises that otherwise lead to lockouts, layoffs, unemployment, and failed businesses. The "Italian road to recuperating enterprises" is made possible by close collaborations between workers, the cooperative sector, and the state, regulated by existing Italian cooperative legislation, which includes the Legge Marcora framework.

Second, paragraph 3 of Article 11 of Destinazione Italia, in complement with relevant articles in L. 223/1991 (see below),[74] enables employees who have formed a cooperative with the intent of buying or renting out a bankrupted firm to receive a *lump-sum* payment of their appropriate unemployment insurance benefits from the Istituto Nazionale della Previdenza Sociale (INPS).[75] These advances must go directly to the purchase or rental costs for acquiring the target company and converting it into a cooperative, or to creating a new *de novo* cooperative (also see CGIL Vicenza, 2014, p. 5).

We will clarify the details and legislational history leading up to these newly clarified provisions throughout this chapter. These latest amendments to the WBO process and the Legge Marcora framework, as well as the use of the framework's provisions for employees seeking to buy out Italian firms in crisis, have, in reality, been long in the making.

[74] Both pieces of legislation serve to replace the stipulations under Articles 14-17 of the original L. 49/1985, addressed shortly.
[75] National Institute of Social Security.

A sketch of the Italian worker buyout process

In this sub-section we first sketch out the most common processes of creating a WBO in Italy, detailed more fully in the rest of the chapter.

In a nutshell, WBOs in Italy in the main unfold when a group of employees form a new cooperative - initially a special purpose and ad hoc legal entity termed a "newco" by accountants (see Chapter 2) - in order ultimately acquire the assets and/or property of the "target company" that had been employing them.[76] The acquisition begins with employees negotiating the purchase or rental of the target company with the bankruptcy trustee, bankruptcy court, liquidator, or other authorities. These preliminary negotiations often unfold with the assistance of workers' unions, a local chapter of one of Italy's cooperative federations, or other local representatives. Payments of an agreed upon and appropriate amount of money for purchasing or renting the assets of the target company may be drawn from: employees' personal savings, severance pay, via allowable portions of their layoff or unemployment insurance, from the cooperative movements mutualistic funds, or via state-provisioned funds for risk capital and soft loans administered by various legally sanctioned "institutional investors". Ultimately, workers' purchases or rental of the target company, with the possible collaboration and temporary participation of outside investors allowed by Italian cooperative legislation, contribute to the original share capital of the new cooperative.

WBOs in Italy tend to unfold as an asset transfer (i.e., "asset sale") procedure. Unlike a "share sale" acquisition such as in the employee share ownership model (ESOP), where the target company continues to operate under the same legal identity, management, and purpose as before, in an "asset sale" WBO the newco forms a new legal business entity and essentially takes over the operations of the target company. In turn, the target company is legally dissolved or absorbed into the newco (Roncato, 2013).[77]

Since with Italian WBOs the legal form that the newco takes on is in most cases a worker cooperative, cooperative legislation is directly applicable to a WBO. This begins with Article 2511 of the Italian Civil Code (CC) where cooperatives are defined as "societies with variable capital and *mutual purpose*, registered in the Register of Cooperative Societies" (Fici, 2013, p. 484, emphasis ours). Italian cooperatives are historically and constitutionally distinct business types and legal entities dedicated to the production of goods or services where the principal goal is not profit but *mutuality*.[78] Mutualism (*scopo mutualistico*[79]) embraces the advantage that members of a cooperative achieve from "providing goods and services and work opportunities directly to the members of the organization under more favourable conditions than those they would find on the market" (Fici, 2013, p. 481). We will deal with the mutualistic aspects of Italian cooperatives as it pertains to WBOs in due course. Most centrally for the process of WBOs in Italy, the cooperative form is well suited to WBOs. In addition to being less complex for restarting a business for former employees and offering various tax advantages, Italian cooperatives are rooted in *the mutualism of members*, which inherently embraces expectations of full participation, member solidarity, collective stewardship, the minimization of risks, and the sharing of benefits.

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[76] As mapped out in Chapter 2, in the case of a WBO the "target company" is the original firm that is being bought out by workers. The "newco" is a new legal entity formed by employees wishing to buy out a portion of or the entire target company. The newco is entrusted with the purchase, whereby it then either fuses with the target company or forms a new company and dissolves the target company (Borsa Italiana, 2014; Mraz, 2012).

[77] Although in Italian WBOs the newco might take on a version of the name (*ragione sociale*) of the former company.

[78] Addressed more fully in footnote 106, recently cooperatives without mainly mutual purposes ("non-prevalently mutual cooperatives" and "other cooperatives") have been permitted in Italy, but these are in the minority and not in the tradition of Italian cooperativism.

[79] Mutualistic aim or scope.

After or during the negotiations of the purchase or rental of the target company, Italian workers starting a new cooperative from a WBO do so by contributing start-up share capital. As already mentioned, besides drawing on personal savings, to facilitate this initial financing workers can also use their severance pay - specifically, the *Trattamento di fine rapporto* (TFR)[80] - and appropriate unemployment insurance benefits. Under the original L. 49/1985, laid off workers from companies in crisis who wished to purchase the firm and convert it to a cooperative (or start a new cooperative) could draw on their *Cassa integrazione guadagni straordinaria* (temporary layoff benefits, CIGS). Workers who decided to use their CIGS allowance for financing the buyout or the start-up of a new cooperative could not subsequently draw on their CIGS for three-years thereafter. After the 2001 reforms to Legge Marcora (and also based on the provisions of Article 7, paragraph 5 of L. 223/1991), use of unemployment insurance for the creation of new cooperatives were, up to 31 December 2014, primarily drawn from advances on *Indennità di mobilità* (mobility allowance) unemployment benefits. Both the CIGS and *Indennità di mobilità* are cash transfers for workers suspended from work, unable to work, or for those workers forced to work part-time due to company crisis or closure. The *Indennità di mobilità* is an unemployment benefit that is given to workers after they have received their CIGS, when they are officially considered *licenziato* (unemployed), and who are subsequently registered on national "mobility lists".[81] Today, unemployed workers from the manufacturing and certain services and commercial sectors, as well as workers from the cooperative sector, can request an advanced lump-sum payout of the unused portions of their *Indennità di mobilità* for starting a new cooperative (either *de novo* or from a WBO).[82]

This initial start-up capital for Italian WBOs can be, with certain exceptions, up to doubled thanks to the participation of what are called in Italy "institutional investors" such as Cooperazione Finanza Impresa (CFI), or a cooperative federation's *fondo mutualistico* (mutualistic fund), or from more traditional financial institutions such as banks and cooperative consortia. During the first Legge Marcora period between the mid 1980s and the early 2000s (Legge Marcora I) external financial interventions in WBOs occurred mainly via debt capital financing[83] in the form

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[80] The TFR is severance pay based on a percentage of deferred salary at source and years of employment and is managed by private sector employers by law on behalf of all employees. Usually, the employee claims the TFR in event of termination of the employment relationship. (http://www.egm.org.tr/konferans/OECD_forum/15_Istanbul%20Discussion%20TFR_Ambrogio%20RINALDI_OECD%20WPPP_COVIP.pdf).

[81] Workers on CIGS - essentially a form of "lay off" insurance for employees for companies in crisis - are technically still under contract with the firms they had originally worked at for the duration of their CIGS benefits should they not find work elsewhere. Companies that rely on CIGS must reintegrate these workers into their workforce should the circumstances of these firms change. Should employees on CIGS not be reintegrated into their former workplaces they are then deemed to be formally unemployed (*licenziato*) and placed on *Indennità di mobilità* lists and receive additional unemployment benefits. Companies seeking to hire new employees are given favourable treatment by the state for taking on workers on mobility lists. Workers in Italy are subsequently formally dismissed from their firms when they have exhausted their CIGS and when they are placed on *Indennità di mobiltà* allowances (Ministero del Lavoro, 2015).

[82] With the recent reforms to Italy's labour laws, known as "Legge Fornero" (L. 92/2012), Italy introduced on 1 January 2013 a new, universal, and streamlined unemployment benefit system for the involuntary loss of employment called the *Assicurazione Sociale per l'Impiego* (Social Insurance for Employment, ASpI). As of 1 January 2017, the Fornero reforms will replace the *Indennità di mobilità* with the requirements established by the simplified ASpI, which will inevitably also affect the Legge Marcora WBO provisions (see Article 11 of L. 9/2014 "Destinazione Italia"). Further changes to Italy's unemployment law and *ammortizzatori sociali* (social safety net or, literally, "social shock absorbers") that will also impact Legge Marcora's application of unemployment benefits will come in the following months and years with the very recent "Jobs Act" that was passed by the government of Prime Minister Matteo Renzi in February 2015 (Signorelli, 2015; Spattini, 2015). How these reforms will precisely impact the Legge Marcora framework remains to be seen as of this writing.

[83] Debt capital is business capital resulting from the sum of credits granted by third parties to a business entity and that must be paid back within a specific period of time with interest.

of soft loans (under Title I of L. 49/1985) or as grants (under Title II of the original L. 49/1985). Today, during the current, second period of the Legge Marcora framework after its reforms via Article 12 of L. 57/2001 (or Legge Marcora II), Title II interventions are now offered as risk capital financing.

In most cases the institutional investors who have financed the new worker co-op can become a unique form of outsider financing member (*socio finanziatore*), taking on a temporary stake in the cooperative via the subscription of shares. Most usually, financial members eventually retire from their membership in the cooperative after a time span ranging from 5 to 10 years, a period of time that has been deemed adequate for a new cooperative to generate the revenues necessary to repay debts and be self-sufficient. Through these and other multiple forms of financing permitted under Italian cooperative law, Italian workers desiring to engage in a WBO are thus (notwithstanding other requirements that we will touch on shortly) facilitated in accumulating the funds necessary for acquiring a failing business and re-starting it as a new cooperative. We discuss the details of these funding and support mechanisms throughout the rest of this chapter.

"The Italian road to recuperating enterprises"

Broadly considered, the above lines lay out the main elements distinguishing the collaborative framework for creating WBOs in Italy, what we term as *"the Italian road to recuperating enterprises".* And, in no small part due to the general socio-economic downturn and austerity policies that we detailed in Chapter 2, WBOs have been in resurgence in Italy since the most recent economic crisis spawned by the Great Recession. Motivated at first by saving their jobs, some workers who discover the WBO process choose to walk down the road of taking over, buying out, and becoming co-owners of their places of work. The "Italian road to recuperating enterprises" is made possible by close collaborations between workers and their representatives, the cooperative sector and its institutional investors, and the state, regulated by existing Italian cooperative legislation, which includes the Legge Marcora framework.

3.3 Italy's Legal Framework for Worker Buyouts

As we have already mentioned in Chapter 2, there were earlier experiences of worker-led business takeovers in Italy, most often linked to general labour strife, macro-economic difficulties, or succession issues. But it was Giovanni Marcora (1922-1983) - a founder of the Christian Democratic party, mayor of Inveruno, national senator, and late in his life Minister of Industry between 1981-1982 - whose proposals inspired a national law for the rescue and recuperation of companies by employees. Marcora's vision was to create an "Italian road" to saving jobs and businesses in crisis in order to help combat the excessive unemployment rates and stubborn recession that plagued Italy during the late 1970s and early 1980s. According to Francesco Dandalo (2009), Marcora saw in the cooperative system the best organizational type for workers to participate in the management of their own businesses and the right vehicle for communities to revitalize businesses in crisis. For Marcora, the cooperative movement, according to Dandolo, could offer "a third way" between private enterprise and public assistentialism. Practically, in short, the objective of Marcora was to leverage the "entrepreneurial capacities" of workers (*autoimprenditorialità*) for economic and social renewal (Dandolo, 2009).

Specifics of the provisions of Law 49/1985: Legge Marcora

Italy's comprehensive legislation concerning WBOs begins with Law number 49 of 27 February 1985. Officially entitled *"Provvedimenti per il credito alla cooperazione e misure urgenti a salvaguardia dei livelli di occupazione,"*[84] L. 49/1985 is today commonly known as "Legge Marcora" in honour of its initiator.[85] Overseen by the Ministero dello Sviluppo Economico (Ministry of Economic Development), in agreement with the Ministero dell'Economia e delle Finanze (Ministry of the Economy and Finance) and the Ministero del Lavoro e delle Politiche Sociali (Ministry of Labour and Social Policy) (Article 7 of L. 49/1985), the provisions of L. 49/1985 were introduced with the intention of encouraging and funding interventions aimed at the economic and social development of cooperatives for the protection of employment levels. The original iteration of this piece of legislation especially promoted the formation of cooperatives among workers who were laid off, put on *Cassa integrazione guadagni straordinaria* (temporary layoff benefits, CIGS), or that were otherwise under threat of unemployment due to business bankruptcies and closures. The law is now applied more broadly to assist in the creation of work-generating cooperatives, work-related social cooperatives, and for the development and consolidation of established work-centred cooperatives. Moreover, and as we have already mentioned, workers at risk of redundancy can now draw on and receive advances of unused portions of their unemployment insurance allowance[86] to create new cooperatives or buy out their former places of work.[87]

> *The Legge Marcora funding scheme has been used widely for the financing, consolidation, and support of WBOs and for* de novo *and established cooperatives focused on work-generation. To do so, the law provisions two publically funded pools of money: Foncooper, a rotating soft-interest loan fund, and the "Special Fund" for share-based risk capital financing. For WBOs, the Legge Marcora framework promotes the formation of cooperatives among workers who are laid off or otherwise unemployed due to company crisis, business bankruptcies, or closures to assist them in forming a cooperative, avoid structural unemployment, and save productive entities.*

Legge Marcora fundamentally sets up two funds to facilitate the creation of work-generating cooperatives: Title I of L. 49/1985 sets out the framework for the *"Fondo di rotazione per la promozione e lo sviluppo della cooperazione"*[88] (also known as Foncooper), while Title II stipulates the framework for the *"Fondo speciale per gli interventi a salvaguardia dei livelli di occupazione"*[89] (from now on, "Special Fund") (Corte dei Conti, 2002, p. 25). Both are publicly funded pools of cash intended to stimulate the use of cooperatives for the protection of employment levels, to finance cooperative development, and for the consolidation or the formation of new employment-enabling cooperatives, including WBOs.

Essentially delineating the difference between the two sources of funding, funds from

[84] "Provisions for credit to cooperation and urgent measures to safeguard employment levels".

[85] We will be referring to WBOs emerging immediately before and after the passing of L. 49/1985 as "Legge Marcora I" to distinguish it from the second Legge Marcora period after the reforms of 2001, which will in turn be referred to as "Legge Marcora II".

[86] I.e., their *Indennità di mobilità* or, increasingly, their ASpI benefits. See footnote 86.

[87] Also to note, the, legislational provisions for advances of unemployment insurance, after the 2001 reforms to Legge Marcora, now sit outside of, but are directly complementary to, L. 49/1985.

[88] "Rotating loan fund for the promotion and development of cooperativism".

[89] "Special Fund for Initiatives to Protect Occupational Levels"

Foncooper are loans that go towards debt capital financing of cooperatives, while interventions from the Special Fund are directed to share capital participation by institutional investors of beneficiary cooperatives for the buyout of a firm in crisis, or the start-up, consolidation, or development of a cooperative enterprise. Initially the financing from the Special Fund was delivered as grants; after the L. 57/2001 reforms (see below), it is now delivered as risk capital financing by institutional investors that take on a temporary stake in the cooperative as a financial member.

In order for a cooperative society to make use of Legge Marcora funds, its corporate statutes must explicitly base the co-op on the *principles of mutuality* as set out by Italian law. In addition, the cooperative needs to be entered into the records of the General Registry of Cooperatives.[90] New cooperatives can be either *de novo* cooperatives (i.e., start-ups) or a cooperative eminating from a business conversion (i.e., a WBO). In regards to the two Titles of Legge Marcora, in this report we are interested in how they are used for WBOs rather than for the developement of established cooperatives or for *de novo* start-ups.

Thanks to the provisions of the two Titles of this unique piece of legislation, in effect since the mid 1980s, it has been possible to finance and support the majority of the WBOs that we have tracked in the IRL Database. We detail the functioning of the two funds in the next few paragraphs.

Foncooper is a rotating fund that was set up to, among other objectives, "increase productivity or employment" and for the "restructuring and conversion of firms" to cooperatives via low-interest (or soft) loans. Foncooper has been used extensively in the start-up and development of cooperatives within the Legge Marcora framework. Foncooper has been managed by the Banca Nazionale del Lavoro's (BNL) "Sezione speciale per il credito alla cooperazione"[91] (Zevi, 1990) and, in more recent years, by Italy's administrative regions[92] in collaboration with financial institutions such as BNL, UniCredit Banca SpA, regionally based banks, and Cooperfidi Italia (an institution that facilitates favourable credit to cooperatives through accessible terms of repayment and loan guarantees on the financial resources provided to co-ops, see below).

Articles 1-13 of Title I of L. 49/1985 establish and regulate the functioning of Foncooper's rotating loan fund. Title I specifically lays out the following stipulations concerning this fund:

1. the anticipation of appropriate amounts [that will be emanated] from the appropriate chapter of the state budget;
2. the amortization of capital and interest paid by borrower cooperatives; and
3. the rate of return of loans.[93]

According to Article 1, paragraph 4 of L. 49/1985, financing from the Foncooper fund, setting the overall tone for the Legge Marcora provisons (see Article 17, paragraph 2), is to be aimed at promoting and implementing the following regards new cooperatives:

1. to increase the productivity and/or employment of labour through the improvement and/or modernization of the means of production and/or technical, commercial and administrative services of an enterprise, with emphasis on the most recent and modern methods and specialized techniques in various economic sectors;

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[90] Formerly, the Schedario Generale della Cooperazione, now the Albo Nazionale delle Società Cooperative (Zanotti, 2011, p. 26)

[91] "Autonomous Section for Credit to Cooperation" (see http://www.bnl.it/SupportingFiles/_scheda_prodotto_aggiornata_gennaio_2009.pdf) (BNL, 2009).

[92] The involvement of Italy's administrative regions in co-managing Foncooper emerged out of the broader process of decentralizing public policy to the regions in the late 1990s (see Chapter 3).

[93] Pursuant to Article 39, paragraph 2 of Decree 745/1970, converted into law with amendments by L. 1034/1970, and Ministerial Decree 19 June 2001 (Gazzetta Ufficiale, 1971; Decreto Ministeriale, 2001).

2. to enhance [an enterprise's] products, and through quality improvement to achieve greater competitiveness in the market;
3. to facilitate the implementation or purchase of installations in the production, distribution, tourism, or services sectors, adapting it to the needs of modern business; and
4. *for the restructuring and reconversion of a plant* (emphasis ours).

The second of the two major financing vehicles of the Legge Marcora funding scheme is the Special Fund. The Special Fund is unique in that it is made available directly to particular institutional investors promoting cooperatives in order to actually deploy the fund's resources and, "in fact, share in the corporate capital of the worker cooperatives in proportion […] to the amount their worker-members invest" (Zevi, 1990, p. 358).[94] A primary source of funds for Legge Marcora's provisions for WBOs, the Special Fund was especially set up to finance the establishment of new worker cooperatives by workers "from companies in crisis" (Article 17) or for the buyout of their former places of work that were under liquidation or "*procedura concorsuale*" (bankruptcy or insolvency proceedings). With the L. 57/2001 reforms of L. 49/1985, the original Article 14 of Title II that specified how *Cassa integrazione* (laid off) workers could proceed with a buyout, as well as Articles 15-16, have been replaced with a new Article 17 which now more broadly references how the law and the Special Fund, in particular, can assist workers at risk of unemployment from companies in crisis (new Article 17, paragraph 5). The revised Article 17 also stipulates that financing from the Special Fund is to be indirectly provisioned by "financing agencies" (i.e., insititutional investors) by taking temporary and minority stakes in beneficiary cooperatives (paragraphs 3-5).[95]

Hence, the initial recipients of the Special Fund are not the beneficiary cooperatives themselves but rather the Italian cooperative movement's institutional investors that subsequently use it to *participate* in employment-generating cooperatives (Corte dei Conti, 2002). These institutional investors, such as Cooperazione Finanza Impresa (CFI), discussed shortly, are thus entrusted to carry out the objectives of L. 49/1985 via the management and delivery of the Special Fund. The task of these institutions is not only to provide financing to cooperatives in the form of share or debt capital, but also to ensure the sustainability of the investments in cooperative projects and, additionally, to carry out technical, economic, and financial consulting and oversight.

During the Legge Marcora I period, prior to the law's modifications in 2001 under Article 12 of L. 57/2001 (see below), Special Fund contributions were provisioned as grants (*contributi a fondo perduto*[96]) of up to three times the share capital subscribed by the cooperative members and up to a maximum amount equalling three annual *Cassa integrazione* payouts for every associated worker (Article 17, paragraphs 3 and 5 of the original L. 49/1985). After having received their *Cassa integrazione* payouts, in turn, workers of the cooperative could not then tap into additional CIGS benefits for up to three years after its use for the buyout (Article 17, paragraph 7 of the original L. 49/1985).

The types of cooperative societies that were allowed to receive grants from the Special Fund in the original L. 49/1985 were worker cooperatives and cooperatives and their consortia made up of unemployed workers, employees from companies affected by crisis or subject to bankruptcy proceedings, and cooperatives set up for the protection of workers' employment through the rental or purchase of one or more parts of a target company in crisis (Article 14, paragraph 1 of the original L. 49/1985). After the L. 57/2001 reforms, the law now allows for the Special Fund to be

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[94] As we will address shortly, during the Legge Marcora I period, this proportional state/worker contribution was 3:1. In the Legge Marcora II period, and after the intervention of the European Commission, it is now 1:1.

[95] For a detailed explanation of these reforms to Title II, see Corte dei Conti (2002).

[96] Grant contributions.

used towards WBOs and social cooperatives, cooperatives formed from property confiscated from the proceeds of crime, and established non-start-up worker or social cooperatives in need of further development and consolidation of their business.

The primary institutional investor that has particularly assisted worker buyouts linked to the Legge Marcora framework is Cooperazione Finanza Impresa, or CFI. Initially known as Compagnia Finanziaria Industriale, CFI was established in 1986 as one of the institutional financing entities with a mandate to carry out the provisions of Legge Marcora, particularly Title II (Mori *et al.*, 2002, p. 82).[97] CFI works in collaboration with national, regional, and local cooperative development organizations. It was originally formed by the initiative of and in cooperation with Italy's three major cooperative apex federations - Lega Nazionale delle Cooperative e Mutue (Legacoop), Confederazione Cooperative Italiane (Confcooperative), and Associazione Generale Cooperative Italiane (AGCI). Continuing to work closely with Italy's cooperative sector, CFI has also worked in collaboration with the three major national trade union federations - Confederazione Generale Italiana del Lavoro (CGIL), Confederazione Italiana Sindacati Lavoratori (CISL), and Unione Italiana del Lavoro (UIL) - as well as with other local development and business agencies and authorities. From the beginning, then, CFI has assisted in making the Legge Marcora framework a concerted process promoting WBOs and new cooperative formation between the state, the cooperative sector, workers, and local authorities, agencies, and experts.

Cooperazione Finanza Impresa (CFI) is Italy's vanguard institution for promoting and financing WBOs. CFI's interventions in WBO projects and its involvement with operationalizing the Legge Marcora provisions have gone a long way to addressing the traditional undercapitalization challenges of new worker cooperatives and, moreover, promoting the WBO solution over the years.

Organized as a second-tier cooperative (a cooperative of cooperatives and other institutional members), CFI has as its majority shareholder the Ministry of Economic Development, together with Invitalia SpA,[98] and 270 other cooperative enterprises. It officially functions as a principal institutional investor that participates in the share and debt capital financing and as a temporary and minority financing member (i.e., *socio finanziatore,* see below) of the cooperatives it assists (CFI, 2015d). It is also *Italy's vanguard institution* for promoting and financing WBOs. Moreover, and after the reforms of Legge Marcora with L. 57/2001, it is now also involved in assisting in the start-up, development, or consolidation needs of all forms of worker cooperatives and social cooperatives that have as their primary objective the safeguarding and promotion of employment (CFI, 2014a). CFI also provides assistance with re-organizing the management, production processes, and the business objectives of the cooperatives it works with, as well as with ongoing support for a co-op's strategic and operational decisions (CFI, 2014a).

In 2003 CFI transitioned from an SRL (limited liability society, see below) to an SCPA (share-based cooperative society) and began making use of new financial instruments introduced to the Legge Marcora framework after its reforms with L. 57/2001. Between 2011 and 2012, with the worsening of the crisis in Italy, CFI decided to enhance and streamline its operational capabilities and interventions in order to provide a more effective response to the issue of safeguarding and

[97] A smaller institutional investor, SOFICOOP (Società Finanza Cooperazione), was also created during the same period as CFI (see Chapter 2). It has mainly managed start-up, development, repositioning, and consolidation of worker cooperatives under the Legge Marcora provisions, as well as a small number of WBOs.

[98] An agency of the Ministry of the Economy and Finance that was established to promote the development of enterprises in Italy.

generating employment via the creation of cooperatives. In addition, with CFI's new and broadened focus, it is now permitted to work with not only WBOs and established worker and social cooperatives, but also in the past few years, increasingly with cooperatives formed from property confiscated from the proceeds of crime (see section 3.4).

From its founding in 1986 and up to 31 December 2014, CFI has been involved in almost 80% of the WBOs we have tracked in the IRL Database (202 cooperatives).[99] Since its inception, CFI has been responsible for over 168 million euro of investments from the Legge Marcora framework and has helped preserve over 12,700 jobs including WBO and non-WBO interventions, estimated by CFI to be an investment of 13,237 euro per worker (CFI, 2015c). And as a second tier cooperative and financing institution, CFI is financially sound, enjoying 84 million euro of its own share capital, net assets of 98 million euro, total loans to cooperatives of 106 million euro, and current capital reserves of 15 million euro (CFI, 2014d, 2015c). In sum, CFI, via its involvement with operationalizing the Legge Marcora provisions, has gone a long way to addressing the traditional undercapitalization challenges of new worker cooperatives and, moreover, promoting the WBO solution over the years.

Law 57/2001 reforms to Law 49/1985

The 1990s was a decade of flux for the Legge Marcora framework. In view of Italy's entry into the Eurozone anticipated for 1 January 1999, in the mid-to-late 1990s the European Commission carried out an infringement procedure against the Legge Marcora framework, considering some of its provisions too excessive and prejudicial to market competition (Corte dei Conti, 2002; Zanotti, 2011). At core, the EC ruled that the the capital financing made available from the state to cooperatives benefiting from Legge Marcora provisions was anticompetitive. To "harmonize" the law with European norms, make it less "distortive," and bring it more in line with "market regulation" (Corte dei Conti, 2002, p. 10), a revision of it was proposed, which would eventually see the reform of Legge Marcora in 2001. In the meantime, between this period and the early 2000s, L. 49/1985 (Legge Marcora I) was increasingly put on hold and some of the promised funds to new WBOs frozen as institutional investors took a wait-and-see approach to new WBO projects. This situation had a major part to play in the sharp dip in new WBOs between 1996 and 2006 in Figure 3 in Chapter 2 and Figures 15-16 in Chapter 4.[100]

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[99] See Table 3 and Figure 17. For more on CFI's Legge Marcora interventions and its demographic scope across Italy, see section 4.5 of this Chapter.

[100] Cooperatives that had applied for Legge Marcora funding between the mid 1990s and the early 2000s benefited from transitional arrangements bridging the old L. 49/1985 and its reforms in 2001.

Due to this injunction by the EU, this period saw the review and redefinition of the Legge Marcora framework by Italian legislators, eventually leading to new parameters of participation for the state and institutional investors in order to placate EU regulators and bring the law more in line with EU requirements for market competition. Revising or deleting several articles of the original L. 49/1985, three major reforms to the Legge Marcora framework were the result, stipulated in Article 12 of Law number 57 passed on 5 March 2001 (L. 57/2001). First, the grants-based financing of beneficiary cooperatives from the Special Fund was replaced by risk capital financing. Second, the maximum allowable contributions from institutional investors and other financial partners of new cooperatives working within Legge Marcora provisions were re-set to a 1:1 ratio. Specifically, institutional investors in new cooperatives are now, with some exceptions, only permitted to invest up to the same amount of "capital held by the worker-members or other third parties or can be two times this amount in the presence of sufficient assets" (Zanotti, 2011, p. 94). That is, institutional investors were no longer permitted to triple workers' amount of share capital contributions as the original Legge Marcora had permitted. Third, risk capital financing (i.e., Title II financing via the Special Fund) was to be made available indirectly via the participation of "financing societies" (i.e., institutional investors), limiting their participation in beneficiary cooperatives to temporary and minority shareholders and with an expanded priority given to cooperatives broadly constituted "from firms in crisis".

The modifications to L. 49/1985 in 2001 were, apart from making it adequate to EU competition norms, implemented with a view to: (1) better delineate the features and functions of the stakeholders involved in the financial intervention process with cooperatives, (2) draw up new and more effective forms of interventions, (3) support the creation and consolidation of established, start-up, and WBO-generated cooperative firms born from the cooperation of workers, and (4) minimize undue burdens to the state budget.

After the L. 57/2001 reforms of the Legge Marcora framework, the process necessary for the payback of investments to financial investors by beneficiary cooperatives harmonized the framework to the EU's business norms while seeking to minimize burdens to the state budget. Now, payback of loans as well as fair return on investments for risk capital financing to cooperatives must occur within a maximum of 10 years. In practice, the cooperative must pay back 25% of the investment within the first five years after receiving the cash infusion, and the remaining 75% over a period of the remaining 5-10 years, permitting the cooperative to eventually strengthen its business model via an incremental payback plan (Zevi, 2012). The participation of institutional investors in cooperatives must also not exceed 10 years (Roncato, 2013).

In sum, the modifications of L. 49/1985 by Article 12 of L. 57/2001 were, apart from making the law adequate to EU competition norms, implemented with a view to: (1) better delineate the features and functions of the stakeholders involved in the financial intervention process, (2) draw up new and more effective forms of interventions in cooperatives, (3) support the creation and consolidation of established, start-up, and WBO-generated cooperative firms born from the cooperation of workers, and (4) mimimize undue burdens to the state budget. The reforms of L. 57/2001 also broadened the scope of the Legge Marcora framework by, for instance, allowing institutional investors to contribute to the capitalization of most types of new or established firms formed as employment-generating cooperatives (including social cooperatives), as well cooperatives emerging from WBOs.

Between the late 1990s and the mid 2000s, while the Legge Marcora reforms were being worked out and consolidated due to the EU ruling, there were only a handful of new WBOs (see Figure 3 in Chapter 3 and Figures 15 and 16 in Chapter 4). During this period, institutional investors such as CFI continued to provide technical consulting with already-existing WBOs. Due to this gap in the emergence of WBOs in Italy, and the 2001 reforms the Legge Marcora framework, we can divide Italy's WBOs of the past four decades into three periods: Pre-Legge Marcora (WBOs established before 1985[101]), Legge Marcora I (WBOs established between 1985-2001), and Legge Marcora II (2002[102]-present). For most of this report's analysis and calculations, we group Pre- and Legge Marcora I WBOs together.

Other Italian cooperative legislation and norms relevant to worker buyouts

In addition to Legge Marcora's establishment of Foncooper, the Special Fund, and the participation of institutional investors for supporting cooperative development, other relevant provisions in the Italian regulatory framework for cooperative development have further institutionalized the process of creating WBOs. This section reviews these additional relevant cooperative legal provisions and norms that are relevant to Italy's WBOs. This particularly concerns further clarifications regarding the use of unemployment insurance for funding cooperatives, the use of the cooperative movement's *fondi mutualistici* (mutualistic funds), the non-traditional "financial members" permitted to finance and support Italian co-ops, and the legal business types that cooperatives can become in Italy.

The first additional legal dimension we will mention here - and that we have already reviewed in some detail in earlier pages of this chapter - is the use of unemployment insurance for Italian WBOs. Strengthening the provisions of L. 49/1985 in this regard, Article 7, paragraph 5 of L. 223/1991 explicitly permits the capitalization of new cooperatives by employees of companies in crisis via advances of their *Indennita di mobilità* unemployment insurance (Mazzotta, 2008; Ricci, 2015).[103] The sum of the advance that can be received is dependent on the number of months of employment and the age of each worker. Redundant workers or workers at risk of unemployment who wish to draw on these advances of unemployment insurance must formally organize as a cooperative or in an "autonomous" business activity, making a request directly to INPS and show evidence of having establishing a cooperative or other associated business. Specifically, Article 7, paragraph 5 of L. 223/1991 stipulates the following:

> Redundant workers who request to undertake an autonomous activity or to associate themselves as a cooperative in accordance with current regulations may obtain the advance payment of unemployment benefits in the measures listed in paragraphs 1 and 2, deducting the number of months [of unemployment benefits] already received. [104]

[101] Note that most of the WBO firms that emerged before 1985 were in subsequent years financed retroactively under the Legge Marcora I provisions (see L. 49/1985).

[102] While the L. 59/2001 reforms officially took effect in the summer of 2001, 2002 was the first year that Legge Marcora II WBOs in our database began to emerge under the L. 59/2001 provisions.

[103] See footnote 82 for a brief discussion of recent reforms to Italy's unemployment benefits (i.e., the Legge Fornero reforms and the recently announced "Jobs Act") that will in the next few years inevitably also affect the Legge Marcora provisions discussed here. Still unknown as of this writing is what particular amendments to the Legge Marcora provisions for the use of unemployment benefits for WBOs will be required due to these recent reforms.

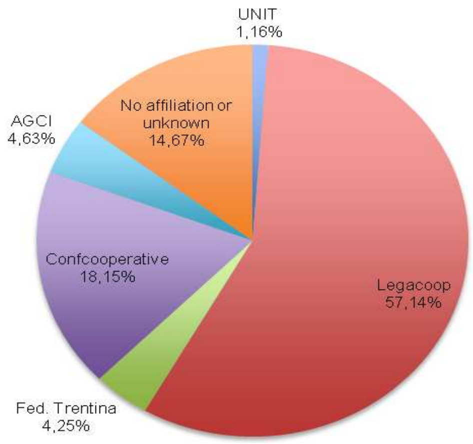
[104] As points of clarification, unemployment benefits applicable to the formation of a new cooperative by unemployed workers can be requested as lump-sum advances of the total remaining amount of benefits per worker, deducting benefits already received.

A second important additional tool for WBOs is intimately linked to the Italian cooperative movement. L. 59/1992, in particular Article 11, paragraph 1,[105] introduced an important aspect to the financing of cooperatives, specifically for the promotion and further development of the cooperative sector: the *fondo mutualistico* (mutualistic fund). Italy's *fondo mutualistico* framework has also been used extensively to help finance WBOs.

Article 11 of L. 59/1992 stipulates the key funding source feeding the *fondo mutualistico*. According to paragraphs 4-6 of Article 11, cooperative societies and consortia that are "prevalently mutual cooperatives"[106] must indicate in the cooperative's by-laws that 3% of their annual net earnings will be forwarded to their representative federation's *fondo mutualistico* (paragraph 4). The *fondo mutualistico* also receives the residual assets of dissolved cooperatives (less members' paid-up capital and any accrued dividends) (paragraph 5) (also see Fici, 2014, pp. 129-130). *Fondo mutualistico* contributions for those cooperatives that are not members of a national cooperative federation are forwarded to a public fund under the auspices of the Ministry of Economic Development (Fici, 2014).

It is also important to note that each *fondi mutualistici*'s funds are not directly managed by Italy's cooperative federations but by a separate not-for-profit agency founded by each federation (Article 11, paragraph 1). Importantly for WBOs, *fondi mutualistici* funds can be allocated to the financing and promotion of new cooperatives or cooperative consortia, including WBOs. They can also be allotted for broader cooperative development, and for research initiatives of socio-economic interest to the cooperative movement (Fici, 2014, p. 129).

Figure 10 - Cooperative federation affiliations for WBOs in Italy (1979-2014)



N=257

[105] As part of the reforms of Italian cooperative legislation of 1992 (Gazzetta Ufficiale, 2003), which we address more fully shortly.

[106] Further distinguishing the mutualistic aim of Italian cooperatives (i.e., their *scopo mutualistico*), the Civil Code reforms to cooperative law of 2003 introduced a distinction between "prevalently mutual cooperatives" and "non-prevalently mutual cooperatives" (also termed "other cooperatives") (Fici, 2014, p. 130). "Prevalently mutual cooperatives" are those that predominantly transact with their members as users of the goods and services provisioned by the cooperative. Having implications for the fiscal treatment of the cooperative rather than its governance and with particular tax advantages (see below), the distinction between "prevalently mutual" or "non-prevalently mutual" is decided as a balance sheet matter. For consumer cooperatives, over 50% of sales must be made to cooperative members to be considered "prevalently mutual"; for producer cooperatives, over 50% of the production costs for the goods and services produced must come from members; while for worker cooperatives, more than 50% of the total labour costs must be generated by members (Fici, 2013, 2014). Virtually all Italian cooperatives emerging from WBOs are "prevalently mutual cooperatives" and, as such, our discussion of cooperative legislation and finance in this chapter pertains mainly to "prevalently mutual" worker cooperatives.

From this provision in Italian cooperative legislation, in 1993, under the auspices of L. 59/1992, Legacoop went on to establish Coopfond SpA, an autonomously managed funding agency for cooperatives representing the federation's *fondo mutualistico*, and Confcooperative similarly went on to establish Fondosviluppo SpA. Both of these agencies that manage their respective apex federation's *fondi mutualistici* have in recent years become increasingly important for financing new WBOs as well as for start-up or development capital for other types of cooperatives, often in collaboration with CFI and other cooperative development agencies. The extent of the use of the *fondi mutualisici* and the participation of Italy's cooperative federations in WBOs can be partly gauged from Figure 10, suggesting broadly the involvement of each of Italy's major cooperative federations with WBO-generated cooperatives.[107] Legacoop (often via its Coopfond *fondo mutualistico*) has consistently been by far and since 1990s the most involved federation with regards to Italian WBOs. This is not surprising given Legacoop's historical involvement within the manufacturing sectors in Italy's northern and central regions, its historical links to "red" trade unionism, and its continuous support of worker cooperatives in Italy. It is followed by Confcooperative, and, to a much lesser extents, the other smaller federations.[108]

The spirit of the Italian cooperative movement's fondo mutualistico *is ultimately rooted in the centrality of the principle of "mutuality" in Italian cooperative legislation and practice. Cooperatives that emerge from WBOs are also bound by this principle.*

The spirit of the Italian cooperative movement's *fondo mutualistico* is ultimately rooted in the centrality of the principle of "mutuality" in Italian cooperative legislation and practice. Cooperatives that emerge from WBOs are also bound by this principle. Indeed, the main element that distinguishes most Italian cooperative societies from other business types is their "scope" in "mutual actions," to use the specific terms in the Italian legislation. This mutualistic scope (i.e., *scopo mutualistico*) is grounded in the different priorities of cooperative members - solidarity to each other and the cooperative movement and commitment to a co-op's unique democratic management, governance, and business practices. The principle of mutuality, in short, underscores the aim to not primarily benefit external shareholders but, rather, to privilege first and foremost the actual beneficiaries of the main goods and services of the cooperative - its members. For worker cooperatives, their mutualistic scope includes the provisioning of employment, valued by members' major contribution - labour (Fici, 2013, 2014; also see footnote 106).

A third additional outlet used for WBOs is a tool used extensively for the capitalization of Italian cooperatives: the possibility of involving *investor members*. Italian legislation permits cooperatives to accept physical or legal persons as investor members who contribute risk or debt

[107] An exception to the Legge Marcora process has been the Trentino Alto-Adige region of Italy. The WBOs in that region in our IRL Database, all from the Province of Trento, are affiliated to its cooperative federation, the Federazione Trentina della Cooperazione (Tonelli, 2012). Due to the judgement by the Italian Supreme Court asserting both of the region's provinces autonomous status (see Corte Costituzionale, sentenza n. 185, 25 giugno 1986), and the region's traditional independent approach to legislation from Rome, Legge Marcora provisions explicitly exclude Trentino Alto-Adige (see various Articles of L. 49/1985). Instead, in the Province of Trento the Federazione Trentina della Cooperazione has directly worked with these WBOs and workers have used their savings and favourable loans from the Cassa Rurale di Trento to buy out their firms without directly appealing to the Legge Marcora framework.

[108] Officine Zero and Ri-Maflow, two of our case studies from Chapter 5, are examples of non-aligned WBO projects, the former in part due to the fact that it is not a formal cooperative and both also for ideological reasons. Future research will delve into the reasons why some WBOs do not align themselves with any federations.

capital. The mutualistic scope of Italian co-ops, however, also serves to place important limits on the participation of these "other" member types, as we will detail shortly.

In the main, these alternative membership categories relate to the *socio sovventore* and *socio finanziatore*, established respectively during the reform of Italy's cooperative law in 1992 (L. 59/1992) and further clarified in the Civil Code reforms of 2003 (Gazzetta Ufficiale, 2003) in order to stimulate cooperative development. They also have a significant part to play in the story of WBOs in Italy. We briefly introduce these alternative member types here and link them to the type of financing available to WBO-generated cooperatives in the following sub-section on financing mechanisms for WBOs.

In reality, the *socio sovventore* (subvention investment member), established by L. 59/1992, now constitutes a particular type of *socio finanziatore* (financing member), the latter clarified in 2003 with the reforms to the Civil Code (Fici, 2013, p. 482; Gazzetta Ufficiale, 2003). Both designations may be granted, with some limits, to an internal cooperative member or an external person (physical persons), or to an external agency or consortia (legal persons). Most generally, a *socio sovventore* contributes funds and expertise for the consolidation of a co-op, its technological development, or restructuring, while a *socio finanziatore* contributes funds towards share capital (ITE, n.d.). At minimum, the broad category of investor member designates a particular type of membership not linked to the use of the goods or services rendered by the cooperative and this places limits on their membership rights. For instance, the voting rights of investor members must not exceed a third of the voting rights of all members (Article 2526, CC[109]). Moreover, while these alternative membership types may be appointed as a cooperative's administrators or directors, there are strict restrictions here too that vary somewhat depending on the legal business type that the cooperative takes on (see next sub-section); in short, the majority of administrators or directors must always consist of traditional cooperative members (i.e., cooperative members engaged in mutualistic exchange) (Fici, 2014).

Finally, we consider the two legal business types that Italian cooperatives may choose. The legal business types for co-ops, and by extension for WBOs, are clarified by the 2003 Civil Code reforms to cooperative law and via broader Italian company law.[110] Cooperatives emerging out of WBOs can essentially become one of two business types, both affording limited liability for the cooperative's members: a *società per azione* (SpA, a shareholder company) or a *società a responsabilità limitata* (SRL, a private, limited liability/responsibility company).[111] In practice, which business type the cooperative adopts also depends on its size. Via its act of incorporation, smaller cooperatives may choose the SRL model (*cooperative SRL*) when the number of members is less than 20 individuals and when there are balance sheet assets of less than 1 million euro. The smallest cooperatives consisting of three to nine members are always "residually subject to the regulation of the SRL" (Fici, 2013, p. 483). On the other hand, the SpA model (*cooperative SpA*) by law must be used when the number of cooperative members is greater than 20 individuals and when there are balance sheet assets of more than 1 million euro.[112]

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[109] Indicates the Italian Civil Code.

[110] As we will detail shortly, the type of external investor member the cooperative can take on is related to its legal business type.

[111] These business categories also directly apply to Italian cooperatives emerging from WBOs, especially since the majority of them are SMEs consisting of between 10 and 49 employees (see Figure 8 in Chapter 2).

[112] Before the 2003 reforms to the Civil Code, SpA regulations "residually" applied to all Italian cooperatives. In order to provide cooperatives more flexibility, the 2003 reforms now offer these two alternative cooperative business models. This change was made in order to give smaller cooperatives more financial and operational flexibility (Fici, 2013, p. 483; also see http://ec.europa.eu/enterprise/policies/sme/businessenvironment/files/annexes_accounting_report_2011/italy_en.pdf).

Financial mechanisms available to Italian cooperatives, including those emerging from worker buyouts[113]

In this section, we focus primarily on the financial vehicles that Italian cooperatives can draw on. They are also applicable to cooperatives created via a WBO.[114]

Shares. In Italy, cooperative capital subscribed by members can either be in stocks (*azioni*) or shares (*quote*) and are allowed to have a nominal value of between 25 and 500 euro (Fici, 2013, p. 489). The minimum amount that each traditional cooperative member shareholder can subscribe to a cooperative, including a WBO, is 4000 euro (1000 euro for a social cooperative), while the maximum amounts cannot exceed 100,000 euro for co-ops of less than 500 members, with exceptions for investor members (Fici, 2013, 2014). As discussed earlier, recall that the Legge Marcora framework allows this initial worker-generated capital for WBOs to be drawn from a combination of advances on unemployment benefits, from cash available from the *Trattamento di fine rapporto* severance pay, or from savings or other personal sources of funds.

Reserves. It is assumed in Italian cooperative law and practice that most of the income from the activity of the cooperative will be reinvested back into the cooperative. Thus, in addition to share capital, the ongoing financial stability of cooperatives in Italy is assisted by strict rules concerning the cooperative's reserves. There are three main types of reserves handled by Italian cooperatives (Article 2545-*quater*, CC; also see Fici, 2010, 2014):

1. *Statutory reserves* are those that are set aside for specific purposes and determined by the statutes of the cooperative itself.
2. *Legal reserves*, obligatory by law (Article 2545-*quater*, par. 1, CC), stipulates that 30% of the annual net income (profits) of most Italian cooperatives must go to its legal reserve. Legal reserves may cover any expenses without affecting the capital.[115]
3. *Voluntary reserves* are decided at the General Assembly (Article 2545-*quinquies*, CC) and are established by the cooperative after designating the portion of the cooperative's income dedicated to legal reserves and the mutualistic fund's 3% contribution.

> *The principles of* indivisibilità *and* indisponibilità *help guarantee the mutualistic and non-speculative characteristic of Italian cooperatives, protect the cooperative movement against demutualization, and directly address the issue of the undercapitalization of cooperatives.*

Statutory and legal reserves, and even portions of the remaining net income (Article 2545-*ter-quater*, CC), are regulated in Italy by the principle of "indivisibility" for cooperatives that are "prevalently mutual," making up part of Italy's cooperative movement's famous "indivisible reserves" (Article 2545-*ter*, CC). The voluntary reserves, on the other hand, can be divided amongst members by majority approval by the General Assembly. However, even after apportioning the first 30% of annual net income to the legal reserve and 3% to the co-op movement's *fondo mutualistico*, Italian cooperatives must first assign a further 39% of the remaining 67% of net income to an additional "indivisible reserve" (while agricultural cooperatives must allocate 60% of the remaining 67% to

[113] The discussion in this section primarily draws on the work of Fici (2010, 2013, 2014) and the excellent overview of cooperative financing as it pertains to Italian WBOs provided by Roncato (2013).

[114] In the following discussion, all references to Italy's Civil Code reforms of 2003 can be accessed via the links provided at Legislazione (2015) and Codice Civile (2015).

[115] In an SRL cooperative, for example, 30% of all annual net income must be obligatorily allocated to the legal reserve fund, whereas in larger SpA cooperatives this obligation lapses once legal reserves have reached one fifth of the share capital (Articles 2428 and 2430, CC) (Fici, 2013, 2014).

this additional indivisible reserve).[116] The principle of indivisibility is a "partial profit non-distribution constraint," which is "secured by the provisions of Article 2514, paragraph 1, letter C of the Italian Civil Code" (Fici, 2013, p. 489). In practice, this means that there are substantial portions of a cooperative's income that cannot be divided among members, nor can most of the total proceeds from the sale of a cooperative's assets in case of dissolution be divided between members. Hence, in all Italian cooperatives that are "prevalently mutual" (see footnote 106) a large portion of reserves, income, and assets assume the character of *indisponibilità* (unavailability) to individual members. The principles of *indivisibilità* and *indisponibilità* help to guarantee the mutualistic and non-speculative characteristic of Italian cooperatives, protect the cooperative movement against demutualization, and directly address the issue of the undercapitalization of cooperatives.[117]

Dividends. According to Article 2545-*quinquies* of the CC, the periodic distribution of the remaining profits to members as dividends (*dividendi*) on paid-up capital is permitted but with strict limits (Fici, 2013, pp. 489-490). First, this can only occur if the net assets-to-debt ratio is "greater than a quarter" (p. 489). Second, this distribution cannot be more than the 2.5 points above Italian postal bond interest rate. Third, remuneration on financial instruments held by a co-op's traditional members (i.e., those engaged in mutually beneficial activity) cannot be more than two points over dividend interest. Fourth, indivisible reserves cannot be distributed to traditional members. And, fifth, when dissolving the cooperative, all assets minus paid-up capital and accrued dividends must go to the *fondo mutualistico* (p. 490). The disbursement of dividends is a potential form of additional income for a cooperative's members or for self-financing a cooperative should the membership decide to re-invest dividends back into the business.

***Patronage refunds* (*ristorni*).** *Ristorni,* or patronage refunds, can also be distributed by a cooperative to its members and can also be another source of self-financing for a cooperative or an additional, if in practice occasional, source of income for members. *Ristorni* are calculated based on the value of the proportional mutual exchanges (or transactions) between members and the cooperative over a given year (Article 2545-*sexies,* CC). In the case of worker cooperatives, the mutual exchange is the labour-time given to the cooperative by each cooperative member, underscoring the notions that in worker cooperatives it is labour (rather than capital) that is the major contribution of each member, and that "control is linked to work" rather than financial investment (Oakeshott, 1990, p. 27). Essentially, *ristorni* include yearly or occasional redistributions of a cooperative's remaining income. They are drawn from income left over after distributions of profits to reserves and the mutualistic fund mentioned above. They thus can become an additional income source for members in addition to their salaries. As with dividends, *ristorni* can also be a source of further capitalization for the cooperative should members wish to re-invest these funds back into the co-op. How *ristorni* are specifically dealt with depends, in part, with what is agreed upon by the cooperative's members' assembly. Additionally, the assembly may also decide to distribute *ristorni* to each member by topping up their initial shares or with the emission of new shares (Universo Cooperazione, 2004).

Social lending. Yet another financial mechanism available to cooperatives is through what is called in Italy the *prestito sociale* (social lending) (L. 59/1992, Article 10). The *prestito sociale* is akin to debt capital financing but without the lender holding voting rights from the loan and meant to be paid back directly to the lender. Restricted to cooperative members, the Bank of Italy sets a ceiling

[116] For more on the legal parameters and handling of reserves in Italian cooperatives, see Fici (2010, 2013, 2014) and Salazar Terreros, Malorgio, & Galve Góriz (2009).

[117] According to Fici (2010): "The compulsory contribution to reserves is a solution to the undercapitalisation problem in line with cooperative principles, as it reinforces the non-distribution constraint and the solidarity aspect of a cooperative (solidarity among cooperators, from old cooperators toward new cooperators)" (p. 19).

for the *prestito sociale* equal to three times the assets of the cooperative (Sangiovanni, 2008). Usually a short- or medium-term loan, the *prestito sociale* is made available by opening a deposit account in which the cooperative is registered to make withdrawals and deposits. Worth noting, as Roncato (2013) points out, interest paid on social loans is another method of redistributing part of a cooperative's income to members and is also a viable vehicle for capitalization during the start-up phase of a cooperative with reduced risk to members. Moreover, the *prestito sociale* is often preferable to a bank loan because its interest rates and fees are less expensive than what is usually charged by banks.

Share and debt capital financing by investor members. Besides share and debt capital financing from a cooperative's traditional members, share and debt capital, as we already introduced in the previous sub-section, can come from non-traditional investor members, such as *soci sovventori*, pursuant to Law 59/1992, and *soci finanziatori* more generally, pursuant to the Civil Code reforms of 2003 (Fici, 2013, 2014). Moreover, the roles of the *socio sovventore* and *socio finanziatore* are not only limited to external investor members, they can also be taken up by a traditional cooperative member. Thus, both types of investor members can be physical or legal persons, and traditional cooperative members can also be either a *socio sovventore* or *socio finaziatore*. There are some limits on both types of investor membership, however.

In Italy there are numerous financial tools that facilitate the establishment of a cooperative, including those emerging from WBOs. This hybrid legislation and cooperative movement combination - rooted in the strong Legge Marcora framework, the availability of multiple forms of financial support mechanisms, and cooperative law - goes a long way to promoting the possibilities for the emergence of new WBOs.

A *socio sovventore* - a figure legally limited to the larger SpA-type cooperatives - can also be any legal person offering to assist the cooperative through, for example, sharing expertise or serving as a buyer or supplier of its products.[118] The status of *socio sovventore* is usually attributed to the legal person making special contributions to the establishment of funds for the technological development or for the restructuring of the company. On the whole, and according to Article 4 of L. 59/1992, the category of the *socio sovventore* was intended as a means to introduce managerial skills into SpA cooperatives (ITE, n.d.; Legacoop Bologna, 2010).

External debt capital is also available to cooperatives as a financial instrument (Roncato, 2013). Most usually this is realized through the figure of the *socio finanziatore*. Clarified by the Civil Code reforms of 2003 (Gazzetta Ufficiale, 2003), the *socio finanziatore* member type is used to assist in the raising of sufficient funds for cooperative start-ups (including WBOs) or for ongoing operational needs and is available to both SRL and SpA legal forms of co-operatives (Fici, 2013). According to the regulations for the larger SpA-type cooperatives, its statutes must clearly stipulate the conditions for the issuance of debt-financing instruments. Smaller SRL-type cooperatives, on the other hand, may offer debt-financing instruments by subscription without administrative rights (Roncato, 2013). The category of *socio finanziatore* in relation to SRLs is reserved for qualified institutional investors. For SpAs, the traditional cooperative member can also be a *socio finanziatore* (ITE, n.d.; Legacoop Bologna, 2010).

In the case of WBOs, the categories of *socio sovventore* and *socio finanziatore* are most usually constituted and underwritten by institutional investors such as CFI or Coopfond. We describe the role of CFI with WBOs in more detail in section 3.4. For now we very briefly explain the financing

[118] Italian legislation, however, does not permit the figure of the *socio sovventore* in the housing construction sector.

role of other institutional financiers for WBOs, such as the *fondo mutualistico*-based entities, drawing on Roncato's (2013) description of Legacoop's interventions as an example.

For WBOs, agencies managing the *fondi mutualistici*, such as Legacoop's Coopfond, can pledge contributions that may at most double workers' initial capital investments; that is, Coopfond's contributions must fall within the 1:1 ratio between workers' contributions and contributions from external funders, as stipulated by the 2001 reforms to Legge Marcora that we have already reviewed (Coopfond, 2014c). In order to support WBOs, Coopfond also connects with credit consortia and agencies operating at the regional level and with other institutional investors such as CFI that operate in the development of new cooperatives (Zevi, 2012). Most often intervening in new WBO-created cooperatives as a *socio finanziatore*, its involvement with a new cooperative is principally aimed at solving the problems of undercapitalization (Roncato, 2013).

To assist in this task, Legacoop also proposed the creation of a credit-guarantee consortium trust at the national level - Cooperfidi Italia. Apart from Legacoop, Cooperfidi is also supported by AGCI and Confcooperative, the two other major federations forming the Alleanza Cooperative Italiane (ACI)[119] together with Legacoop. Cooperfidi facilitates the provisioning of favourable credit to cooperatives through accessible terms of repayment and loan guarantees on the financial resources provided to cooperatives by institutional investors such as CFI and Coopfond, and on member's own capital investments. Through this loan guarantee and underwriting mechanism, a WBO-based cooperative can more readily obtain loans from banks to buy or to lease portions of or all of the target company, as the case may be.

For raising debt capital for WBOs, Coopfond will network with lending institutions and form intervention agreements, which are supported by loan guarantees issued by Cooperfidi. The Banca Popolare Etica (Banca Etica), a social economy-based banking and credit granting institution founded in 1999 and engaging in ethical financing, is one lending institution that often works within a WBO lending network in administering debt capital funds, which can be short- or long-term loans. Short-term loans have durations of 18 months and are usually used by the WBO to cover immediate cash needs and financial investments. Longer-term loans are used, in turn, to raise further capital and take the form of mortgages and other substantial bank loans (Roncato, 2013).

Finally, another source of funding for WBOs is provided by Legacoop's Financial Consortium for the Development of Cooperatives[120] (CCFS), and other similar consortia organized for cooperative development. The CCFS provides additional financing secured by Cooperfidi Italia and Consorzi Fidi, complementing start-up or development funding allocated to a cooperative by the Italy's major *soci finanziatori* for WBOs such as CFI or Coopfond (Roncato, 2013).

In sum, Italy has numerous financial tools that facilitate the establishment of a cooperative, including those emerging from WBOs. This hybrid legislational and cooperative movement combination - rooted in the strong Legge Marcora framework, the availability of multiple forms of financial support mechanisms, and cooperative and labour law - goes a long way to promoting the possibilities for the emergence of new WBOs.[121]

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[119] Alliance of Italian Cooperatives.

[120] Consorzio Cooperativo Finanziario per lo Sviluppo (http://www.ccfs.it/).

[121] As mentioned in previous chapters, comparisons can be made with the Spanish legislation and financial support mechanisms that favours the creation and development of *Sociedades laborales* (SALs) labour-managed firms (see Jensen 2011, 2012), or its "*pago único*" framework, both of which permit Spanish workers to use their unemployment insurance benefits towards WBOs. France also has an equally rich support infrastructure for WBOs (see Chapter 2).

3.4 CFI's Involvement with Worker Buyouts

CFI's intervention methods with worker buyouts

For illustrating the Legge Marcora framework in action, it is worthwhile delving deeper into the intervention process of the main institutional investor of WBOs in Italy - Cooperazione Finanza Impresa (CFI). From our interviews with several CFI staff members over the years (Carrano & Vieta, 2014; Vieta, 2012b), and in our emergent Italian WBO database that we have built with the assistance of CFI, we have a clearer picture of how the Italian WBO process unfolds.[122]

In Italy, WBO projects most usually begin as immediate consequences of a business's imminent or actual declaration of bankruptcy or liquidation, or, less often, upon the desire of an owner or shareholders to cede the business to employees. As our interviews, case studies, and survey with Italian WBOs are beginning to confirm (see Chapters 4 and 5), and as reported in various Italian media accounts of Italy's *imprese recuperate*,[123] employees of troubled firms that eventually turn to WBO rescues are often not initially aware of the possibility of a buyout nor of the Legge Marcora framework. During these early stages, it is often an informed union representative or local representatives of one of the co-op federations (perhaps after having been involved in other WBO cases in the area) who first inform employees or management of the troubled firm of the possibilities of a WBO solution.[124] Once a possible WBO project has been identified, and often during the first negotiations with bankruptcy courts and their trustees or liquidators, the initial contact phase with the *soci finanziatori* most likely to make risk or loan capital contributions to the potential WBO begins. In the majority of Italian WBO cases, the initial institutional investor is CFI in collaboration with Legacoop's Coopfond or, to a lesser extent, Confcooperative's Fondosviluppo.

The next phase in the fledgling WBO most usually involves CFI, again often in conjunction with Coopfond or Coonfcooperative, collaborating with the employees contemplating a WBO in an initial feasibility study of the potential success of a buyout. Information for this first feasibility study is made available by the employees, their union, from the local cooperative federation, or directly from the target company's management. If a preliminary feasibility study convinces CFI and Coopfond or Fondosviluppo (as the case may be) of the viability of the WBO, and if a buyout proves tenable, a new phase of more thorough business case work and document verification begins. This third phase is directly designed to assess the following five issues:

1. The degree of continuity or discontinuity between the employees and the target company's incumbent administration. At this stage, it is possible, for instance, that the target firm's administrators and managers continue in their roles while the WBO process is being negotiated.
2. The economic sustainability of the target company. As can be presumed, establishing the actual economic situation of the firm to be bought out at this point entails a fairly delicate phase of negotiations between participating employees, their unions, and the target company's owners,

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[122] While the framework for WBOs that we presented in previous sections of this chapter is admittedly complex to the novice reader, CFI's procedures for intervening in WBOs are actually straightforward. And virtually all of CFIs interventions are exclusively with SME-sized cooperatives, the most adequate size, as the literature confirms, for a cooperative-based WBO (see Chapters 2 and 4).

[123] See, for instance: Avvenire (2013), ComuneInfo (2013), Corriere della Sera (2014), L'Espresso (2011), E-Il Mensile (2012), La Repubblica (2013), Il Resto del Carlino (2012), Tempi (2014), Vita (2015).

[124] Further research that will be analyzed in subsequent publications will delve into the role of social networks in the emergence of a WBO. These networks are evident within particular territorial areas contributing to the clear formation of "WBO business clusters," such as in the province of Ancona, in a clear corridor of WBOs in Emilia-Romagna, and in and around the province of Florence. We discuss these WBO business clusters in Chapter 4.

management, and possibly its creditors. This also includes establishing the effective number of employees who may desire to or need to be involved in the WBO and avoiding any unnecessary (and often further) employee redundancy if possible. It may be the case, for instance, that only a smaller group of employees from the target company's workforce is needed or will eventually agree to participate in the newco and WBO.[125]

3. Identifying a leader or leaders within the group of employees contemplating a WBO or a workers' representative who can spearhead the project and who might become the future cooperative's administrators.
4. Documenting the actual amount of capital that is available and that will be used by the workers' group for the actual buyout and for ongoing capitalization .
5. Producing an estimate or proposal for what the total cost of acquiring the target company will be, and the initial financial requirements for the purchase.

If after this stage the WBO is deemed to be feasible, the workers, assisted by consultant experts and in dialogue with supporting institutional investors such as CFI, then begin a fourth phase: developing a business plan aimed at expanding on the various dimensions of the ensuing WBO project while weighing the short- and long-term financial and economic sustainability of the new cooperative. In this business plan phase, CFI (again, often together with either Legacoop or Confooperative and local experts), will evaluate the business plan submitted by the workers. At this point, CFI may either preliminarily green light the requested financing, or request reconsideration or rewriting of the plan or sections of it, sending it back to the workers and their consultants for revision if necessary.

Once this business plan is satisfactory, and after further possible discussions between CFI and the new cooperative's members, the business plan is presented to CFI's *Consiglio di Amministrazione* (board of directors, or administrative council, CdA[126]). The CdA's acceptance of the employee group's WBO business plan officially launches the intervention by CFI in the WBO project and earmarks the commencement of its "pre-delivery" phase of financing. In addition, shortly after the project's acceptance by the CdA, CFI's implementation office begins providing support to the newco, assisting it with organizational restructuring, marketing, further business planning, and so on - that is, in helping prepare the newco for its re-constituted business activities as a new worker cooperative. The period of time between a positive deliberation by the CdA and the delivery of financing is now generally between 15-20 days.

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[125] Some of the reasons for the exclusion of some employees of the target company from the WBO process may include the following: (a) some workers simply do not want to engage in the WBO process and in the subsequent self-management of the future cooperative, preferring to look for work elsewhere; (b) some workers decide to take the unemployment insurance or the TFR severance option and look for other career opportunities; (c) some workers take early retirement; or (d) some workers do not have the sufficient funds in their personal savings, TFR, or unemployment insurance benefits to participate in the WBO and thus are forced to look for work elsewhere or seek early retirement. An important addition to this last point is that in some cooperatives created from WBOs in Italy, some of the workers that do not decide to or cannot initially engage in the WBO eventually return to work for the co-op (either as members or non-member waged workers). This is similar to situations of worker-recuperated firms and WBOs in other conjunctures, such as in Argentina (Ruggeri & Vieta, 2015). This re-inclusion of former employees of the target company into the new cooperative's workforce at a later date after the buyout is finalized is often extended as a gesture of solidarity by incumbent workers who have a genuine concern for the livelihoods of former colleagues. It can, in Italy, also be due to the privileging of workers on *Indennità di mobilità* lists with respect to new job openings (for more, see Chapter 5).

[126] The *Consiglio di Amministrazione* (CdA) consists of regular meetings of the most important stakeholders in CFI (including a representative of the Ministry of Economic Development), which come together to make decisions concerning the administration and management of CFI, as well as to deliberate on WBO, start-up, consolidation, or development projects that the institution will invest in.

Table 1 - Parameters related to CFI's investments using share capital[127]

	Share capital
Maximum duration	7-10 years. Refund by worker cooperative: 25% by the 4th-5th year, 75% by the 7th-10th year.
Cost of feasibility study	Preliminary cost 3.5% (if already owned 2.5%); not less than 2000 euro.
Intervention greater than 150,000 euro	Expected return: dividend on ordinary postal bonds (BPO), 20 years + spread (2%) (quotation BPO to 20 years, in February 2014: 4.75%).[128]
Intervention less than 150,000 euro	Expected return: dividend of not less 2% + capital appreciation (in 2013: 1.1%).

CFI's funding package can be in *share capital* investment, *debt capital* (loans and/or debt securities), or in combination. When intervening in a cooperative, CFI acts as a *socio finanziatore* through the subscription of a temporary minority stake via shares in the new cooperative, which can see it actually participate in the administration and general assembly of the new cooperative as an investment member as permitted by Italian cooperative law. However, as stipulated by the Legge Marcora provisions, the value of its investment cannot exceed the initial share capital of the new cooperative; in other words, CFI is able to in effect no more than double worker-members' share capital in the new cooperative. In the case of debt capital financing, CFI intervenes via convertible bonds and other debt-based financial instruments. Tables 1 and 2 show the different parameters of both types of CFI interventions.

Table 2 - Parameters related to CFI's investments using debt capital[129]

	Debt capital
Maximum duration	7 years
Grace period	Not more than 1 year (2 years for start-up projects)
Cost of feasibility study	1.75% (if already participated by CFI, 1.25%); not less than 1,200 euro
Interest rate	Fixed rate: 5%. Or variable rate: Euribor 6 months + spread (3.5%)
Guarantee	Special privilege by law and / or other forms of guarantee

Until 2012, CFI almost always used a mix of share and debt capital financing. As of 2013, however, CFI has decided to increase its use of debt capital financing due to the high-risk profile of some WBO projects and the critical context and investment losses for CFI with past WBO projects that did not eventually bring an adequate return on the initial share capital investment (Carrano & Vieta, 2014). Recall that, under the auspices the original Legge Marcora, the Ministry of Economic Development, via funds from the Italian state budget, made available to CFI and other institutional investors a grants-based pool of money under Title II's Special Fund for WBOs. With Legge Marcora II (post 2001), CFI's new, more strategic direction is connected to its need for financial prudence after the L. 57/2001 reforms that were imposed by the European Commission in the late 1990s and early 2000s. Recall also that as part of the new L. 57/2001 provisions, the Ministry now directly endows the Special Fund to institutional investors such as CFI. Thus, the Special Fund is now CFI's own (but now capped) fund that it uses to engage directly in the financing and support of new and existing cooperatives. As of mid 2014, the fund allocated to CFI from the Ministry was roughly 50 million euro, with no guarantee of any further top up of the fund (although after

[127] See CFI (2014a; 2015d).
[128] For explanations of the dividend returns based on ordinary Italian postal bond rates, see Fici (2010) and Salazar Terreros, Malorgia, & Galve Góriz (2009).
[129] See CFI (2014a).

December 2014 this has changed with an additional infusion of funds that we will review in the concluding section of this chapter). Hence CFI's need to invest the money "prudently". As of the time of this writing, and thanks to several payments and reimbursements of its investments and other inflows of cash, CFI's available funds have doubled in total to almost 100 million euro. In short, while CFI funded more requests for WBO-financing during the Legge Marcora I period than it does today, CFI now attempts to be more selective in the projects it chooses to fund, primarily because of the more limited funds now at its disposal, expectations for a "fair return on investment" of these funds, and the increased oversight from the state.[130]

Overall, the evaluation criteria that CFI uses today in selecting a WBO project are based on a combination of the following factors (CFI, 2014e):

1. social relevance and employment dimensions of the WBO project;
2. value of the new cooperative's share capital and net assets, in reference to the financial requirements of the project and to the request for intervention;
3. adequacy and reasonableness of the gross operating costs and potential operating profitability, in relation to the target market and the net capital invested;
4. the level of financial sustainability in the short- and medium-term, and the relationship between the cooperative's net financial position and its own resources; and
5. the new cooperative's profile of innovation, professional skills, competitive advantage, and potential for market share abroad.

Summarizing the discussion in this section, and using the institution's own terminology, CFI has three overall intervention processes for WBOs today (CFI, 2014e, slide 8):

1. *Start-up*: This intervention specifies the financing required for the project. This includes planning to avoid "excess liquidity" which can "misinform business decisions". The start-up intervention seeks to also gain the buy-in and confidence of all relevant stakeholders, especially the lenders and suppliers who might be more apprehensive of the WBO process and "who are needed for establishing working capital".
2. *Refill*: About 12-18 months after start-up, a "refill" financing phase can kick in. This happens if the new cooperative's revenues or income stream are lower than expected, or if the new cooperative has had to face subsequent investments or costs not foreseen in the initial WBO business plan. In this case, the "refill" can be considered a second intervention by CFI aimed at restoring adequate financial conditions for the new cooperative.
3. *Buy*: This entails funds for the actual purchase of the target company or a section or branch plant of the target company. If the newco has not yet reached an adequate financial capacity with initial investments received it may need further financial support for the actual acquisition of the target company. The decision for more acquisition financing is always carried out with the collaboration of all of the participating lending and financial agencies "in pool".

Finally, it is worth mentioning that CFI in recent years has been interested in conversions applied to businesses confiscated from the proceeds of criminal activity. More enterprise "transfers" than "buyouts," these projects are overseen by the National Agency for the Administration and Allocation of Goods Sequestered and Confiscated from Organized Crime (ANBSC).[131] CFI chooses to collaborate with the ANBSC when there are enterprises that are of

[130] This is not to suggest, of course, that CFI was not prudent in its investments in the Legge Marcora I period. Indeed, as Alberto Zevi, former president of CFI has told us, they rejected around 100 requests for funding WBOs during his tenure that were not deemed viable (Zevi, 2012).

[131] Agenzia Nazionale per l'Amministrazione e la Destinazione dei Beni Sequestrati e Confiscati alla Criminalità Organizzata. The ANBSC is an agency of the Italian government within the Ministry of the Interior and was formalized with Law 50, 31 March 2010 (http://www.benisequestraticonfiscati.it/).

interest and fall into CFI's scope of supporting employment-creating cooperatives. In 2014, CFI funded a handful of projects of this type in Sicily and was considering funding various others in 2015. Initially, the Italian state takes ownership and control of these businesses, their property, and all confiscated assets. CFI may intervene in these cases in consultation with the ANBSC (and will increasingly be doing so over the next years) when the confiscated property is transferred to its workers as a cooperative. In these situations, CFI engages in the phases of intervention and financing we have been outlining and signs off on feasibility studies and business plans not only with the workers who will take over the business but also in collaboration with the ANBSC. In addition, CFI, together with the anti-mafia NGO Associazione Libera,[132] is beginning to put together a new funding mechanism to support these types of conversions. Nevertheless, we were told by CFI staff that it is proceeding with caution concerning these projects; these conversion cases are, for obvious reasons, very difficult and hazardous. Given this, in late 2014 CFI decided to move forward with projects involving enterprises confiscated from the mafia by requesting further assistance and clarifications from the Italian state regards how to most prudently engage with these types of conversions. For an example of business transfers emerging from confiscated criminal proceeds, see the Ericina case study in section 5.3 of Chapter 5.

In sum, due to the 2001 reforms to Legge Marcora, institutional investors such as CFI have been able to expand their intervention strategies, both with new worker cooperatives emerging from WBOs and with established employment-generating co-ops seeking consolidation and development through debt capital and share capital interventions. During the Legge Marcora II period, CFI has not only been involved in 44 completed WBO financing (as of 31 December 2014), but also several dozen more completed investments in the development, consolidation, or start-up assistance of non-WBO worker or social cooperatives, including an increasing participation by CFI in cooperatives formed from conversions of property confiscated from the proceeds of crime.[133] As of December 2014, CFI had a portfolio of 90 active cooperatives present throughout Italy, which, according to CFI's data, achieved collectively a value of production of 400 million euro and are currently employing around 2,500 workers (CFI, 2015e).

CFI's interventions by Legge Marcora periods and geographic area

In this last part of section 3.4, we briefly review the extent of CFI's interventions with WBO and non-WBO cooperatives since its inception as an institutional investor in 1986. Table 3 shows the number of WBO interventions CFI has been involved with between 1987 with its first interventions and up to 31 December 2014, broken up into Legge Marcora periods.

In total, Table 3 shows that CFI has financed 78.59% of the 257 WBOs tracked in the IRL Database up to 31 December 2014, or 202 total WBO interventions in both Legge Marcora periods. Of these, CFI completed the financing of 158 WBOs during the Legge Marcora I period (just over 78% of their total WBO interventions)[134] and 44 WBOs over the Legge Marcora II period as of 31 December 2014 (almost 22% of their total WBO interventions).

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[132] http://www.liberapalermo.org/

[133] According to the IRL Database, in addition to the 44 Legge Marcora II WBO interventions as of 31 Dec. 2014, there were a further eight development or consolidation interventions by CFI during Legge Marcora II that had originally been WBOs and that CFI had also helped finance during Legge Marcora I, and three WBOs that were not originally financed as WBOs by CFI but that had emerged during Legge Marcora I and that CFI would later go on to finance as development or consolidation interventions during Legge Marcora II.

[134] CFI has quoted that it financed 160 WBOs during the Legge Marcora I period. For our calculations, and based on how we define WBOs, we report that it has financed 158 WBOs because one of their Legge Marcora I interventions produced two WBOs that would later merge into one worker cooperative, and another received two separate financing interventions but we have determined that it was actually one WBO (CFI, 2014f).

Table 3 - CFI's WBO interventions by geographic distribution and Legge Marcora periods (1987-2014)

Geographic area[135]	L. Marcora I WBOs intervened by CFI (1987-2001)		L. Marcora II WBOs intervened by CFI (2002-2014)		Total WBOs intervened by CFI (1987[136]-2014)	
	n.	%	n.	%	n.	%
Nord-Est	35	22.15%	20	Nord-Est	55	27.23%
Nord-Ovest	22	13.92%	2	Nord-Ovest	24	11.88%
Centro	86	54.43%	13	Centro	99	49.01%
Sud	15	9.49%	2	Sud	17	8.42%
Isole	0	0.00%	7	Isole	7	3.47%
Totals	***158***	***100.00%***	***44***	***100.00%***	***202***	***100.00%***

N=202

CFI's WBO interventions in both Legge Marcora periods. All of CFI's interventions during the Legge Marcora I period were WBOs (CFI, 2014e, 2015b). During the Legge Marcora II period, and as of 31 December 2014, CFI expanded its interventions beyond the 44 WBOs it financed, contacting or eventually financing over 100 additional non-WBO employment-generating cooperatives at the start-up phase or for projects for the development or consolidation of employment-focused social cooperatives or worker cooperatives (CFI, 2014g) (see Figure 14). In the following paragraphs we will primarily focus on CFI's WBO interventions.

The success rate of CFI-funded WBOs, judged by their high survival rates, has been impressive. In total, there are 91 still-active firms emerging from WBOs funded by CFI out of its historical total of 202 WBOs as of 31 December 2014, equalling 45% of all of the WBOs it has financed and 69.5% of the 131 currently-active WBOs that we have tracked in the IRL Database. Of the 158 WBOs funded by CFI during the Legge Marcora I period, 47 are still active, and those that are now closed went on to survive for several years after start-up.[137] In other words, 29.75% of Legge Marcora I WBOs financed by CFI are firms that are still operating today, making up almost 27% of the 176 total Legge Marcora I WBOs tracked in the IRL Database and 18.28% of the 257 total WBOs tracked in the database. And of these still-active CFI-funded Legge Marcora I WBOs, 30 of them were originally founded as WBOs in the 1980s and the other 17 in the 1990s.

Of the 44 WBO financing interventions performed by CFI between 2010-2014, only one had definitively closed as of 31 December 2014.[138] Out of an additional 13 WBO attempts that had contacted CFI during the Legge Marcora II period and that had not been ultimately financed by CFI but that went on to create successful WBO projects, four have since closed. Morover, 14 additional WBO attempts that were in contact with CFI but that did not finally receive funding had yet to fully carry out their WBO process or had not been able to do so by 31 December 2014.[139]

[135] Nord-est = Northeast; Nord-ovest = Northwest; Centro = Centre; Sud = South; Isole = Islands.

[136] Year of first CFI interventions under Legge Marcora I provisions.

[137] As we will review in Chapter 4, of these seven WBOs have been re-converted to investor-owned or proprietary SRLs or SpAs in recent years. We consider them here as still-active firms that had originally emerged from WBOs; after all, they are still active firms in no small way because of the original interventions of employees to save the firm from permanent closure. Future research will look further into these WBO-initiated cooperatives that have experienced demutualization, a process which is not favoured by Italian legislation rooted in asset lock and indivisibility principles.

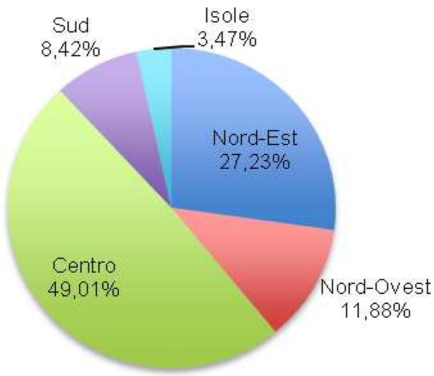
[138] Note that five additional Legge Marcora II WBOs funded by CFI had entered business restructuring or liquidation procedures by late 2014 or early 2015 but were technically still active firms in 2014 (from authors' consultations with Italian Chamber of Commerce officials). This is countered of course by several new CFI-funded WBOs that have been emerging throughout 2015 and 2016 and others that will no doubt continued to emerge in the coming months and years.

[139] Note that these fourteen WBO attempts (as of 31 Dec. 2014) were not counted in our WBO calculations as we considered them temporarily unsuccessful WBOs (although some of them might go on still to open as new WBOs).

Merged with our broader WBO lifespan and survival rate analysis in section 4.4 of Chapter 4, CFI-funded WBOs show robust longevity, strongly suggesting that the Legge Marcora framework and CFI interventions are very positive for the long-term survivability and success of WBOs. This is a strong testament to both the expertise offered to WBOs in Italy by institutional investors like CFI and the collaborative framework of the Legge Marcora process that Italy has developed.

CFI's WBO and non-WBO interventions during Legge Marcora II: Recent trends. The Legge Marcora II period has been bolstered by the provisions of the 2001 reforms (see section 3.3), permitting CFI and other institutional financing organizations to engage in non-WBO interventions that can include, as we already mentioned, financing and supporting the consolidation, further development, or start-up phases of non-WBO worker co-ops or employment-generating or work-integration social co-ops. Moreover, Legge Marcora financing can also now facilitate, as also already mentioned, the creation of worker or social cooperatives from businesses confiscated by the state from the proceeds of crime.

Figure 11 - CFI's WBO interventions for both Legge Marcora periods (1987[140]-2014)

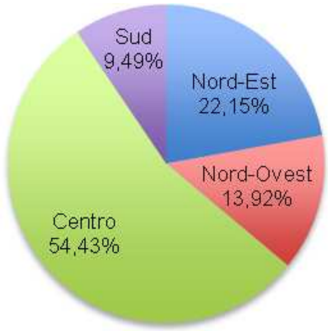


N=202

As Figures 11 to 13 show, over the 28 years that CFI has been funding WBO-generated cooperatives, the pattern of its interventions, on the whole, has closely followed the pattern of overall SME and worker cooperative concentration in the Centre and Northeast of Italy in the "Made in Italy" manufacturing regions (compare Figure 11 to Figures 1, 7, and 20). At the same time, and comparing Figures 12 and 13, in the Legge Marcora II period we notice a new phenomenon for CFI-funded WBOs in Italy's Island regions of Sardinia and Sicily, bolstered by the recent transfers of mafia confiscated businesses to workers and local citizens via WBO solutions in Sicily in collaboration with the ANBSC (see previous sub-section), as well as the Italian government's policy of using cooperatives to help further develop the South (Italy's *Mezzogiorno*). This thus sees a substantial increase in the percentage of WBOs funded by CFI in Italy's *Mezzogiorno*. We also notice a recent trend for CFI to finance substantially more WBOs in the Northeast of the country when compared to Legge Marcora I interventions. During Legge Marcora II, the expanded financial commitment by CFI to these geographic areas seems to be, percentage-wise, at the expense of financing WBOs in the Centre regions (where CFI's funding was concentrated during Legge Marcora I) and the Northwest region of the country.

[140] Year of first CFI interventions under Legge Marcora I provisions, when it began to also finance WBOs that had opened earlier.

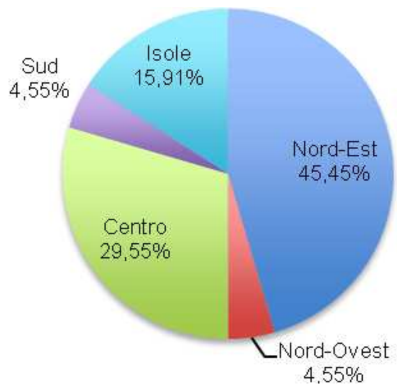
Figure 12 - CFI's WBO interventions only during Legge Marcora I period (1987-2001)



n=158

CFI's increase in funding new WBOs (Figure 13) and non-WBO co-ops (Figure 14) in the *Mezzogiorno* has, in part, been a response during the Legge Marcora II period by institutional investors such as CFI to contribute to the development of the *Mezzogiorno*, initially promulgated by the Italian cooperative law reforms of L. 59/1992 in Article 11, section 2 (CFI, 2014e; Coopfond, 2014b). The reader will recall from our discussion earlier in this chapter that this is the same article in L. 59/1992 that introduced the *fondo mutualistico* to the Italian cooperative movement. Thus legislators also specifically had in mind the use of the cooperative model for the support of regional and local development in the historically less developed regions of the *Mezzogiorno*. Broadly, Article 11 of L. 59/1992, in part through the support and financing of Italy's cooperative apex federation's *fondi mutualistici*, has helped stimulate a sharp increase in all forms of cooperatives - but especially social cooperatives - in the *Mezzogiorno* over the past two decades (EURICSE, 2011, 2013). The reforms to Legge Marcora in 2001 that now extend its use more explicitly to all forms of employment-generated cooperatives were also inspired by the 1992 cooperative law reforms, and today the Legge Marcora framework has proven to fit well with the broader mandate to stimulate the economic development of the *Mezzogiorno* via the cooperative model. Figures 11-14 clearly show this increased concentration of CFI's Legge Marcora funding in the *Mezzogiorno.*

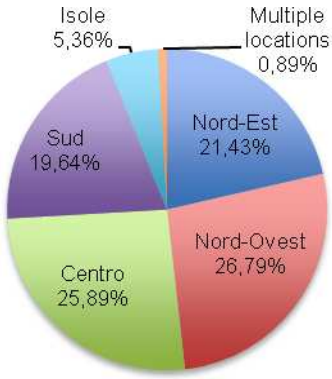
Figure 13 - CFI's WBO interventions only during Legge Marcora II period (2002-2014)



n=44

Finally, another significant shift for CFI projects during the Legge Marcora II period can be seen in its non-WBO interventions and contacts, as Figure 14 shows. New non-WBO projects for CFI have seen a considerable increase in focus for employment-generating cooperatives in the South when compared to historical and recent WBO interventions in Figures 11-13. This now disperses CFI's total portfolio of projects more evenly across the country.

Figure 14 - CFI's contacts and interventions for non-WBOs only for Legge Marcora II period (2002-2014[141])



n=112

In sum, for both WBO and non-WBO intervention scenarios, CFI's new geographic shift for funding to the *Mezzogiorno* and the Northwest (in the case of its non-WBO projects) when compared to its total historical funding pattern has been to some extent at the expense of its traditional WBO interventions in the Centre regions. This points to a change in CFI funding policy and practice during Legge Marcora II from originally funding WBOs mostly in the Made in Italy regions, to now increasingly engaging with interventions with WBO and non-WBO cooperatives in the *Mezzogiorno* and other particular regions where the recent economic crisis has hit particularly hard.

3.5 Conclusion

The great majority of CFI-financed WBOs - 90% according to CFI (2015b) - were not originally willing transfers of businesses to employees by owners or due to strategic business decisions. Rather, they emerged from businesses in crisis that were bought back and recuperated by a group of its employees. This is true of the majority of Italy's historical WBOs. Most promisingly for Italy's continuing socio-economic crisis, the social, political, and policy significance of promoting more WBOs in Italy seems to be gaining traction again with the cooperative movement, workers' advocates, public officials, journalists, and, most importantly, with workers themselves.

In part due to how the lingering crisis continues to saddle Italy with steady business closures and stagnantly high unemployment rates (see Chapter 2), and based on the evidence of the potential of WBOs to save businesses and jobs made possible by the Legge Marcora framework, the national government's "Destinazione Italia" Decree 145 (Decreto Legge 145, 2013), which we started this chapter with, now gives an explicit right of first refusal for employees desiring to buy out companies in crisis. It also clearly outlines the use of lump-sum payments of unemployment insurance for employees to use as share capital when converting troubled firms that had been employing them into co-ops.

Furthermore, at the time of this writing another extension to Legge Marcora provisions - christened "Nuova Marcora" (New Marcora) - was introduced via a ministerial decree of the

[141] As of 31 Aug. 2014 (CFI, 2014g).

Ministry of Economic Development in December 2014 (Decreto Ministeriale, 2015). The "Nuova Marcora" aims to provide new funds totalling around 9.8 million euro for soft loans for "promot[ing] the creation and development of cooperatives of small and medium size" (MSE, 2015, par. 2; Dicreto Ministeriale, 2015). This new infusion of funds, further ammending and updating L. 49/1985 and Article 12 of L. 57/2001, is to be dispersed via institutional investors (i.e., CFI and SOFICOOP) under the auspices of the Ministry of Economic Development (MSE, 2015, par 3). With a 10-year maturation period, this new tranche of soft loans will be granted as of 2015 in order to support:

> the *emergence of cooperative societies formed, prevalently, by workers from companies in crisis*, social cooperatives under L. 381/1991 and subsequent additions and amendments and cooperative societies that manage companies confiscated from organized crime; [and] in the territories of the regions of the South, as well as […] the development or renovation of existing cooperatives. (par. 5, emphasis ours)

These latest provisions enhance substantially the Legge Macrora framework and the capacity of institutional investors such as CFI and SOFICOOP. It also serves to further entrench the WBO solution in the country's bankruptcy, business, and cooperative support legislation as a direct response to the ongoing crisis of unemployment and business closure in Italy. The increased attention in Italy's centres of power to the possibilities that WBOs have for saving jobs, productive entities, and communities from further socio-economic hardships underscores the importance of getting to know better the intricacies of this form of business restructuring. It has been the goal of this chapter, with its focus on the legal and financial framework and processes of Italy's WBO solution, to do just that.

CHAPTER 4 - TERRITORIAL AND DEMOGRAPHIC DIMENSIONS OF ITALY'S WORKER BUYOUTS (1979-2014)

by Marcelo Vieta (with Brandon Bertram)

4.1 Introduction

This chapter encompasses a longitudinal and descriptive analysis of Italy's worker buyouts. Here we desire to communicate details of Italy's WBOs in our database on aggregate and since they first appeared, providing a scan of their historical evolution, geographic spread, sectoral distribution, and demographic dimensions. The chapter also provides demographic and geographic comparisons of WBOs' emergence between the two major Legge Marcora periods, revealing their longevity, robustness in times of crisis, and their concentration in the Centre and Northeast geographic areas in the country's "Made in Italy" regions. Summarized in detail in Chapter 6, this chapter continues to expand on the seven "key pillars" of Italy's WBOs with which we began this report, especially reviewing the characteristics of their emergence and distribution across the country.[142]

4.2 IRL Database of Italian Worker Buyouts

For this chapter's descriptive analysis of Italy's WBOs up to 31 December 2014, we rely on the "IRL[143] Database" of Italian worker-recuperated firms, which resides at EURICSE and was built coolaboratively with key players in the Italian cooperative movement.

It is pertinent for us to clarify that we do not claim in this report that the 257 WBOs tracked in the IRL Database is the definitive universe of WBOs in Italy. There have been other workplace recuperations by workers in the past, and other business conversions to cooperatives by employees might exist in Italy today. We have however captured most of Italy's known WBOs as of the end of 2014 and the IRL Database (and our findings reported here) is a representative dataset of the types of firms, geographical distribution, and economic sectors of Italian WBOs to date.

Constructing a database of all of Italy's historical WBOs is challenged on three fronts: First, no central database of all of Italy's WBO firms exists; indeed, our IRL Database is one of the first. Second, building such a database requires the concerted collaboration of many public sector, cooperative sector, and territorial institutions throughout Italy working under a common framework for research and this brings with it many coordinational complexities. This report is an attempt at such coordination. Third, in building a comprehensive database of WBOs, a common lexicon or conceptual parameters must be agreed upon by multiple stakeholders This begins by attempting to understand and define what a worker buyout is, including situating WBOs as a subset of the broader phenomenon of worker-recuperated enterprises or business conversions to cooperatives by employees. While this common lexicon does not yet exist in Italy (i.e., there is no technical or official legal category for WBOs in Italy), we strove to contribute to this conceptual precision in Chapter 2.

Building the IRL Database has thus taken us two years to complete (early 2013 to early 2015). This was mainly due to the long process of verification of every firm in our database and

[142] This chapter's descriptive analysis and findings update data and calculations from two earlier publications: Vieta (2015b) and Vieta & Depedri (2015). This is based on additional WBOs we have identified and confirmations made during the second half of 2015 for the period under analysis (1979-2014). While some analytical specifics might vary slightly from these earlier publications, all trends and conclusions remain the same as in our previous publications.

[143] *Imprese recuperate dai lavoratori*, or worker-recuperated enterprises.

confirmation that they indeed met the criteria of a WBO or worker-recuperated firm at some point in their existence. Adding to this complexity, some cooperatives that have been created from WBOs do not label themselves as such (especially those that have emerged due to business succession) and thus have not made themselves known to cooperative federations, institutional investors, or other national or local organizations as WBOs. In these cases, we have had to verify their WBO status via various means, such as by phoning the cooperative and asking them about their history, inquiring about the firm at the Italian Chamber of Commerce, and at times via local newspaper clippings relating their story. Further collaborations with Italian cooperative apex federations, unions, and regional actors will be engaged in over the coming months and years to expand on this dataset in future phases of the project.

Also to note, we have verified that seven still-active firms that emerged as WBOs from the Legge Marcora I period have in the years since we begun this research converted back to non-cooperative SRLs or SpAs, either through mergers with other firms or re-conversions.[144] For this report and the ensuing calculations in this chapter, we consider them as still-active firms that had originally emerged from WBOs; indeed, they are still active in no small part because of the original buyout intervention of employees that initially saved these firms from closure in the first place.

Sources for building the IRL Database

We relied on several sources for building the IRL Database: (1) a complete dataset of all of CFI's interventions with Legge Marcora I-period WBOs (CFI, 2012a, 2014f); (2) a complete dataset of all contacts and interventions made by CFI with Legge Marcora II-period WBOs and non-WBOs up to December 2014 (CFI, 2014g, 2015a, 2015b); (3) a list of SOFICOOP interventions leading to WBOs;[145] (4) accounts of WBOs not intervened by CFI or SOFICOOP that we gathered via other cooperative movement sources such as newsletters and reports (i.e., Legecoop, Fondosviluppo, etc.); (5) clippings from Italian newspapers and business periodicals; (6) Italian Chamber of Commerce data; and (7) other sundry sources from cooperative sector contacts.

To confirm and finalize the IRL Database, we crossed our data with information provided by the AIDA-Bureau Van Dijk dataset (AIDA-Bureau Van Dijk, 2014) and the Italian Chamber of Commerce (Camera di Commercio, 2014). Most importantly, we sought to verify that each firm that we decided to retain in the IRL Database had emerged from the conversion of a previous firm and that it had existed as a converted newco generated from a WBO (most usually as a worker cooperative), or for some of the more recent firms, that it exists as a newco and is in the latter stages of becoming a WBO. We also relied on the AIDA-Bureau Van Dijk and Chamber of Commerce information, in complement where relevant with CFI data, to collect various other indicators such as: date of opening as as WBO, date of closing of the cooperative (if applicable), last available year-end reports, and the WBO-generated firm's economic activity.

In many WBO cases, the firm changed its *ragione sociale* (company name) during the conversion process, in some cases it did not. To consider a business conversion completed as a WBO, the target company must have specifically been transferred to the control of employees, must have started operations as a cooperative or as a labour-managed firm, or must have been operational

[144] Future case study research will set out to understand why these cooperatives were re-converted back to conventional SRLs or SpAs, especially given that Italian cooperative law's grounding in the principles of indivisibility and asset lock (see Chapter 3) is not favourable to cooperative demutualization.

[145] The current IRL Database includes four confirmed SOFICOOP WBOs, but excludes 13 additional WBOs financed by SOFICOOP that we were still in the process of verifying as of this writing.

long enough so that information on the newco was available with the Italian Chamber of Commerce.[146]

All of the calculations of frequency distributions and demographic and geographic data undertaken in this chapter deploy and refer directly to the IRL Database The complete IRL Database consists of 30 indicators. These 30 major indicators, and the order in which they appear in the full IRL Database, are:

1. Legge Marcora period (e.g., LMI (Lege Marcora I), LMII (Legge Marcora II))
2. IRL code number (e.g., IRL1, IRL2, IRL3,… IRL67,… IRL211, etc.)
3. *Ragione sociale*/Official name of worker cooperative WBO
4. *Ragione sociale precedente*/Previous firm's official name before the buyout
5. *Centrale cooperativa*/Cooperative federation (e.g., LEGA, Confcooperative, etc.)
6. *Data di cambiamento della ragione sociale*/Date of official name change (if available)
7. *Stato giuridico* (12/2014)/Legal state (as of Dec. 2014) (e.g., active, ceased activity, etc.)
8. *Data di costituzione*/Date of constitution (of worker coop)
9. *Numero di dipendenti*/Number of dependents (members and non-members of coop)
10. *Anno di appertura come un WBO*/Year opened as WBO
11. Lifespan open (how many years active, up to 31 December 2014)
12. Lifespan category (open) (i.e., within one of five lifespan cohorts for all still active WBOs as of 31 December 2014)
13. *Anno di chiusura*/Year of closing of worker cooperative (if applicable)
14. Lifespan category (closed) (i.e., within one of five lifespan cohorts for all closed WBOs as of 31 December 2014)
15. Legge Marcora I (49/85): *Primo anno di interventi di CFI*/First year of CFI intervention under LMI (49/85) (if applicable)
16. Legge Marcora I (49/85): *Secondo anno di interventi* di CFI/Second year of CFI intervention under LMI (49/85) (if applicable)
17. Legge Marcora II (57/01): *Anno di contatto o intervento di CFI*/First year of contact or intervention of CFI for LMII (57/01) (if applicable)
18. *Tipo di intervento di CFI* (BO=buyout, S=sviluppo, C=consolidamento, SU=start-up)/Type of intervention by CFI (BO=buyout, S=development, C=consolidation, SU=start-up) (if applicable)
19. *Data chiusura del bilancio*/Date of last financial report (in Italian Chamber of Commerce)
20. *Comune*/Municipality
21. *Provincia*/Province
22. *Regione*/Region
23. *Area*/Geographic area (e.g., Nord-Ovest/Northwest, Nord-Est/Northeast, Isole/Islands, Centr/Centre, Sud/South)
24. Homepage (i.e., Web URL of current cooperative)
25. *Forma giuridica*/Legal form of company once a cooperative (where known)
26. *Sistemi Locali del Lavoro* (SLL)/Local workforce system (used increasingly by the Italian institute of statistics (ISTAT) to measure the economic impact and workforce dimensions of business clusters across Italy, to be used in future phases of our research)
27. ATECO2007 Codice/Official economic code of the Italian institute of statistics (ISTAT)
28. *Settore economico maggiore* (ATECO2007)/Major economic sector (ATECO2007)
29. *Sub-Settore Economico* (ATECO2007)/Sub-economic sector (ATECO2007)
30. *Descrizione Attività*/Description of economic activity

[146] In one case in our IRL Database where the firm has not yet become a worker cooperative, we verified its existence as a community association and labour-managed firm by personally visiting the new firm (see Officine Zero in Chapter 5).

The IRL Database is subdivided into two overarching sections, depending on whether the WBO emerged during (1) the Pre-Legge Marcora (Pre-LMI) period (before 1985) or the Legge Marcora I (LMI) period (1985-2001) or (2) during the Legge Marcora II (LMII) period (2002-2014). For the ensuing calculations, we group Pre- and Legge Marcora I WBOs together.

Finally, while most of the WBOs in our IRL Database, as we began to show in Chapters 2 and 3, were made possible by the Legge Marcora framework, not all received Legge Marcora financing from CFI or other institutional investors that base themselves on Legge Marcora provisions. For instance, for reasons we specified in Chapter 3, the 11 WBOs from the Province of Trento (see footnote 107 and section 4.3), plus a handful of WBOs that emerged before L. 49/1985 was in effect (i.e., those that emerged in what we term the "Pre-Legge Marcora" period before 1985) did not receive financing or support based on the Legge Marcora framework, although most of the WBOs that emerged during or after 1982 would eventually go on to receive Legge Marcora financing in subsequent years.

Summary of IRL Database

To summarize, and based on the information at hand as of 31 December 2014, the IRL Database tracks 257 WBOs throughout the Legge Marcora era (i.e., since the early 1980s). As of 31 December 2014, 176 WBOs in the IRL Database emerged in the Pre-Legge Marcora (pre-1985) and Legge Marcora I periods (1985-2001), and 81 WBOs in the Legge Marcora II period (2002-2014). As Table 4 shows, as of 31 December 2014, 131 firms that emerged from WBOs in our IRL Database were still active and 126 were inactive (that is, had ceased operations completely).

Also to note for the ensuing discussions and analysis in this chapter: most of our calculations for "inactive" WBOs, WBO "exits," and "death rates" are based on data for 248 WBOs with verifiable start and close dates. There are nine WBOs known to have ceased activity as of 31 December 2014 with non-verifiable opening or closing dates. We thus include these nine WBOs in our more general active/inactive calculations but leave them out when calculating birth, death, growth, and survival rates.

Table 4 - Active and inactive WBOs by geographic area (1979-2014)[147]

Geographic Distribution	***All known Italian WBOs (1979-2014)***			
	Active		***Inactive***	
	n.	***%***	***n.***	***%***
Nord-Est	45	34.35%	31	24.60%
Nord-Ovest	14	10.69%	20	15.87%
Centro	53	40.46%	62	49.21%
Sud	10	7.63%	13	10.32%
Isole	9	6.87%	0	0.00%
Totals	***131***	***100.00%***	***126***	***100.00%***
	Total WBOs in Italy in database		***257***	

[147] This data analyzed in detail in Section 4.4.

4.3 Overarching Features of Italy's Worker Buyouts

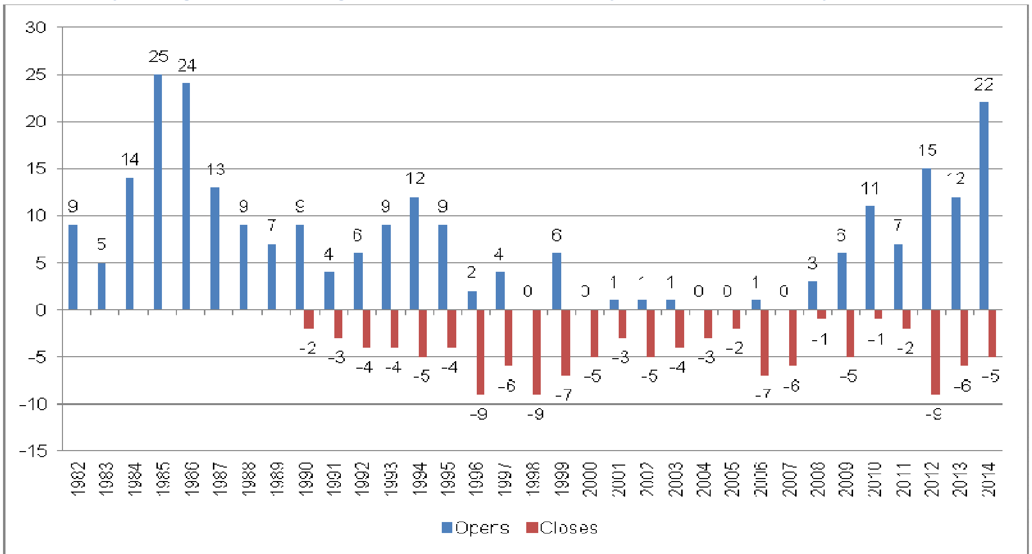
Section 4.3 reviews the overarching features of Italy's WBOs, particularly their emergence over time, age and size specifics, their major economic sectors, and their territorial dimensions.

Emergence over time[148]

Figures 15 and 16 begin to add longitudinal dimensions to the IRL Database. Here, dates are based on when the Chamber of Commerce data stipulates that the WBO was founded as a cooperative (which most usually predates when they first received external funding).

Of the 248 WBOs in the IRL Database with complete starting and closing dates, 29 WBOs emerged during or before 1984 and thus before the passing of L. 49/1985 (Legge Marcora I) (see Figure 16 and Table 5). These include the earliest WBOs in our database: one founded in 1979 and nine WBOs founded in 1982 (including one of our case studies from Chapter 5, Società Cooperativa Scalvenzi); five WBOs emerging in 1983; and 14 WBOs founded in 1984. All but four of these early WBOs were eventually financed under Legge Marcora provisions retroactively, as permitted by the first iteration of L. 49/1985. By 1985 (the year that Legge Marcora was passed), a further 25 WBOs would emerge, which is to date the year with the most new WBOs, followed closely by 1986 (the year the law was in full effect) with 24 new WBOs, and 2014 with 22 new WBOs, the year in the Legge Marcora II period with the most new WBOs. Eleven WBOs that emerged in the Province of Trento throughout the Pre- and Legge Marcora I period were not financed by Legge Marcora privisions for reasons we addressed in Chapter 3 (see footnote 107). The rest of the Pre- and Legge Marcora I period is distinguished by the fact that out of the 107 WBOs that existed as of 31 December 1989 in our database, none of them had closed by that year; the first two closures of WBOs from the Legge Marcora era are recorded in our database in 1990.[149]

Figure 15 - Openings and closings of WBO firms in Italy (1982-2014), as per the IRL Database



n=247 with verifiable opening and closing dates..[150]

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[148] Calculations in this sub-section includes the 248 WBOs with verifiable starting and closing dates and excludes nine WBOs with non-verifiable starting or closing dates.

[149] This is itself a noteworthy finding suggesting a 100% survival rate for these firms throughout the 1980s (see section 4.4).

[150] Note that "n" leaves out one WBO in the IRL Database that had opened in 1979.

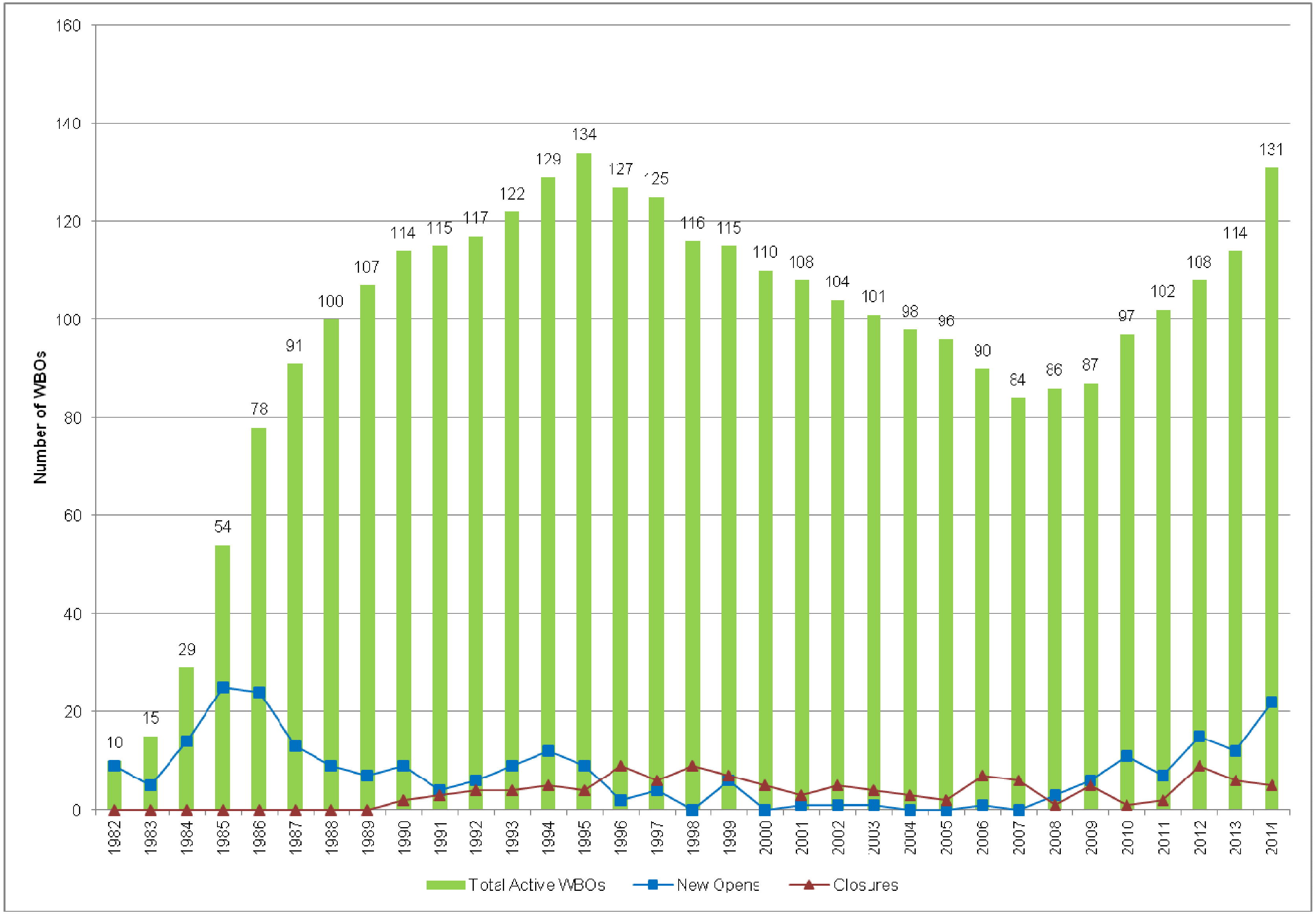
Figure 15 illustrates the historical distribution of WBO openings and closings and also marks the two major Legge Marcora periods as seen by the ebbs and flows of WBO entry and exit - the Pre- and Legge Marcora I period (up to 2001) and the Legge Marcora II period (2002-present). Figure 16 adds the cummulitative number of WBOs over time as they opened and closed on a year-by-year basis. By 1995, as Figure 16 shows, there were 134 WBOs in existence, the peak year for active WBOs in the Legge Marcora I period in the IRL Database. However, by then, as Figures 15 and 16 clarify, the first 22 WBO closures had already occurred, while the highest peak of WBO closures would follow between 1996-2000 with 36 additional firm closures (Figure 15), bringing down the active WBOs to 110 by the year 2000 (Figure 16). With the general upswing in the Italian economy during these years, together with the uncertainty for the Legge Marcora framework brought on by the European Union's decision on its anti-competitive nature as Italy was entering the Eurozone (see Chapter 3), the number of new and active WBOs would begin to see a decline in the ensuing years, not to surge again until the next major economic crisis in 2008 (see Chapter 2). Indicative of the re-emergence of WBOs in Italy since the beginning of the Great Recession, the steady increase of new WBOs since 2008 culminated in 131 active WBOs by the end of 2014.

Marking the importance of CFI as Italy's premier institutional investor for Legge Marcora-based WBO interventions (as we highlighted in Chapter 3), of the 257 WBOs in the IRL Database, 202 of these have been funded by CFI, or almost 80% of all WBOs in our IRL Database (see Figure 17). Of these, 158 of the 176 total Pre- and Legge Marcora I WBOs were funded by CFI (almost 90% of Italian WBOs in the IRL Database in existence up to 2001). The WBOs in the Legge Marcora II period that emerged after 2001, when the Article 12 of L. 57/2001 reforms began to be operationalized, totalled 81 firms as of 31 December 2014. Legge Marcora II WBOs in our IRL Database include 44 funded by CFI; 13 WBOs that initially approached CFI during the Legge Marcora II period and that were not eventually financed by the institutional investor but that did go on to form WBO projects since; and 24 WBOs that had never approached CFI and that have been financed by other institutional investors or by their workers' own means. Thus, of the 81 Legge Marcora II WBOs in the IRL Database, just over 50% have been financed by CFI, showing the growing diversification of supports and investment sources for WBOs today.

As Figures 15 and 16 also show, WBOs emerged with some regularity between the the mid 1980s and 1995, during the key Legge Marcora I years. After a steady increase of active WBOs until 1995, there would eventually be a net loss of entries vs. exits between 1996-2007. Out of total of 155 WBOs that entered during the 14-year period between 1982-1995 (the latter the year with the most active WBOs), there were 12 WBO openings per year on average. The 12 years spanning 1996-2007 would in turn see WBO closures consistently exceeded openings, with 16 WBO openings and 66 closures. Again, the reader will recall from our discussion in section 3.3 of Chapter 3 that these include the years when the Legge Marcora framework was being disputed and a period of time with relative stability in the Italian political economy. However, as we will explain shortly in section 4.4 in our discussion around Figure 30, the closures and general drops in active WBOs over this 13 year period must be looked at also by the overall high survival rates of Legge Marcora I WBOs and the fact that the Legge Marcora framework was being disputed and re-conceptualized thus not being actively pursued by institutional investors such as CFI during this period.

On the other hand, the period between 2008 and today shows a consistent rise of new WBOs, paralleling the presence of persistent economic crisis in Italy since the start of the Great Recession (also see Figure 30 and Figures 4 and 6 in Chapter 2). In total, 76 new WBOs have emerged since 2008, with 29 confirmed closures, most of which were older Legge Marcora I WBOs closing in recent years. And in 2013 and 2014 alone, there were 34 new WBO entries and only 11 complete closures.

Figure 16 - Active WBOs per year compared to openings and closings per year (1982-2014), as per the IRL Database



n=248 WBOs with verifiable opening and closing dates as of 31 Dec. 2014,
inclusive of one WBO opened in 1979, already accounted for in 1982 total active WBO figure.

Table 5 - Openings, closings, and active WBOs per year, as per the IRL Database

Year	*Opens*	*Closures*	*Active WBOs*
1979	1	0	1
1982	9	0	10
1983	5	0	15
1984	14	0	29
1985	25	0	54
1986	24	0	78
1987	13	0	91
1988	9	0	100
1989	7	0	107
1990	9	2	114
1991	4	3	115
1992	6	4	117
1993	9	4	122
1994	12	5	129
1995	9	4	134
1996	2	9	127
1997	4	6	125
1998	0	9	116
1999	6	7	115
2000	0	5	110
2001	1	3	108
2002	1	5	104
2003	1	4	101
2004	0	3	98
2005	0	2	96
2006	1	7	90
2007	0	6	84
2008	3	1	86
2009	6	5	87
2010	11	1	97
2011	7	2	102
2012	15	9	108
2013	12	6	114
2014	22	5	131
Total	***248***	***117***	***n=248***
Unknown Dates	0	9[151]	***N=257***

The entry and exit pattern of Italy's WBOs as depicted in Figures 15 and 16 (and also Figure 30) underscores our assertion first made in Chapter 2: WBOs tend to be countercyclical, arising and growing in numbers in times of crisis and stabilizing or diminishing in times of economic stability, converging our findings with the literature on the emergence of labour-managed firms (e.g., Ben-

[151] Known to have ceased activity as of 31 December 2014 with non-verifiable opening or closing dates.

Ner, 1988; Conte & Jones, 1991; Russell & Hanneman, 1995; Pérotin, 2006). Indeed, as Figures 15 and 16 show, the most recent economic crisis has generated a sharp rise in new WBOs in Italy, seeing an net increase of 47 active WBOs between 2007-2014, from 84 active WBO firms in 2007 to 131 active WBOs by the end of 2014, a 56% increase of active WBOs since the start of the Great Recession.

Finally, Figure 17 presents the same data as Figure 16 but includes the number of CFI interventions taking place each year. Again, CFI funded 202 of the 257 WBOs in the IRL Database. Figure 17 is presented to show the rough relationship between institutional investor interventions and the emergence of WBOs throughout the Legge Marcora era via the example of CFI's longitudinal funding patterns. It only considers CFI's completed Legge Marcora contributions to WBOs and takes into account only their first tranche of funding per WBO project.

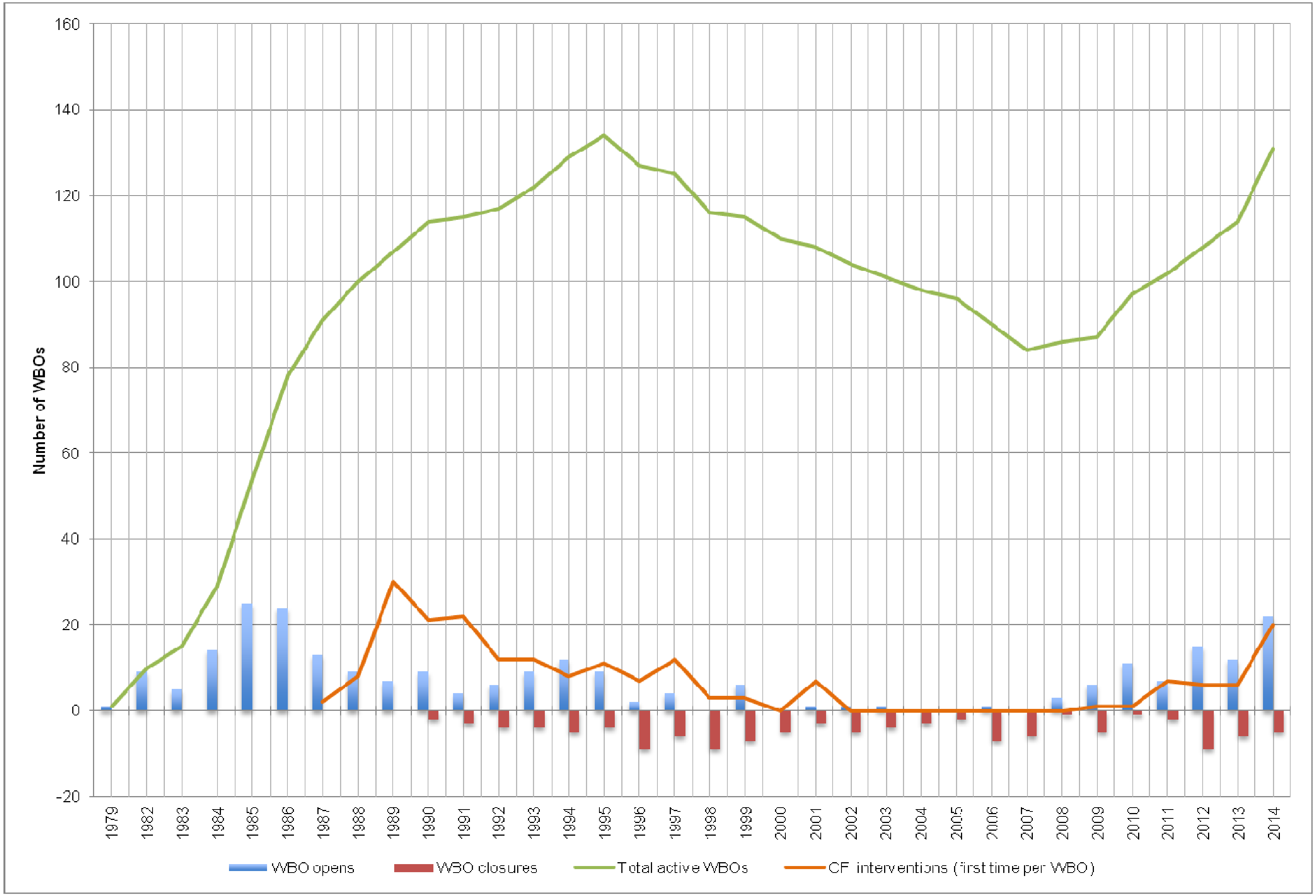
From this addition, the impact of these interventions by an institutional investor on the rise of WBOs can begin to be understood, underscoring the importance of the Legge Marcora support and financing framework for the continuation and success of business conversions to cooperatives in Italy. Upon first glance, the large number of CFI interventions between 1987-1993 seem to demonstrate relatively little impact on the overall number of WBOs. However, these were the initial years of Legge Marcora financing, with CFI's funds going overwhelmingly to WBOs that had already been founded throughout the 1980s (CFI, 2012a); the first round of financing from L. 49/1985 was able to be applied retroactively for cooperatives founded up to three years before the passing of L. 49/1985 (Corte dei Conti, 2002).

These early CFI financing interventions went a long way to sustaining these early WBOs and ensuring their survival as cooperatives through to the end of the 1980s and into the 1990s. And, overall, CFI's financing and support interventions have had much do to with the robust survival rates of Legge Marcora I WBOs, as we will show in section 4.4. Conversely, the reduction of CFI interventions between 1997-2001 had an impact on the rate of openings of the period as it mostly financed WBOs that emerged a few years earlier and as the Legge Marcora framework was being disputed with the EU and institutional investors. During this period, CFI would enter a maintenance and holding pattern in their activities. Overall, the general drop in CFI interventions between 1998-2008 is linked to: the period of EU dispute with Legge Marcora, the focus of attention in Italy on the reform of the law leading up to 2001, and better economic circumstances. Lastly, a clear relationship between CFI interventions and new WBOs can be seen post 2010, as CFI interventions and total active WBOs have both increased dramatically since.

Interventions in WBOs by institutional investors, as suggested by CFI's funding patterns in Figure 17, tend to happen some time after the founding of a WBO, with a lag time between the crisis of the firm leading to a group of its workers to form a cooperative and the decision for institutional investors to financially intervene in the WBO project. Overall, however, the period of time between the founding of a WBO and institutional investor intervention has shrunk substantially over the two Legge Marcora periods. As Figure 17 shows, this lag time has decreased particularly since 2009, from one, two, or more years after the founding of a WBO project in the 1980s and 1990s, down to a few weeks or months since 2009. In this regard, Figure 17 suggests graphically the new WBO intervention policies and the streamlining of CFI's processes that we reviewed in section 3.4 of Chapter 3.

In section 4.4, we will detail these longitudinal fluctuations in the entry and exits of Italian WBOs via their birth, death, growth, and survival rates.

Figure 17 - WBO openings and closings compared to first CFI interventions per CFI-financed WBOs (as of 31 Dec. 2014), as per the IRL Database



n=248 WBOs with verifable opening and closing dates as of 31 Dec. 2014 (green line). n=202 WBO interventions by CFI (orange line)..

Age specifics

Table 6 details the age specifics of Italian WBOs in the IRL Database, presented within five-year increments since the beginning of the Legge Marcora era. It also compares some of the age characteristics of active and inactive WBOs as of 31 December 2014. Table 6 also begins to introduce some of the demographic details we will elaborate on in section 4.4.

Table 6 - Age specifics of active and inactive Italian WBOs (as of 31 December 2014), as per the IRL Database

Date Opened as WBO	*Pre 1980*	*1980 to 1984*	*1985 to 1989*	*1990 to 1994*	*1995 to 1999*	*2000 to 2004*	*2005 to 2009*	*2010 to 2014*	*Total*
Number Established	1	28	78	40	21	3	10	67	***248***[152]
Number Still Active as of 31 Dec. 2014	1	10	28	11	9	3	8	61	***131***
Number Closed as of 31 Dec. 2014	0	18	50	29	12	0	2	6	***117***[153]
% Active	100%	36%	36%	28%	43%	100%	80%	91%	***53%***
% Inactive	0%	64%	64%	73%	57%	0%	20%	9%	***47%***
Average Age of Active	36.0	31.5	28.9	23.4	18.7	13.0	6.8	2.5	***13.9***
Average Age at Closure	NA	19.8	11.7	11.1	8.8	NA	3.5	2.2	***11.9***
Median Age at Closure	NA	19.5	10.0	10.0	9.0	NA	3.5	3.0	***10.0***

First, we note that 53% of the 248 WBOs in the IRL Database with complete starting and closing dates are still active and 47% are inactive as of 31 December 2014. Of note, and as will be further analyze in section 4.4, still active today are around 36% of WBOs that emerged in the ten years spanning 1980-1989, 28% of WBOs emerging during the 1990-1994 period, and 43% entering during the 1995-1999 period. Of the more recent WBOs, 80% of those that emerged in the 2005-2009 five-year period (8 of 10 WBOs) are still active, and 91% of those that emerged in the 2010-2014 period (61 of 67 WBOs) are still active.[154] As we will show in section 4.4, these underscore quite robust - if not remarkable - survival rates, especially given that most of these firms emerged form some form of business crisis.

Table 6 also shows the average age of active WBOs from each five-year period of emergence. One of the oldest still-existing WBO in Italy, founded in 1979,[155] has been active for 36 years, and the average age of still-active WBOs from the Legge Marcora I period is 27.7 years. In total, the average age of active WBOs in Italy is 13.9 years, and that of closed WBO firms is 11.9 years.

When we factor in all of the WBOs in the IRL Database, their average lifespan as of 31 December 2014 is 13 years.[156] While this overall lifespan falls short of the average age of all Italian cooperatives at slightly over 17 years, it is, however, close to the average lifespan of all Italian firms at 13.5 years (Unioncamere-Tagliacarne, 2009, p. 4). When considering the average lifespan of all still-active WBOs (again, a 13.9 year average lifespan), it exceeds the average lifespan of the stock of all Italian firms by almost half a year.

Overall, these are quite notable lifespan numbers, again considering that these are WBOs that emerge from older firms in crisis. In short, these age-specific numbers for Italian WBOs begin to point to the entrepreneurial capacity of employees for not only keeping their firms afloat, but

[152] WBOs with complete starting and closing as of 31 Dec. 2014.

[153] Excluding nine WBOs with non-verifiable opening or closing dates.

[154] As of 31 December 2014, five of these 61 WBOs had entered into some sort of business restructuring or liquidation proceeding, although all were still active as of the end of the year.

[155] The Province of Trento's Risto3.

[156] Calculated by tabulating data for the 248 active and inactive WBOs with known closing and starting dates.

doing so for long periods of time, often decades after conversion. We dissect these age-related factors further in section 4.4, gauging there for further lifespan characteristics by active and inactive WBOs and by birth, death, growth, and survival rates over time and by year of emergence and age.

By size according to number of workers

From totalling the number of workers in all WBOs with available employee data in our IRL Database, which includes cooperative members and hired workers, we arrive at a conservative estimate of just over 9,500 workers that have been employed at Italy's WBO-created firms.[157]

From the "Total" column in Table 7, we see that WBOs in Italy have been almost entirely SMEs, consisting historically mostly of small enterprises of 10 to 49 employees (68.38%), medium-sized enterprises of 50 to 249 employees (almost 22%), and micro-enterprises of less-than 10 employees (almost 9%), with only two enterprises consisting of over 250 employees in our database.

Table 7 - Size of Italy's WBOs by number of workers (members and hired workers) (1979-2014)

Size of firm	*Pre and L. Marcora I WBOs (1979-2001)*		*L. Marcora II WBOs (2002-2014)*		*Total*	
	n.	*%*	*n*	*%*	*n*	*%*
<10 employees	8	4.76%	13	20.00%	21	8.97%
10 to 49 employees	119	70.83%	41	63.08%	160	68.38%
50 to 249 employees	39	23.21%	12	16.92%	51	21.79%
> 250 employees	2	1.19%	0	0.00%	2	0.85%
Total	***168***	***100.00%***	***66***	***100.00%***	***234***	***100.00%***

n=234 WBOs with verifiable employee data, including members and non-members of the cooperative.

From averaging the total workforce in the IRL Database by WBO firms with available employee data, we learn that the average size of an Italian WBO is 36 workers (including members and non-members of the cooperative).[158] While firmly ensconced in the Italian SME sector, Italy's WBOs are considerably larger than the average size of Italian firms, which are predominantly micro-enterprises of four employees (Amatori, Bugamelli, & Colli, 2011; Morone & Testa, 2008). As Morone & Testa (2008) confirm, drawing on ISTAT figures:

> [SMEs] play a major role in the Italian economic system. They account for nearly 99% of national firms [and] among them, the micro-enterprises (those with less than 10 employees), represent the wide majority […] represent[ing] 95.2% of the Italian entrepreneurial system and account for more than 30% of its overall turnover" (p. 311).

Thus, Italian WBOs buck the overall trend for the broader Italian SME sector in that they tend to be much larger than the majority of Italian SMEs. However, Italy's WBOs do fall within the size range

[157] Although our data pinpoints that the number workers in our IRL Database total 9,527 (from those WBOs with available employee data in our IRL Database), this is an estimate. It is difficult to give an exact number of employees per WBO because of the fluctuating composition of any businesses' workforce over time. Certainly, this number is a conservatively low estimate of the actual number of jobs that have been saved and created via Italy's WBO process over the past four decades considering that we were not able to find data for all of the 257 WBOs in our database, that more WBOs might exist in the country, and the fact that employee rosters change over time.

[158] This figure factors out the largest WBO outlier with 1000 employees (Risto3 in the Province of Trento). When including this outlier in the calculation, we arrive at an average of 41 employees.

of WBOs in other national contexts more generally (Burdín, 2013; Henriques, 2014; Ruggeri & Vieta, 2015; Vieta, 2017).[159]

A final point to note from Table 7: The percentage of WBOs in the "10 to 49 employees" category has, comparatively, gone down slightly in the Legge Marcora II period. While this size category made up almost 71% of all WBOs in the Legge Marcora I period, they now make up just over 63% of new WBOs from the Legge Marcora II period. The percentage of WBOs in the "50 to 249 employees" category has also gone down when comparing Legge Marcora I to Legge Marcora II, from just over 23% to just under 17% of WBOs respectively. However, this has been offset somewhat by the percentage increase of micro-enterprise WBOs in the "less-than 10 employees" category, from almost 5% of Legge Marcora I WBOs to 20% of all WBOs in the Legge Marcora II period. This change of firm size for new WBO entries, albeit a small overall change, might be indicative that the WBO model is becoming a growing option among Italian micro-enterprises in recent years. WBOs from the Legge Marcora II period are still too young to know at this point how long newer micro-enterprise WBOs will survive compared to larger WBO firms. This will be an area for further research in the coming years as we continue to track Italian WBOs.

By major economic sectors

We now turn to the economic sectors that Italy's WBOs do business in. For analyzing and discussing the economic activity of WBOs in Italy, we follow the ATECO2007 (2007) classification system. This is the system used by ISTAT (Italy's national institute of of statistics) to minutely categorize the landscape of economic activities carried out by Italian firms and is deployed almost universally by economists, sociologists, policymakers, and planners looking at Italian businesses.

We collected ATECO2007 economic activity codes by cross-referencing the IRL Database with data from the Italian Chamber of Commerce and the AIDA-Bureau Van Dijk dataset. The 11 sections of the ATECO2007 economic codebook that specifically pertain to Italy's WBOs are the following:

- *Aquaculture and related services*: includes economic activities pertaining to a sub-section of section A, "Agriculture, forestry, and fishing".[160]
- *Manufacturing*: includes economic activities pertaining to section C.
- *Water, sewage, waste management, and recycling*: includes economic activities pertaining to section E.
- *Construction*: includes economic activities pertaining to section F.
- *Commercial (wholesale and retail)*: includes economic activities belonging to section G.
- *Transport and storage*: includes economic activities pertaining to section H.[161]
- *Information and communication*: includes economic activities pertaining to section J.
- *Professional, scientific, and technical activities*: includes economic activities pertaining to section M.
- *Business support services* (rental, travel, and other support services): includes economic activities pertaining to section N.
- *Healthcare and social assistance*: includes economic activities belonging to sections Q.
- *Other service activities*: includes economic activities pertaining to section S.

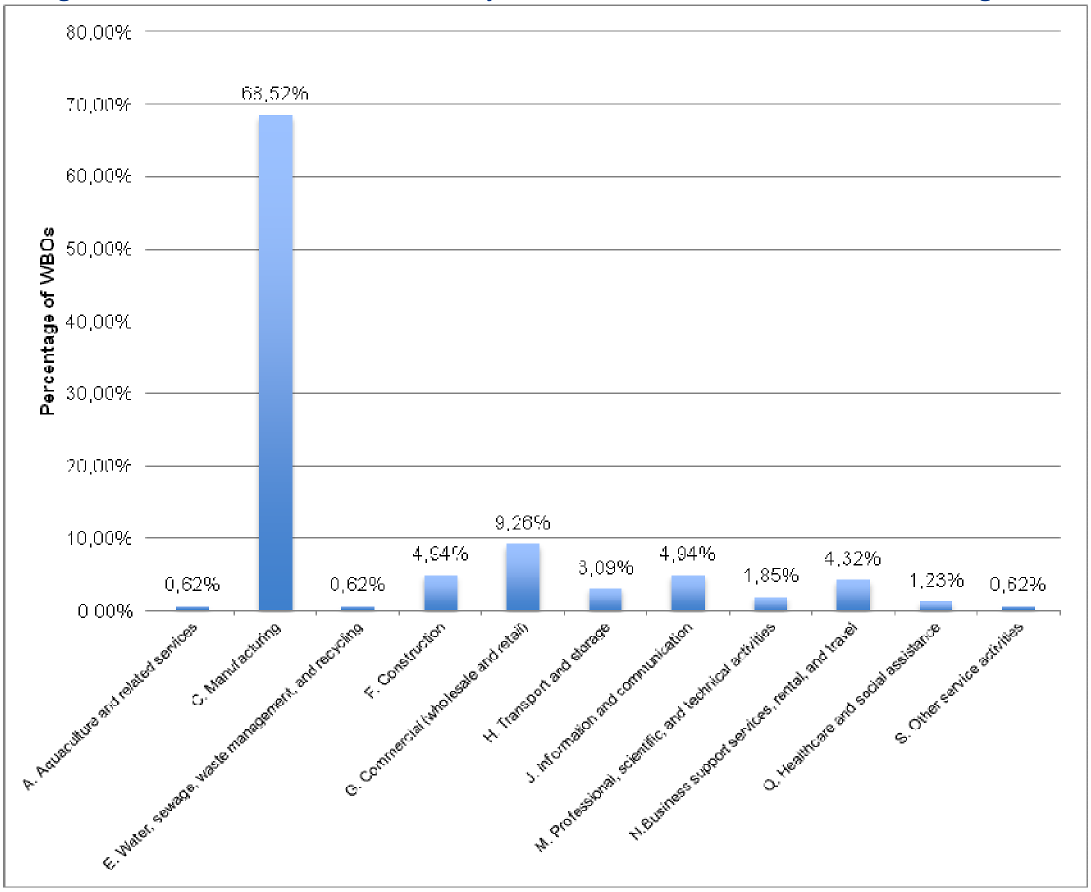
[159] For instance, Ruggeri & Vieta (2015) report that the average size of Argentina's *empresas recuperadas por sus trabajadores* (ERTs) is almost 44 workers.

[160] Note that while Legge Marcora provisions do not cover interventions in the agricultural sector (nor in the construction of housing by a housing cooperative's members), this coding relates to one since-closed firm that serviced the aquacultural sector in Puglia, categorized as ATECO2007 code 032200 ("aquaculture and related services").

[161] Includes commuter transport and delivery transport.

In Figure 18 we show the distribution of Italy's WBOs in the IRL Database by available ATECO2007 economic activity codes. In Figure 19 we break down the specific sectors represented by WBOs in manufacturing. Figures 18 and 19 provide a sample of the economic profile of WBOs that have existed in Italy up to 31 December 2014, representing mostly still-active Pre- and Legge Marcora I and Legge Marcora II WBOs. The 162 WBOs with ATECO2007 codes represented in Figure 18 are split evenly across Legge Marcora periods, made up of 81 Pre- and Legge Marcora I WBOs and all 81 Legge Marcora II WBOs. Mainly due to the fact that most of the Italian WBOs that have ceased to operate are from the Legge Marcora I period, and that most Legge Marcora I WBOs that closed did so in the 1990s and the first decade of the 2000s, exact ATECO2007 economic sector data for many closed Legge Marcora I WBOs were not possible to gather at this point. Via Italian Chamber of Commerce sources, we were able to confirm ATECO2007 codes for 22 of the 126 Legge Marcora I WBOs that have ceased activity. On the other hand, we were able to verify the ATECO2007 economic codes for almost all still-active Legge Marcora I WBOs, and for all Legge Marcora II WBOs. Of the 162 WBOs with ATECO2007 codes, 130 were active and 32 inactive as of 31 December 2014.

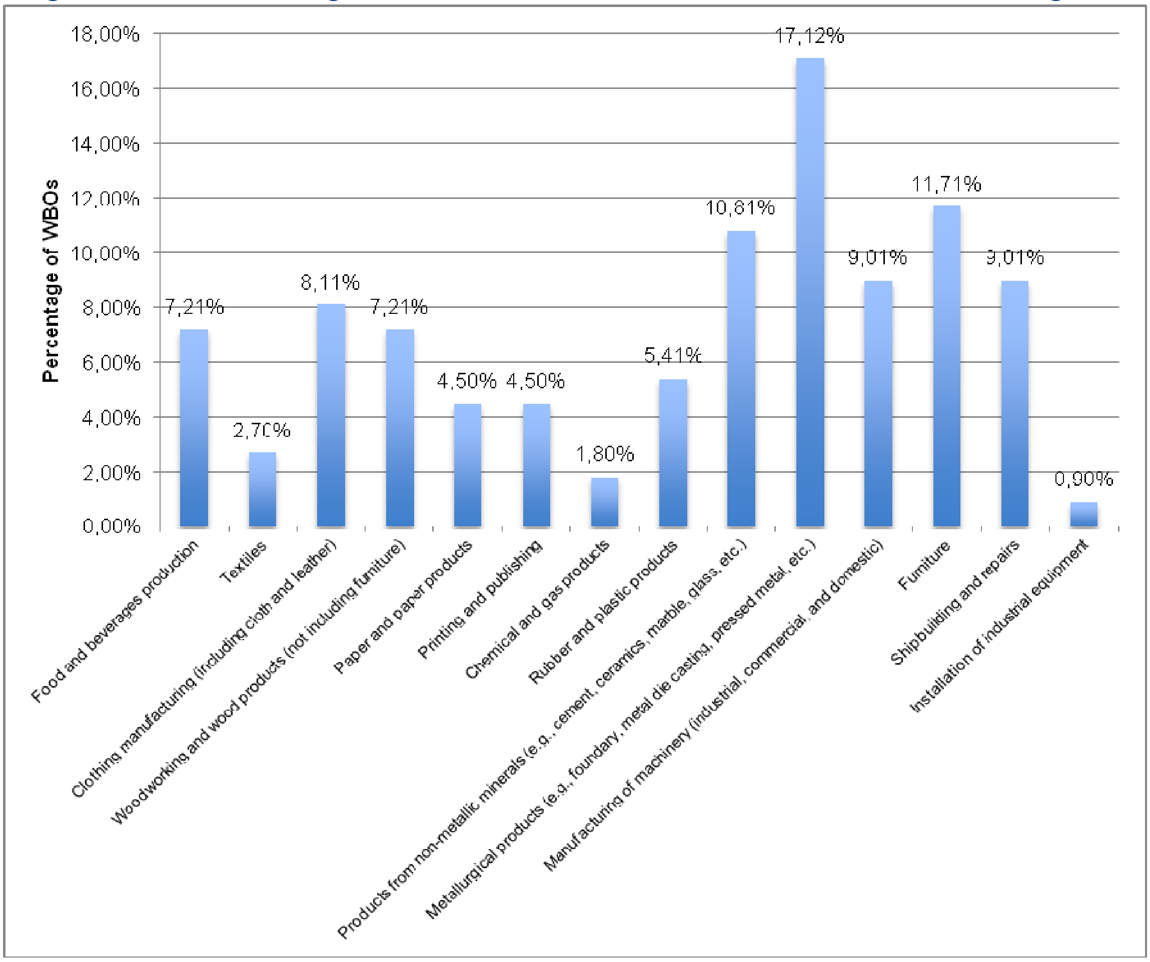
Figure 18 - Economic sector of activity for WBOs with known ATECO2007 categories



n=162 WBOs with available ATECO2007 economic activity data as of 31 Dec. 2014.

In Figure 18's distribution of economic activity for Italy's WBOs, we see, as is predictable and as we already introduced in Chapter 2, an overwhelming prevalence of firms in the manufacturing sector, making up a total of 68.52% of WBOs with ATECO2007 codes in the IRL Database. This is followed by the information, communication, professional and technical, and business support services sectors (an aggregation of the economic activity of ATECO2007 Code's J, M, and N) at just over 11% of WBOs, mostly made up of businesses supporting the SME sector in logistics, technical support, rental, and travel, and also a handful information and communication firms. The commercial wholesale and retail services sector follows at 9.26% of WBOs, with mostly wholesaling businesses and some firms selling final goods directly to consumers. Finally, the remaining WBOs are involved in construction (almost 5%), transport and storage (including commuter transport and commercial delivery) at just over 3%, three firms in social or community services sectors, and finally one cooperative related to the servicing of fresh water acquacultural initiatives recently closed in Puglia and one recently opened recycling and multiuse WBO in Lombardia.[162]

Figure 19 - Manufacturing sector breakdown for WBOs with known ATECO2007 categories



n=111 WBOs in the manufacturing sector with verifiable ATECO2007 "Code C" economic activity data as of 31 Dec. 2014.

Figure 19 offers a more detailed breakdown of the manufacturing sub-sectors where Italian WBOs are found. Of note are several sectors that are quite ubiquitous in the Made in Italy regions as well as in pockets of other regions, with each sub-sector following the general pattern of development of economic activity in particular localities in each region. Of particular note is the preponderance of firms in the metallurgical and machinery production sectors, particularly present with WBOs in Veneto and Lombardia, and also in Toscana, and Emilia-Romagna; furniture manufacturing, particularly prevalent in Marche and Toscana; cement, ceramics, and glassware, predominant in Toscana and Emilia-Romagna; clothing manufacturing and textiles, which includes leather attire and shoes, prevalent in Marche, but also in Emilia-Romagna; woodworking

[162] For this unique WBO, see the Ri-Maflow case study in Chapter 5. For a case study of one of the community services WBOs, see the Officine Zero case study in Chapter 5.

and foods and beverages sectors, found throughout the country; and shipbuilding and repairs, mostly in Toscana but also found in Veneto, Liguria, and Campania.

That such a high rate of WBOs are in the manufacturing sector is related to how economic crises and the political economy of Italy has unfolded over the past four decades, particularly impacting hard manufacturing firms in the Made in Italy regions (see Chapter 2). This has encouraged workers from some troubled SMEs negatively impacted by the shrinkage of Italy's manufacturing sectors to pursue a buyout/self-management solution. Our analysis later on in this chapter and the case studies in Chapter 5 will add further evidence for this. Shortly, we will also break down WBOs in the manufacturing sector by the seven regions where a majority of WBOs are located.

The territorial dimensions of Italy's worker buyouts

Here we overview the territorial/geographical spread of Italy's WBOs. To do so we follow the geographic area categories used in EURICSE's reports on Italian cooperatives (EURICSE, 2011, 2013), based on the European Union's first-level Nomenclature of Territorial Units for Statistics. Following this schema we subdivide Italy's national territory into the following geographical areas:

- *Nord-Est (Northeast)*: Emilia-Romagna, Friuli-Venezia Giulia, Trentino-Alto Adige, and Veneto.
- *Nord-Ovest (Northwest)*: Liguria, Lombardia (Lombardy), Piemonte (Piedmont), and Valle d'Aosta;
- *Centro (Centre)*: Lazio, Marche, Toscana (Tuscany), and Umbria.
- *Sud (South)*: Abruzzo, Basilicata, Calabria, Campania, Molise, and Puglia.
- *Isole (Islands)*: Sardegna (Sardinia) and Sicilia (Sicily).

Tables 8 and 9 and Figure 20 depict the geographic spread of the total sample of WBOs in our IRL Database, subdivided into the two major periods we have been analyzing so far: "Pre-Legge Marcora and Legge Marcora I" (WBOs emerging up to 2001) and "Legge Marcora II" (WBOs emerging between 2002 to the end of 2014). Figure 20 presents the same data as Table 8 but in Figure 20 geographic area and period percentages are calculated on the total number of WBOs in our database (257), while in Table 8 calculations are based on period totals so as to be able to compare both periods and thus more easily identify how Italian WBOs' geographic spread compares over the two periods.

The concentration of WBOs in particular geographic areas and administrative regions is put into relief in Table 8 and particularly in Table 9. Table 9 illustrates how Italy's WBOs have historically concentrated in the Made in Italy regions. It also shows how newer WBOs have emerged in specific regions outside of the Made in Italy geographic area, especially in the *Mezzogiorno* (the combination of the South and the Islands).

Table 8 clearly shows how WBOs have historically concentrated in the regions where the majority of the specialty Made in Italy manufacturing industry is located. In Table 8, for instance, we see how WBOs are found in thicker concentrations in the Centre regions (almost 45% of all WBOs in the IRL Database), particularly in Toscana, the region with historically the most WBOs with 21.4% of all WBO-generated firms, followed by Marche (9.34%), Umbria (just over 8%), and, Lazio (almost 6%). The Northeast of Italy is the geographic area with the second-most historical concentration of WBOs (almost 30% of all WBOs in our database), especially in Emilia-Romagna with almost 16% of all WBOs (the region with the second-most number of WBOs historically) and Veneto (7.4%), and to much lesser degrees in Friuli-Venezia Giulia and in the Province of Trento in the region of Trentino-Alto Adige. Overall, over 74% of all of Italy's WBOs have emerged in the Made in Italy geographic area of the Centre and the Northeast. It is thus not surprising that 68.5%

of Italy's WBOs consist of manufacturing firms and most of the remaining WBOs are in business support services and wholesale and retail (Figures 18 and 19).

Table 8 - Regional and geographic distribution of all known WBOs by Legge Marcora period (1979-2014)

Region	*Pre-L. Marcora and Marcora I WBOs (1979-2001)*		*L. Marcora II WBOs (2002-2014)*		*Total WBOs in Italy*	
	n.	*% of total WBOs*	*n.*	*% of total WBOs*	*n.*	*% of total WBOs*
Nord-Est (and totals)	***46***	***17.90%***	***30***	***11.67%***	***76***	***29.57%***
Emilia-Romagna	20	7.78%	21	8.17%	41	15.95%
Friulia-Venezia Giulia	2	0.78%	3	1.17%	5	1.95%
Trentino-Alto Adige	11	4.28%	0	0.00%	11	4.28%
Veneto	13	5.06%	6	2.33%	19	7.39%
Nord-Ovest (and totals)	***25***	***9.73%***	***9***	***3.50%***	***34***	***13.23%***
Liguria	6	2.33%	0	0.00%	6	2.33%
Lombardia	12	4.67%	8	3.11%	20	7.78%
Piemonte	7	2.72%	1	0.39%	8	3.11%
Val d'Aosta	0	0.00%	0	0.00%	0	0.00%
Centro (and totals)	***89***	***34.63%***	***26***	***10.12%***	***115***	***44.75%***
Lazio	10	3.89%	5	1.95%	15	5.84%
Marche	21	8.17%	3	1.17%	24	9.34%
Toscana	42	16.34%	13	5.06%	55	21.40%
Umbria	16	6.23%	5	1.95%	21	8.17%
Sud (and totals)	***16***	***6.23%***	***7***	***2.72%***	***23***	***8.95%***
Abruzzo	3	1.17%	1	0.39%	4	1.56%
Basilicata	0	0.00%	1	0.39%	1	0.39%
Calabria	2	0.78%	0	0.00%	2	0.78%
Campania	5	1.95%	5	1.95%	10	3.89%
Molise	0	0.00%	0	0.00%	0	0.00%
Puglia	6	2.33%	0	0.00%	6	2.33%
Isole (and totals)	***0***	***0.00%***	***9***	***3.50%***	***9***	***3.50%***
Sardegna	0	0.00%	2	0.78%	2	0.78%
Sicilia	0	0.00%	7	2.72%	7	2.72%
Totals	***176***	***64.48%***	***81***	***31.52%***	***257***	***100.00%***

Column percentages calculated on total WBOs in Italy (N=257).

The preponderance of WBO-created firms in the Centre and the Northeast regions of the country distinguishes Italy's WBO-generated worker cooperatives from Italy's broader cooperative movement.[163] As summarized in the "Total" column Table 9, the concentration of Italy's WBOs in the Centre and the Northeast of the country is in marked contrast to the distribution of Italy's overall cooperative movement, which is more homogeneously spread throughout the country but with a notable population of cooperatives Italy's South (27.5% of all Italian cooperatives) (EURICSE, 2013, p. 12). This difference in the geographic spread of WBO-based cooperatives when compared to the universe of Italian cooperatives has much to do with two factors we have already visited: first, the traditional concentration of Italy's worker cooperatives in the Made in Italy regions, especially in Emilia-Romagna and Toscana, which are also, not surprisingly, the two regions with the most WBO concentrations; and, second, with the predominance of WBO solutions

[163] For data on Italy's broader cooperative movement, see EURICSE (2011, 2013).

for firms in the SME-based manufacturing sectors, which again are concentrated in the Centre and Northeast of the country.

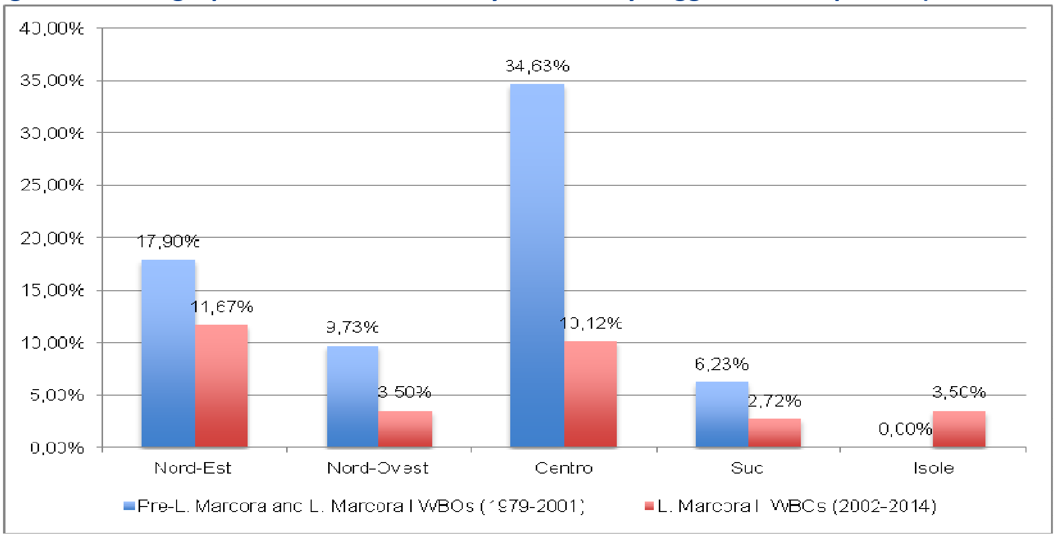
Table 9 - Geographic distribution of Italy's WBOs by Legge Marcora periods (1979-2014)

Geographic area	***Pre-L. Marcora and L. Marcora I WBOs (1979-2001)***		***L. Marcora II WBOs (2002-2014)***		***Total WBOs in Italy (1979-2014)***	
	n.	***% of total WBOs***	***n.***	***% of total WBOs***	***n.***	***% of total WBOs***
Nord-Est	46	26.14%	30	37.04%	76	29.57%
Nord-Ovest	25	14.20%	9	11.11%	34	13.23%
Centro	89	50.57%	26	32.10%	115	44.75%
Sud	16	9.09%	7	8.64%	23	8.95%
Isole	0	0.00%	9	11.11%	9	3.50%
Totals	***176***	***100.00%***	***81***	***100.00%***	***257***	***100.00%***

N=257

Figure 20 also clearly shows how Italy's WBOs have particularly taken off over the past four decades in the geographic areas of the Centre and in the Northeast. Figure 20 nuances the data further by graphically highlighting shifting trends in the concentration of new WBOs, now beginning to transfer in concentration during the Legge Marcora II period from the Centre regions, where they were heavily concentrated during the Pre- and Legge Marcora I period, to other regions. Especially notable is the considerable percentage drop in new WBOs in the Centre region; the percentage increase of new Legge Marcora II WBOs across the Northeast, now containing the majority of new WBOs; and the small surge in new WBOs that have emerged in the Islands in recent years. Specifically, when comparing the geographic area distribution of WBOs between both Legge Marcora periods considered here, we observe more clearly the following from Figure 20: a marked reduction proportionally in new WBOs in the Centre regions and a proportional increase in new WBOs in the Northeast, particularly in Emilia-Romagna where the recent crisis has particularly hit hard (see Table 8 for details). Indeed, Emilia-Romagna has now become the region with the most new WBOs (Figure 20 and Table 8).

Figure 20 - Geographic distribution of Italy's WBOs by Legge Marcora period (1979-2014)



Percentages calculated on total WBOs in Italy (N=257).

In the Legge Marcora II period we also notice a new phenomenon of WBOs in Sicily and Sardinia (the Islands), proportionally boosting the number of WBOs in Italy's *Mezzogiorno* overall.

In fact, the *Mezzogiorno* now has surpassed the Northwest in the total number of new WBOs. This finding points back to the analysis we made in section 3.4 of Chapter 3 where we detailed the increased use in recent years of the Legge Marcora framework for funding the development of Italy's *Mezzogiorno* at the expense to some degree of the traditional regions where WBOs have historically been stronger. The use of the Legge Marcora framework for funding the *Mezzogiorno*'s development now parallels the use of co-ops overall to spur development in Italy's more economically challenged regions.

By looking now to the concentration of worker buyouts in specific administrative regions of the country, we notice a specific concentration of WBOs into what we can call "WBO business clusters" in seven regions. Regionally and economically, WBOs in Italy tend to historically cluster in provinces and localities particularly known for labour intensive SMEs, and in areas with strong cooperative, labour, and SME support systems and social networks. This in part explains what we call "corridors of WBO business clusters" that can be noticed when zeroing in on particular regions and provinces, made visually clear in the Interactive Map in the Appendix.

For homing in on Italy's WBO business clusters, we first took into account the regions with the most WBOs (see Table 8), contributing to the distributions in Table 10. These are: Toscana, Emilia-Romagna, Marche, Veneto, Umbria, Lombardia, and Lazio. In total and with reference to our IRL Database, we have identified 195 WBOs that have existed in these seven regions alone equalling almost 76% of all of the WBOs in the IRL Database. We then selected WBOs with verifiable province and economic sector data as of 31 December 2014, arriving at 114 total WBOs in these regions in Table 10.[164] Figure 21, in turn, offers economic sector breakdowns for 122 WBOs with known ATECO2007 codes in these regions (this includes data for the 114 WBOs from Table 10 and for eight other WBOs with activity codes but without complete province data). This exercise offers us two further dimensions to our territorial analysis: (1) sketches of the possible clustering of WBOs along territorial dimensions within these regions, and (2) a view of the predominant economic activity of WBOs in these localities.

These seven regions with high concentrations of WBOs also make up a significant part of the Made in Italy economic area. As we have already outlined in Chapter 2, the Made in Italy regions are known for their "industrial districts" of SMEs collaborating in small-batch, specialty, and inter-firm production processes and situated within tight social networks and associational bonds (Bagnasco, 1977; Becattini, Bellandi, & De Propis, 2009). They are where the majority of Italy's specialty manufacturing industry is located.

In focusing in on where Italy's WBOs are concentrated (Table 10, also see the Interactive Map in Appendix), and crossing this with the economic sector data in the IRL Database for these seven regions (Figure 21), we notice several provinces with noted WBO business cluster corridors.

In Toscana, the Province of Firenze (Florence), Pisa, and Siena collectively form a high concentration of WBOs in various manufacturing sectors, especially furniture (Pisa, Siena, and Firenze), glasswork (two in Firenze), and the manufacturing of machinery (two in Pisa). We also note a concentration of shipbuilding WBOs along the Tyrrhenian coast of Toscana.

In Emilia-Romagna, two WBO business cluster corridors have formed: one in a corridor between the cities of Bologna and Parma covering the Provinces of Bologna, Modena, Reggio Emilia, and Parma, and a second in the Provinces of Ravenna and Forlì-Cesena along the Adriatic coast. The first WBO corridor sees a concentration of firms in a variety of manufacturing sectors, including non-furniture wood products, textiles, plastics, cement and ceramics, and paper products. The Province of Bologna also sees three WBOs in the woodwork sector.

[164] We have not yet been able to verify complete province data for the rest of the WBOs in these regions, all closed firms from the Legge Marcora I period.

Marche's Province of Ancona itself is a notable hub of WBOs in a sector that has been predominant in the region for decades: shoes and leather products (four WBOs) and furniture manufacturing (four WBOs), while precision metal WBOs are also present throughout the region.

Veneto distinguishes itself for WBOs in the Province of Padova (Padua) in particular, with a focus on metallurgy (four firms), while three firms outside of the Province of Padova are based on the manufacturing of paper products.

When compared to the other regions with WBO business clusters, Lazio is distinguished by its disproportionally higher concentraton of WBOs in the information and communication and professional, scientific and technical activities sectors, almost all concentrated in and around Rome. This is not unusual, however, as Rome has traditionally had a concentration of economic activity in these knowledge-based industries.

Lombardia and Umbria have an assortment of WBOs not concentrated in any one particular sector. In Umbria, eight WBOs are in various manufacturing sectors, while the rest are in transport or business support services. Lombardia's WBOs are made up of manufacturing, knowledge-based, and business support firms, all in a corridor spanning the Provinces of Como, Varese, Milano, Bergamo, Brescia, and Cremona.

The reasons for these clusterings of WBOs in certain regions and provinces noted for high concentrations of SMEs in both manufacturing and the business support sectors, we hypothesize, have to do with the following factors: the general development of Italy's economic areas within what has been termed "industrial districts," how the ebbs and flows of economic downturns have affected these regions (as we highlighted in Chapter 2), and with the strength of these regions' cooperative and labour movements. Additionally, regions such as Toscana and Emilia-Romagna, as well as particular provinces such as Ancona and Padova, have had long and storied histories with local chapters of cooperative sector federations and consortia, as well as with local unions working closely with regional and provincial governments in supporing its broader economic development and the creation of new co-ops, including assistance with the creation of WBOs of formerly troubled firms.

The Province of Trapani in the western tip of Sicily forms an additional and emerging WBO business cluster situated outside of the traditional WBO regions (see Appendix). It is worth mentioning here as a potentially promising model for future WBO formation in Italy. In that province over the past few years three worker-recuperated firms have emerged out of the creation of worker cooperatives from businesses confiscated by the state from the proceeds of crime - Cogest, Terramia, and Ericina. Together with the state, the first two were also co-financed by CFI (in 2014 and early 2015 respectively), while the latter was co-financed by a consortium of state, civil society, community, and cooperative movement stakeholders. Of note here has been the role of the Prefecture and Province of Trapani for spearheading these WBOs. In Chapter 5, with the Ericina case study, we expand on this unique model of business conversion that deploys an innovative partnership between the state, workers, the community, the cooperative movement, and civil-society.

Future research should aspire to dig deeper into the socio-political particularities of these regions with WBO business clusters. This is important for beginning to understand better the territorial linkages between workers' representative organizations, particular industrial districts, local economic development agencies, regional government policies, cooperative and labour federations, and other social networks with which workers contemplating a WBO depend on. This research should particularly pay attention to identifying how workers from these WBOs find out about the WBO solution and benefit from potentially strong territorial networks and affiliations, and whether or not (and how) potential relationships emerge *between* WBO experiences, as they do with Argentina's *empresas recuperadas,* for instance (Vieta, 2017).

For strong hints at why particular provinces over others in the Made in Italy regions might favour the emergence of WBOs, it is worth quoting at length Becattini & Dei Ottati's (2006) summation of Italy's "industrial districts". Their conclusions allude to why WBOs that emerge in the Made in Italy regions might be enjoying the long survability rates we assess in section 4.4:

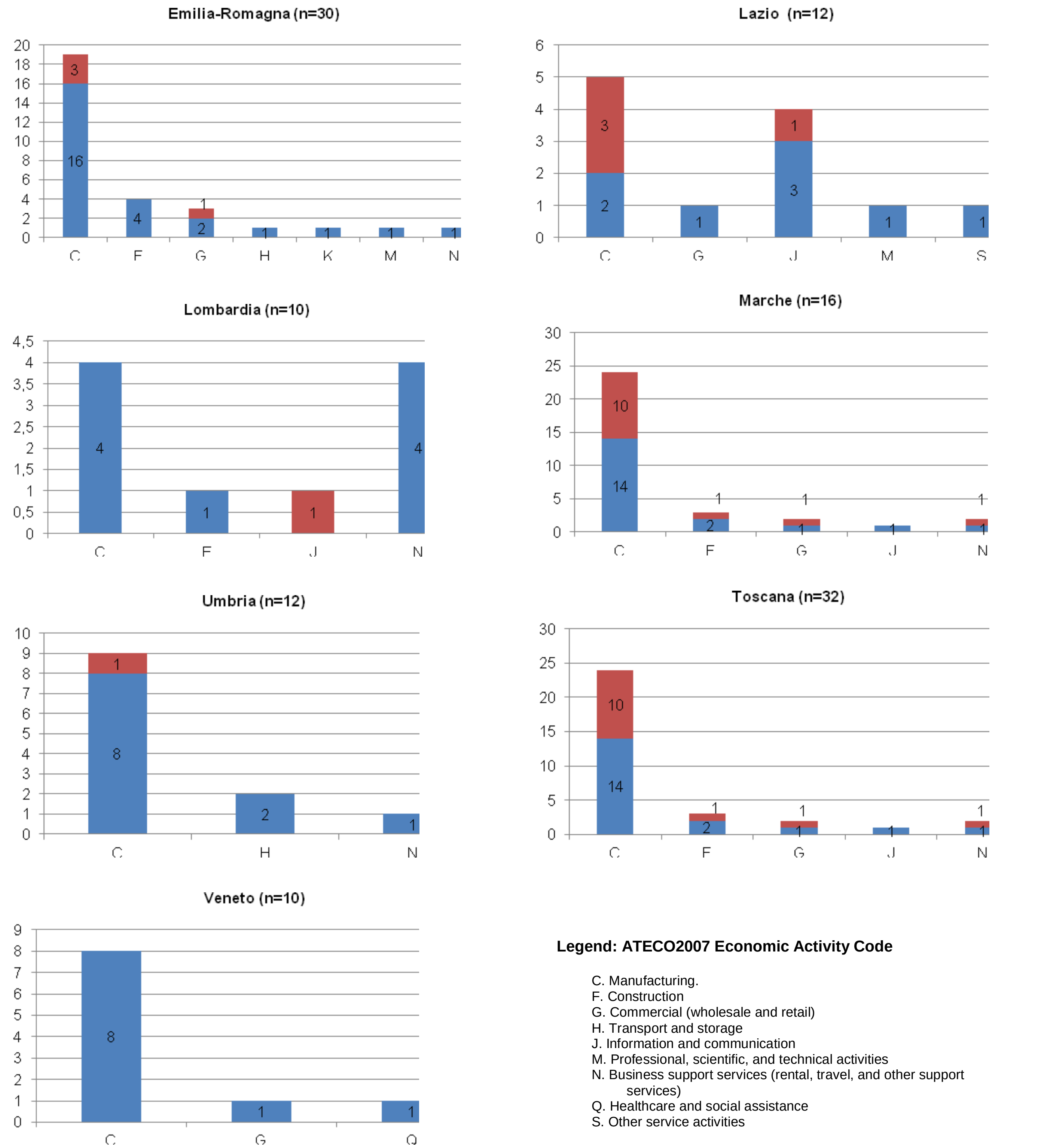
> Many small firms of the Italian districts are more the results of *a project of life* - a life of independent activity - than a financial enterprise. This fact allows them *a superior resilience during short crises*, because such entrepreneurs put an extra resistance to financial difficulties, mobilizing their own resources and those of the relatives and friends, to overcome the recession. The *district milieu is well known for the co-presence of a climate of strong competition and, at the same time, of widespread cooperation*. Actually, the peculiar features of the district milieu are the main sources of the so-called "district effect"[…] that is *the competitive advantage deriving from the territorial concentration of economies that are external to the single firm*, but internal to the district cluster of firms […]. Those localized external economies (of specialization, of transaction costs, of learning, of decentralized creativity, etc.) are the outcome, on the one hand, of the overall size of the cluster of firms specialized in different activities of one or related sectors (economies of agglomeration). On the other hand, those economies can be realized due to the social and institutional characteristics of the community of people (values, propensities, implicit rules of behaviour, action of public and private collective bodies) in which the firms are embedded. Consequently, according to the theory of the industrial district, the local milieu can be considered an additional factor of production that enhances labour productivity. (Becattini & Dei Ottati, 2006, pp. 1157-1158, emphasis ours)

Table 10 - Concentration of WBOs by province in top-seven regions with WBO firms[165]

Region and province	*Number of WBOs per region and province*	
	n.	*%*
Toscana (and total)	***26***	***23.0%***
Firenze	14	12.4%
Pisa	3	2.7%
Siena	2	1.8%
Arezzo	1	0.9%
Massa-Carrara	1	0.9%
Pistoia	1	0.9%
Prato	1	0.9%
Livorno	2	1.8%
Lucca	1	0.9%
Emilia-Romagna (and total)	***30***	***26.5%***
Reggio Emilia	9	8.0%
Modena	5	4.4%
Ravenna	5	4.4%
Bologna	5	4.4%
Forlì Cesena	4	3.5%
Ferrara	1	0.9%
Rimini	1	0.9%
Marche (and total)	***15***	***13.3%***
Ancona	10	8.8%
Macerata	2	1.8%
Pesaro Urbino	2	1.8%
Fermo	1	0.9%
Veneto (and total)	***10***	***8.8%***
Padova	5	4.4%
Verona	3	2.7%
Rovigo	1	0.9%
Venezia	1	0.9%
Umbria (and total)	***12***	***10.6%***
Perugia	8	7.1%
Terni	4	3.5%
Lombardia (and total)	***10***	***8.8%***
Milano	2	1.8%
Como	1	0.9%
Cremona	1	0.9%
Varese	2	1.8%
Brescia	2	1.8%
Bergamo	1	0.9%
Lodi	1	0.9%
Lazio (and total)	***11***	***9.7%***
Roma	7	6.2%
Viterbo	2	1.8%
Frosinone	1	0.9%
Latina	1	0.9%
Total	***114***	***100.0%***

165 With complete region and province data in the IRL Database. Percentages only based on the 114 WBOs in this sample for comparative purposes.

Figure 21 - Economic sectors of seven major regions with "WBO business clusters" and with known ATECO2007 codes (active and inactive) (as of 31 Dec. 2014)[166]



[166] n=122 WBOs with known ATECO2007 economic activity categories in IRL Database. Vertical axis is number of WBO cooperatives. Included here are nine inactive WBOs without verifiable province data but with known region data.

Summary of common characteristics of Italy's worker buyouts

Two common characterisitics of Italy's WBO phenomenon have emerged so far in this chapter. These are:

- *firm size* (almost all WBOs are SME firms, and the majority between 10-49 workers), and
- *territorial/geographic contexts* whereby strong inter- and intra-firm networks of production integration and social relations seem to be present (mostly in manufacturing and high-skilled workplaces in the Made in Italy regions).

Both of these characteristics are in addition to the two broader characteristics that we reviewed in Chapters 2 and 3:

- an extensive WBO *enabling policy* (including the predominance of the Legge Marcora framework), and
- *conjunctures of economic downturns* (where WBO formation grows during economically difficult times and stabilizes or falls during economically more stable periods).

Together, these common characteristics begin to build on the seven major pillars of Italy's WBOs that we will review in the report's conclusion. These overall WBO trends coincide with the conclusions arrived at in the literature on the formation of labour-managed firms from the conversions of conventional firms (see, for instance, Ben-Ner, 1988; Conte & Jones, 1991; Dow, 2003; Estrin, 1985; Jensen, 2012; Pérotin, 2006; Quarter & Brown, 1992; Ruggeri & Vieta, 2015; Russell & Hanneman, 1995; Vieta, 2010, 2013, 2017). The reminder of this chapter expands on these characterisitics of Italian WBOs while adding further evidence for WBO formation suggested in the literature. Section 4.4 layers in further demographic dimensions to Italy's WBO phenomenon.

4.4 Demographic Dimensions of Italy's Worker Buyouts

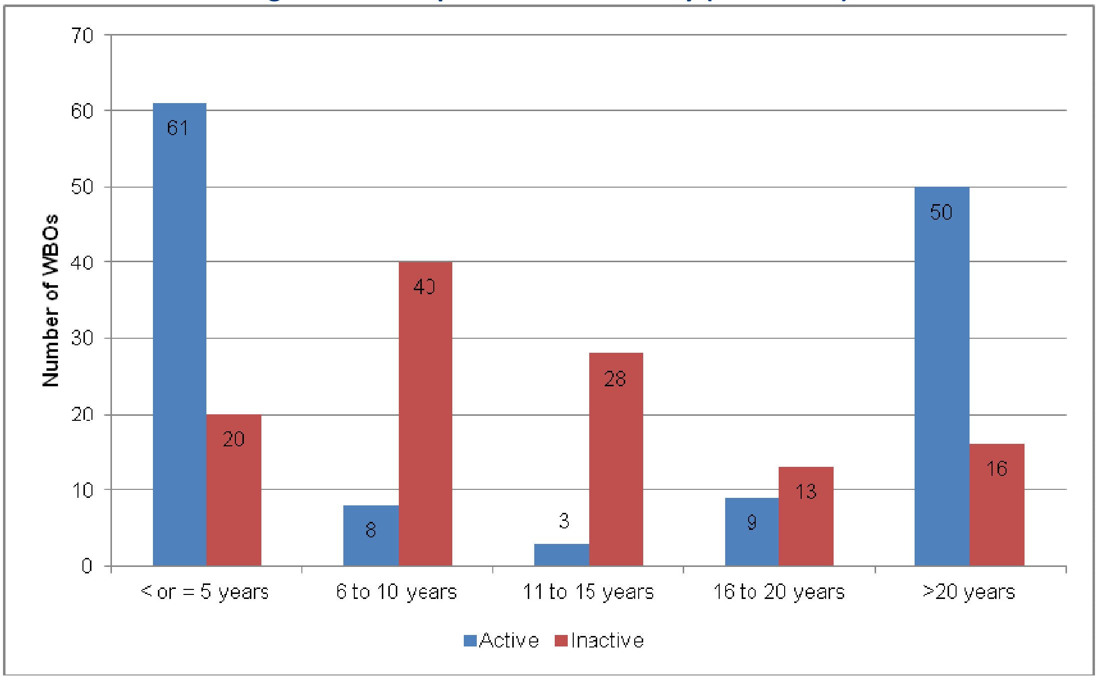
In section 4.4, we begin to reveal the resilience of Italian WBOs via their demographic dimensions: their lifespans by active and inactive WBOs, by geographic area, and by the seven major Italian regions with WBO clusters. We then delve into their birth, death, growth, and survival rates over time and by size of firms. We discover here that, broadly, WBO firm exits are more likley to occur between years six to 15, while more preciely finding by the end of section 4.4 that the riskiest years for firm exit of Italian WBOs are years eight to 11. We also discover that if WBO-generated firms can survive these years, they are likely to survive much longer. We also find that most WBOs are either younger firms (less-than six years-of-age) or older firms (over 16 and particularly over 20 years-of-age), and detail some of the regions were these trends are particularly pronounced.

Active and inactive WBO firms by lifespan cohort

In this sub-section we gauge for the resilience of Italy's WBOs by profiling the lifespan distribution of active and inactive WBOs, looking at the age profiles of WBO firms from another perspective than from the one taken in Table 6 - collectively by lifespan cohorts and over time. Figures 22 and 23 and Table 11 specifically document active and inactive Italian WBOs by lifespan cohort.

Lifespan cohorts are categorized into firms that have existed for "5 years or less," "6 to 10 years," "11 to 15 years," "16 to 20 years," and "more-than 20 years". The criteria we use for "active" firms is that they remained operational to 31 December 2014, while "inactive" firms closed and ceased operations completely at any time prior to this date.

Figure 22 - Lifespans of WBOs in Italy (1979-2014)



n=248 WBOs with verifiable opening and closing dates (131 actives and 117 inactives).

As Figure 22 and Table 11 evidence, firms emerging out of WBOs in Italy have either been young firms - almost 33% of all WBOs have existed for 5 years or less - or older, established worker cooperatives – almost 27% of WBOs have existed for over 20 years. Further, almost 25% of all WBOs that are still active have existed for five years or less, while just over 20% of all WBOs that are still active have existed for over 20 years. Perhaps surprisingly initially, just over 1% of still-active firms fall into the "11 to 15 years" cohort, while almost 7% of still-active WBOs are in the "6 to 10 years" and "16 to 20 years" cohorts (3.23% and 3.63% in each age cohort respectively). The small number of active WBOs that entered between six years ago and 20 years ago and that are still-active is indicative in part of the decline in new WBOs emerging between 1996 and up to the mid-to-late 2000s before the beginning of the Great Recession (as we suggested in the discussion around Figures 15 and 16), and in part due to other factors particular to the period of time where the Legge Marcora framework was being reformed, which we discuss in more detail in Chapter 6.

Table 11 - Distribution of total active and inactive WBOs in Italy by lifespan cohort (1979-2014)

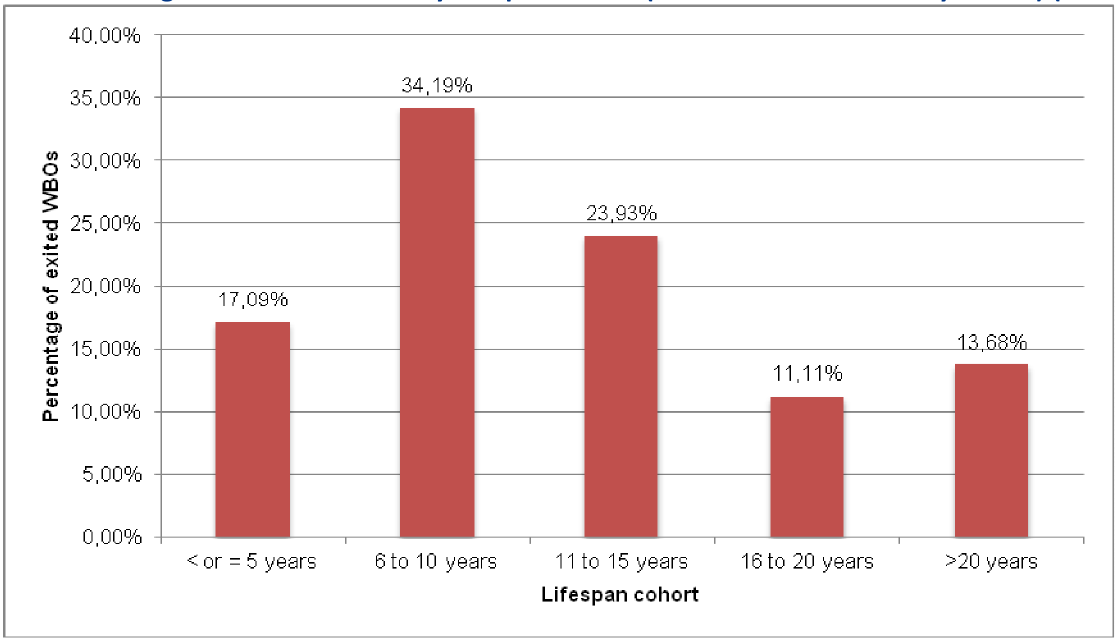
Lifespan Cohorts	*Active*		*Inactive*		*Total*	
	n	*%*	*n*	*%*	*n*	*%*
< or = 5 years	61	24.60%	20	8.06%	81	32.66%
6 to 10 years	8	3.23%	40	16.13%	48	19.35%
11 to 15 years	3	1.21%	28	11.29%	31	12.50%
16 to 20 years	9	3.63%	13	5.24%	22	8.87%
>20 years	50	20.16%	16	6.45%	66	26.61%
Totals	***131***	***52.83%***	***117***	***47.17%***	***248***	***100.00%***

n=248 WBOs with verifiable opening and closing dates. Percentages calculated based on age cohort totals.

As Figure 22 and Table 11 also clarify, a good number of Italian WBOs have been in existence for far longer than the average lifespan of 13.9 years for still-active WBOs (see section 4.3). For instance, when combining the "16 to 20" and "over 20 years" cohorts in the "Active" column of Table 11 and dividing the total (59 WBOs) with the 131 active WBOs as of 31 December 2014 in

Figure 16 and Table 5, we learn that *just over 45% of Italy's still-active WBOs have existed for 16 years or more*. We also learn that almost 35.5% of all of Italy's WBOs in our database have existed for 16 or more years when we combine the total percentages of the "16 to 20 years" and "over 20 years" cohorts in Table 11. Moreover, 66 WBOs (active and inactive), or 26.21% of WBO firms, have existed for over 20 years. Indeed, when we dig deeper into the total WBOs in existence for 25 or more years (active and inactive) in the IRL Database, we can count 54 WBOs, or 21.8% of the 248 WBOs in the IRL Database with known opening and closing dates, with only 10 of these oldest WBOs having closed as of 31 December 2014.

Figure 23 - Percentage of WBO firm exits by lifespan cohort (of WBOs that eventually closed) (1990-2014)



n =117 WBOs with verifiable starting and closing dates that have closed as of 31 Dec. 2014.

Figure 23 homes in on the inactive WBOs from Figure 22 and their age at exit by lifespan cohort. Of the 117 WBOs with known starting and closing dates that have exited (or closed) as of 31 December 2014 in Figure 23, we see a lifespan cohort distribution with peak years for WBO exit at between "6 to 10 years" (35.19% of exits for firms with known starting and closing dates), followed by "11 to 15 years" (23.93% of firms with known starting and closing dates). That is, the crucial years for Italian WBOs for exit tends to be between years six to 10 and more broadly between years six to 15, complementing the finding we introduced with Table 6 where the average age of WBOs at closure is 11.9 years. By the end of section 4.4, we will discover more precisely when we break these WBOs down to years-of-age cohort that the peak years for WBO exits are between years 8 to 11.

While little research has been done regards the lifespans and propensity for closure of WBOs, Italian WBO's peak propensity for exit between years six and 15 of the firm tends to be substantially better than French (Pérotin, 1986) and UK (Ben-Ner, 1988) worker-owned firms (WOFs), where the exit years peak at around three and five years after opening, and with French WBOs specifically with exits peaking at years two and three after opening (Ben-Ner, 1988, pp. 18-19). They are also much better than Italian SMEs in the manufacturing sectors in general where firms exits peak at year 2 after opening (Audretsch, Santarelli, & Vivarelli, 1999, p. 971). This begins to suggest that Italian WBOs tend to outlive by several years worker-owned firms in other conjunctures, as well as manufacturing firms in Italy. As we hypothesize in Chapter 6, these more robust survival rates in the early years of Italian WBOs, further evidenced in the following pages, have in part to do with the strong level of support offered by the Legge Marcora framework and financing mechanisms in a WBO's early years (also see Chapter 3). This age cohort distribution of WBOs at exit will be further analyzed by geographic region in Figures 25-27; by the seven major regions with WBO business clusters in Figures 28 and 29; and by overall birth, death, growth, and survival rates in the last pages of section 4.4.

Active and inactive WBO firms by geographic area

In this sub-section we analyze active and inactive WBOs by geographic area and administrative region, better assessing how many firms generated from WBOs still exist and have exited territorially and by comparing the Pre- and Legge Marcora I period with the Legge Marcora II period.

Most immediately, the resilience of Italy's WBOs is underscored in Table 12 when we consider that 87.65% of WBOs emerging during the Legge Marcora II period were still active as of 31 December 2014 (71 of 81 firms). From Table 12 we also see that 60 of the 176 Pre-Legge Marcora and Legge Marcora I period WBOs (just over 34% of this period's WBOs) were still active as of 31 December 2014, equalling almost 23.34% of the 257 WBOs in the IRL database. In other words, 60 currently existing WBO-generated firms emerged during the Pre-Legge Marcora or the first Legge Marcora periods, and many of these did so over 25 years ago, as we have already shown. Indeed, it is worth highlighting that there are 22 WBO-generated firms still in existence today that emerged during or before 1985 and the passing of the law. Some of these oldest WBOs still existing today include: Lombardia's Scalvenzi Società Cooperativa (founded in 1982) and Comecor Società Cooperativa (founded in 1985), the Province of Torino's Nuova Crumiere (founded in 1985), and the Province of Ancona's Gommus Società Cooperativa (founded as a WBO in 1985). While not funded by the Legge Marcora provisions (see Chapter 3), the Province of Trento is also notable for two of the oldest still-active Italian WBOs: Anita Confezione (founded in 1984) and Risto3 (founded in 1979).

Table 12 - Distribution of all active and inactive WBOs in Italy by geographic area and Legge Marcora period (1979-2014)

Geographic Distribution	Pre-L. Marcora I and L. Marcora I WBOs (1979-2001)				L. Marcora II WBOs (2002-2014)			
	Inactive		Active		Inactive		Active	
	n.	%	n.	%	n.	%	n.	%
Nord-Est	30	25.86%	16	26.67%	1	10.00%	29	40.85%
Nord-Ovest	19	16.38%	6	10.00%	1	10.00%	8	11.27%
Centro	56	48.28%	33	55.00%	6	60.00%	20	28.17%
Sud	11	9.48%	5	8.33%	2	20.00%	5	7.04%
Isole	0	0.00%	0	0.00%	0	0.00%	9	12.68%
Totals	***116***	***100.00%***	***60***	***100.00%***	***10***	***100.00%***	***71***	***100.00%***
	Total in period		***176***		***Total in period***		***81***	

N=257 WBOs known to be active or inactive. Column percentages calculated on total WBOs per Legge Marcora period.

From Table 12 we also notice, as we did in section 4.3, an overall decline in new active WBOs in the Centre regions in the Legge Marcora II period when compared to those founded in the Pre- and Legge Marcora I period. At the same time, we notice an increase in active WBOs from the first to the second Legge Marcora periods in the Northeast regions, new WBOs in the Island regions, and roughly the same proportion of active WBOs in the Northwest and the South. Overall, these trends reflect the increased focus of WBO solutions in areas outside of the Centre region in recent years, as we analyzed at the end of Chapter 3 and in section 4.3 of this chapter, especially in the *Mezzogiorno*. Collectively, however, when considering all WBOs that have existed, the Centre regions have contained the majority of all WBOs in Italy, while the Northeast regions have surpassed the Centre regions in the total of *new* WBOs emerging in the Legge Marcora II period.

Finally, Figure 24 shows a graphic representation of the percentage distribution of active and inactive WBOs across the Legge Marcora era by geographic area as of 31 December 2014 (also see Table 4). Figure 24 implicitly reflects the new WBOs that have emerged in the Island regions during the Legge Marcora II period (all still active), the comparatively larger number of closures of WBOs in the Centre and Northwest regions, and the overall dominance of WBOs in the Centre and Northeast, bolstered by the comparative increase in WBOs in the Northeast during the Legge Marcora II period (particulalry in Emilia-Romagna).

Figure 24 - Percentage distribution of active and inactive WBOs by geographic area (1979-2014)

N=257. Actives n=131. Inactives n=126.

Lifespans of Italy's worker buyouts

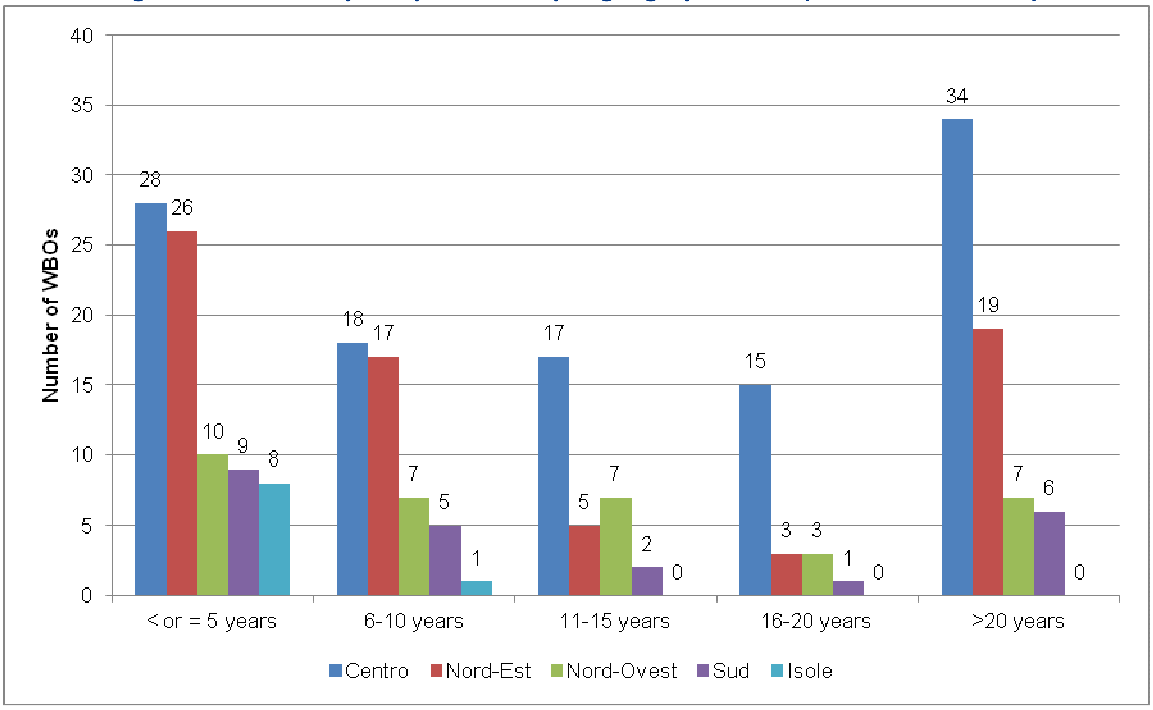
In this sub-section we explore in more detail the lifespan characteristics of Italy's WBOs, first by geographic area, then by the seven major Italian regions with "WBO business clusters".

Figures 25-27, graphically illustrating and expanding on Table 11, present the distribution of WBOs in each lifespan cohort, disaggregated by geographic area. Figure 25 brings together this perspective on the data for all WBOs in the IRL Database with verifiable starting and closing dates. Figures 26 and 27, in turn, focus in on the lifespans of active and inactive WBOs by geographic area respectively. Table 13 presents the data used in this section.

Beginning with Figure 25, immediately apparent from the data presented in this way is the predominance of Italy's Centre geographic area across all lifespan cohorts, and of Italy's Northeast area across most lifespan cohorts but especially in the "less than 5 years," "6-10 years," and "over 20 years" cohorts. The Centre geographic area alone makes up 25% of the youngest and oldest WBO lifespan cohorts (62 firms), while almost 44% of all WBOs (107 firms) are from the Centre and the Northeast areas in these two cohorts. In Figure 25 we also notice that for all WBOs that survived at least six years (that is, that have been active for six or more years), more than a third

(33.87%) were from the Centre area alone, while more than half (51.61%) were from the Centre and the Northeast areas combined.

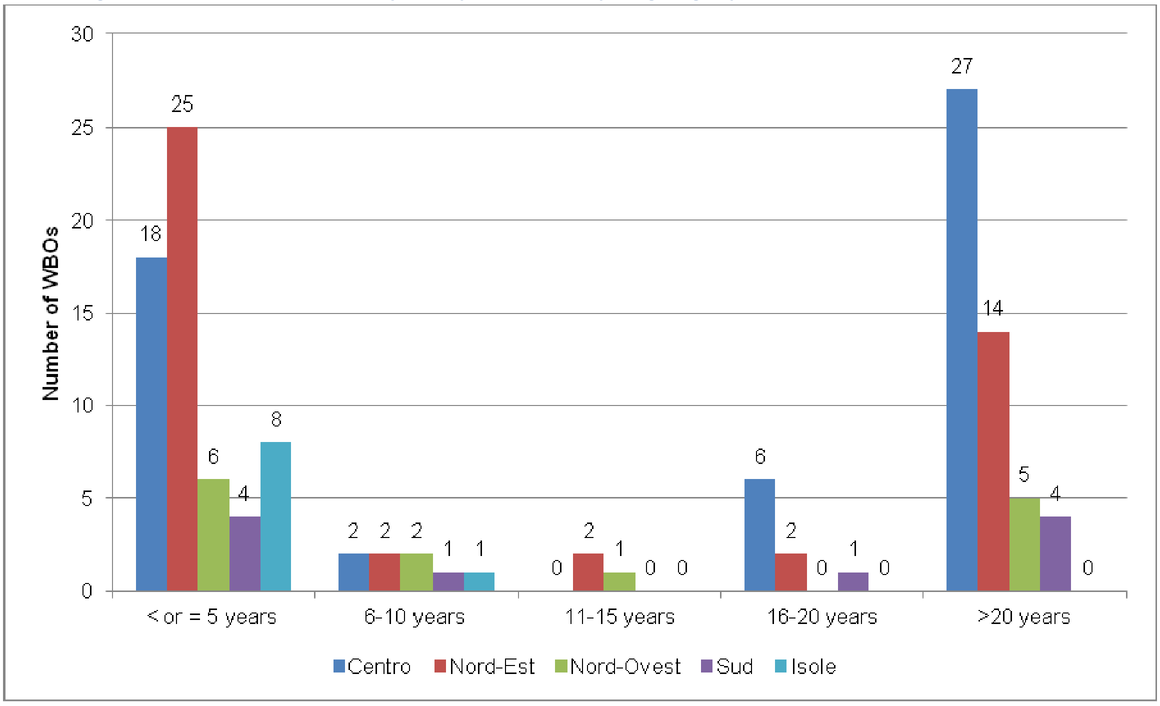
Figure 25 - WBOs by lifespan cohort per geographic area (as of 31 Dec. 2014)



n=248 WBOs with verifiable opening or closing dates.

Figures 26 and 27 disaggregate the above data into active and inactive WBOs respectively. While comparing active and inactive WBOs on the basis of this analysis does not indicate exactly when WBOs opened or closed, it is revealing in that it shows in what geographic areas the active and inactive WBOs are concentrated in.

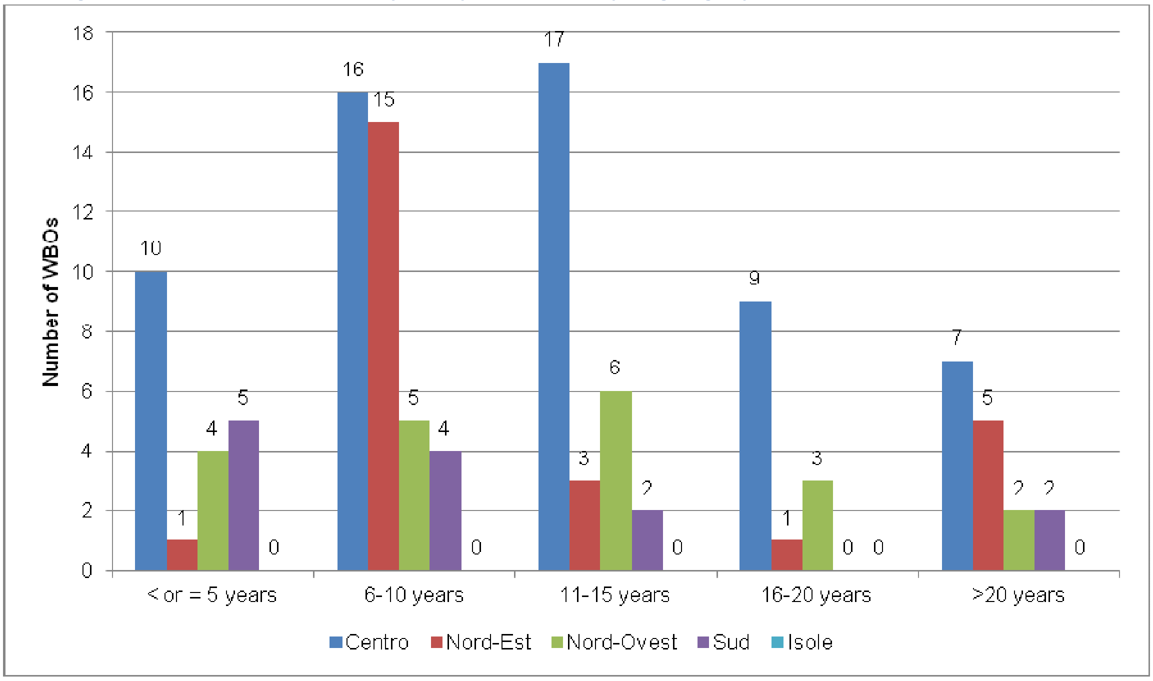
Figure 26 - Active WBOs by lifespan cohort per geographic area (as of 31 Dec. 2014)



n=131 WBOs with verifiable opening dates and known to be active as of 31 Dec. 2014.

Looking only at active WBOs per lifespan cohort and geographic area in Figure 26, two distinct periods again are clearly visible. Among those WBOs that were established more than 20 years ago and that are still active today, the majority were established in the Centre geographic area, followed by the Northeast area. This can be contrasted with WBOs that were established within the last five years, which saw a surge in WBOs in the Northeast and less so in the Centre area, recapping findings we have already come across earlier in this chapter showing that the Centre regions held the majority of WBOs during the Pre- and Legge Marcora I periods while new WBOs are in the majority in the Northeast. Also demonstrated, especially when comparing Figures 26 and 27, is the increasing relevance of WBOs in the Islands in recent years, which prior to 2008 contained no WBOs. This again, as the reader will recall, is linked to the increasing use of WBO solutions for developing the *Mezzogiorno* and to the increased use of the cooperative model (including WBOs) for ceding property confiscated from the proceeds of crime to employees. Moreover, the time period between six and 20 years ago (1994 through 2008) is revealed as a period with few new WBOs established, another illustration of the data from Figures 15 and 16, though those that were established were, again, mostly in the Centre and Northeast geographic areas. Also visible is what seems to be a growing resurgence of WBOs in Italy's Northwest after at least 15 years, during which only a handful of WBOs were able to successfully establish themselves in the so-called "Industrial Triangle". Recent years, on the other hand, see new WBOs in the Northwest, exemplified by recently created WBOs in Lombardia such as Ri-Maflow and Contrada34.

Figure 27 - Inactive WBOs by lifespan cohorts per geographic area (as of 31 Dec. 2014)



n =117 WBOs with verifiable starting and closing dates that have closed as of 31 Dec. 2014.

Looking at the inactive WBOs in Figure 27, one finding that stands out is that the Northwest area (expecially when comparing Figure 27 to Figure 26) is revealed as an area in which WBOs have experienced disproportionately high relative mortality, counteracting the population of new WBOs emerging there that we just mentioned, though almost a dozen WBOs from the Northwest did survive for over 10 years before closing. In contrast, in the Northeast, a majority of WBOs that close seem to do so within years six to 15, while those that survive their first 20 years show continuing resilience if we compare the "over 20 years" cohorts in Figures 26 and 27. A similar, though less pronounced trend seems to exist in the Centre area, where WBOs that survive for at least 20 years seem to be able to endure for much longer, judging by the relative sharp drop in inactive WBOs from the Centre in Figure 27 and the proportionately high number of still-active WBOs from this geographic area in the "over 20 years" cohort in Figure 26. Of course, this is countered by the fact that a considerable number of WBOs in both of the Centre and the Northeast areas making up the Made in Italy regions failed to survive to their eleventh-to-fifteenth anniversaries. It can also be seen that no WBO has ever failed in the Islands, though all WBOs in this area are young (see Figure 25), while in the South (as with the Northwest), there are more closed WBOs than open WBOs.

Overall, this analysis of WBO lifespans per geographic region suggests, yet again, that the crucial years for WBO firm closure across Italy are within years six and 15 after start-up, and especially years eight to 11, as we will shortly see. As Figure 25 implies, however, firm lifespans in the Centre regions are more evenly dispersed over all age-cohorts than in the other geographic areas while experiencing a proportionately larger number of closed WBOs in years 11-20. Promising also is the surge in new WBOs in the Islands.

While the factors that have lead to these WBO development and exit patterns are varied and not easily pulled from this aggregate lifespan analysis, it does suggest recommendations for Italy's institutional investors and other WBO support organizations: the current supports for WBOs in the first five years of existance via Legge Marcora provisons seem to be adequate, while subsequent years, especially between years six and 15 (and years eight to 11, in particular, as we will see), are periods that might need further injections of external support. Because of this, institutional investors across Italy might need to focus further financing and business consulting for already established WBOs before they enter their sixth year and, indeed, throughout years six to 10. After year 20 of operations, Italian WBOs on the whole are well established, their generational turnover complete, and they seem to be able to stay open thereafter. We will return to this analysis when we look at WBO survival rates in the last pages of section 4.4, and pick up the recommendations we just suggested again in Chapter 6.

Table 13 - Distribution of active and inactive WBOs by lifespan cohort per geographic area (as of 31 Dec. 2014)

Lifespan cohort	***Centro***				***Nord-Est***				***Nord-Ovest***				***Sud***				***Isole***				***Total***				***TOTAL***	
	Active		***Inactive***		***Active***		***Inactive***		***Active***		***Inactive***		***Active***		***Inactive***		***Active***		***Inactive***		***Active***		***Inactive***			
	n	***%***	***n***	***%***	***n***	***%***	***n***	***%***	***n***	***%***	***n***	***%***	***n***	***%***	***n***	***%***	***n***	***%***	***n***	***%***	***n***	***%***	***n***	***%***	***n***	***%***
< or = 5 years	18	22.22%	10	12.35%	25	30.86%	1	1.23%	6	7.41%	4	4.94%	4	4.94%	5	6.17%	8	9.88%	0	0.00%	61	74.39%	20	24.39%	***81***	***100%***
6 to 10 years	2	4.17%	16	33.33%	2	4.17%	15	31.25%	2	4.17%	5	10.42%	1	2.08%	4	8.33%	1	2.08%	0	0.00%	8	16.33%	40	81.63%	***48***	***100%***
11 to 15 years	0	0.00%	17	54.84%	2	6.45%	3	9.68%	1	3.23%	6	19.35%	0	0.00%	2	6.45%	0	0.00%	0	0.00%	3	10.00%	28	93.33%	***31***	***100%***
16 to 20 years	6	27.27%	9	40.91%	2	9.09%	1	4.55%	0	0.00%	3	13.64%	1	4.55%	0	0.00%	0	0.00%	0	0.00%	9	40.91%	13	59.09%	***22***	***100%***
>20 years	27	40.91%	7	10.61%	14	21.21%	5	7.58%	5	7.58%	2	3.03%	4	6.06%	2	3.03%	0	0.00%	0	0.00%	50	76.92%	16	24.62%	***66***	***100%***
Total	***53***	***21.37%***	***59***	***23.79%***	***45***	***18.15%***	***25***	***10.08%***	***14***	***5.65%***	***20***	***8.06%***	***10***	***4.03%***	***13***	***5.24%***	***9***	***3.63%***	***0***	***0.00%***	***131***	***52.82%***	***117***	***47.18%***	***248***	***100%***

n=248 WBOs with verifiable opening and closing dates. Percentages calculated based on age cohort totals.

Figure 28 presents the number of WBOs in each of the seven major administrative regions with WBO business clusters, disaggregated by lifespan cohort. Figure 29 offers the same data by comparative lifespan cohort percentages broken down by each region. While we caution on drawing definitive conclusions from the data presented in this way, a few trends do reveal themselves.

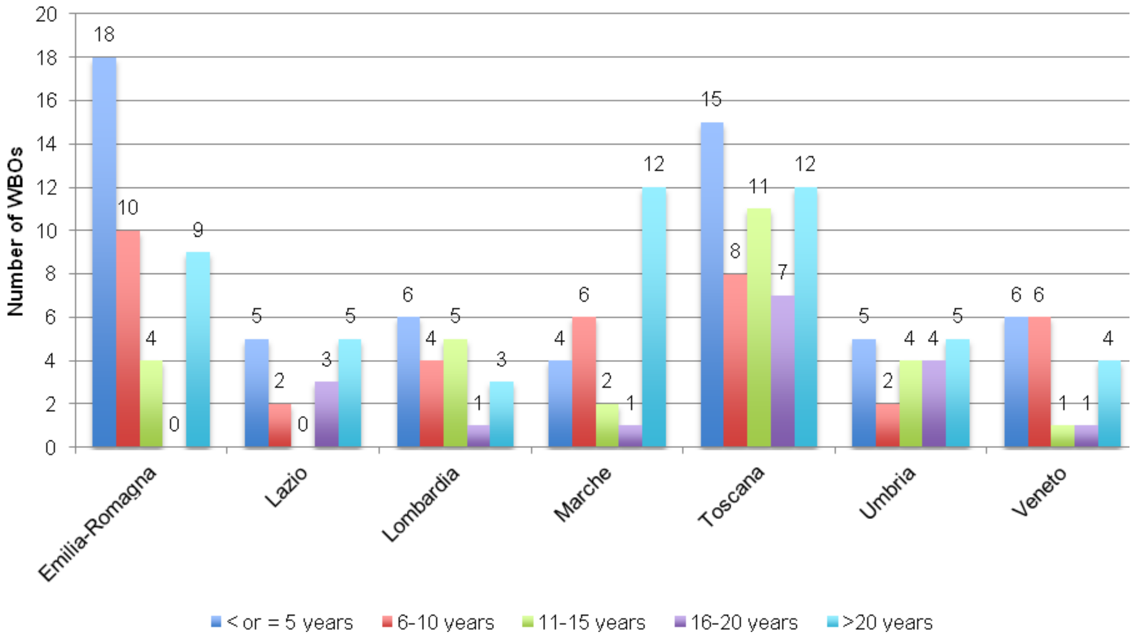
Not surprisingly, as with previous presentations of the lifespan data (Figures 22-27), WBOs that have been operational for five-or-less years or more-than 20 years make up the majority of WBOs that have existed all of the seven major regions with WBO clusters. The large number of WBOs in the region of Marche with lifespans greater than 20 years reveals this region as an area where WBO activity surged early, and where WBOs have proved especially resilient, most likely due to the consistent involvement in supporting WBOs by this region's institutional actors such as Legacoop Marche, local actors, and the regional government (also see Figure 29 "Marche"). Similar long-term resilience can be identified in Toscana and, to a lesser degree, Emilia-Romagna, also due to in part to the early and extended support for WBOs from institutional actors in those two regions. Indeed, Toscana and Emilia-Romagna can be seen, yet again and from this perspective, as the heartland of WBOs in Italy with a plethora of regional actors in the cooperative sector and public agencies involved in cooperative development (see, for instance, Corte dei Conti, 2002).

Figures 28a and 28b present the same data, but disaggregated by active vs. inactive WBOs. Overall, we see that, as with WBOs in Italy as a whole, though relatively few new WBOs were established between the years 1994 and 2008 in these seven regions (i.e., between six and 20 years ago), those that were established and that have survived seem to be distributed rather evenly across all seven major regions. This again indicates that if WBOs can survive past the fifteenth year, and especially past the twentieth year, there is a likelihood of surviving for much longer despite their location.

Looking at the active WBOs (Figure 28a), the post 2008 surge in WBO activity in Emilia-Romagna again stands out clearly, but also to lesser degrees in Toscana, Veneto, and Umbria. Likewise, the resilience of pre 1994 ("over 20 years") WBOs in several regions is apparent. All of the "over 20 years" WBOs in Umbria managed to remain open, while in Marche, the region with proportionally the oldest WBO population, only one WBO in the "over 20 years" cohort has closed, as well as one WBO in this lifespan cohort closing in the handful of "over 20 years WBOs" in Lombardia and Veneto respectively (Figure 28b). Toscana, on the other hand, has experienced a disproportional number of older WBO closure, with the most closures proportionally in the "11-15 years," "16-20 years," and "over 20 years" cohorts, while Emilia-Romagna, Marche, and Veneto have experienced a disproportionally large number of closures in the "6-10 years" cohorts.

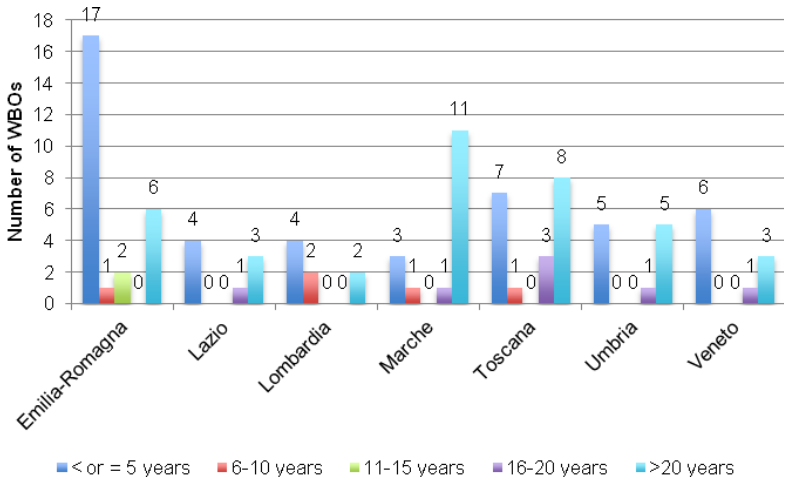
When further layering in the inactive WBOs (Figure 28b), it appears that, in every region with WBO business clusters (with a slight exception for Toscana), WBOs are able to survive their first five years. Years six to 10 seem to be particularly vulnerable ones for WBOs in Emilia-Romagna, Toscana, Marche, and Veneto. However, WBOs in all regions have their greatest challenge in making it past the six-to-10 year age-range. This is in essence a more detailed iteration of the data presented in Figures 22 and 23, highlighted in Figure 28b in these seven main WBO regions. Meanwhile, there are relatively few exits after year 15, suggesting again that if a WBO can secure firm footing through its first decade and a half it is more likely to endure long thereafter.

Figure 28 - Number of WBOs in the seven major regions with "WBO business clusters," disaggregated by lifespan cohort



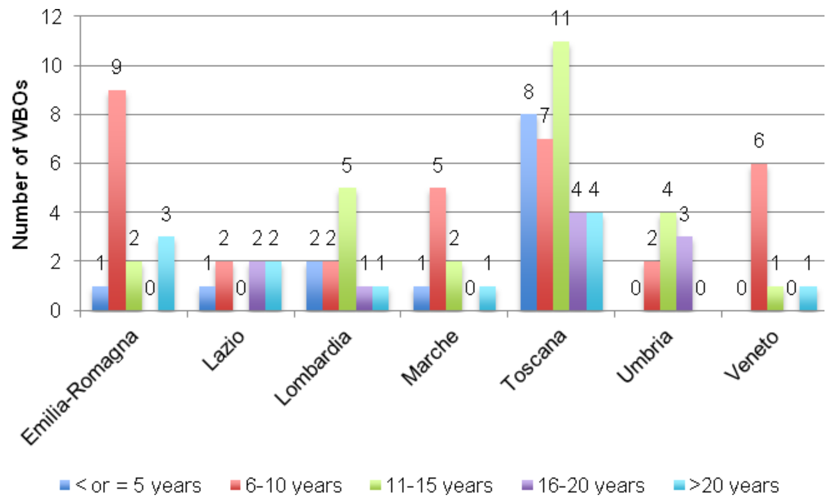
n =191

Figure 28a: Same as above, active WBOs only



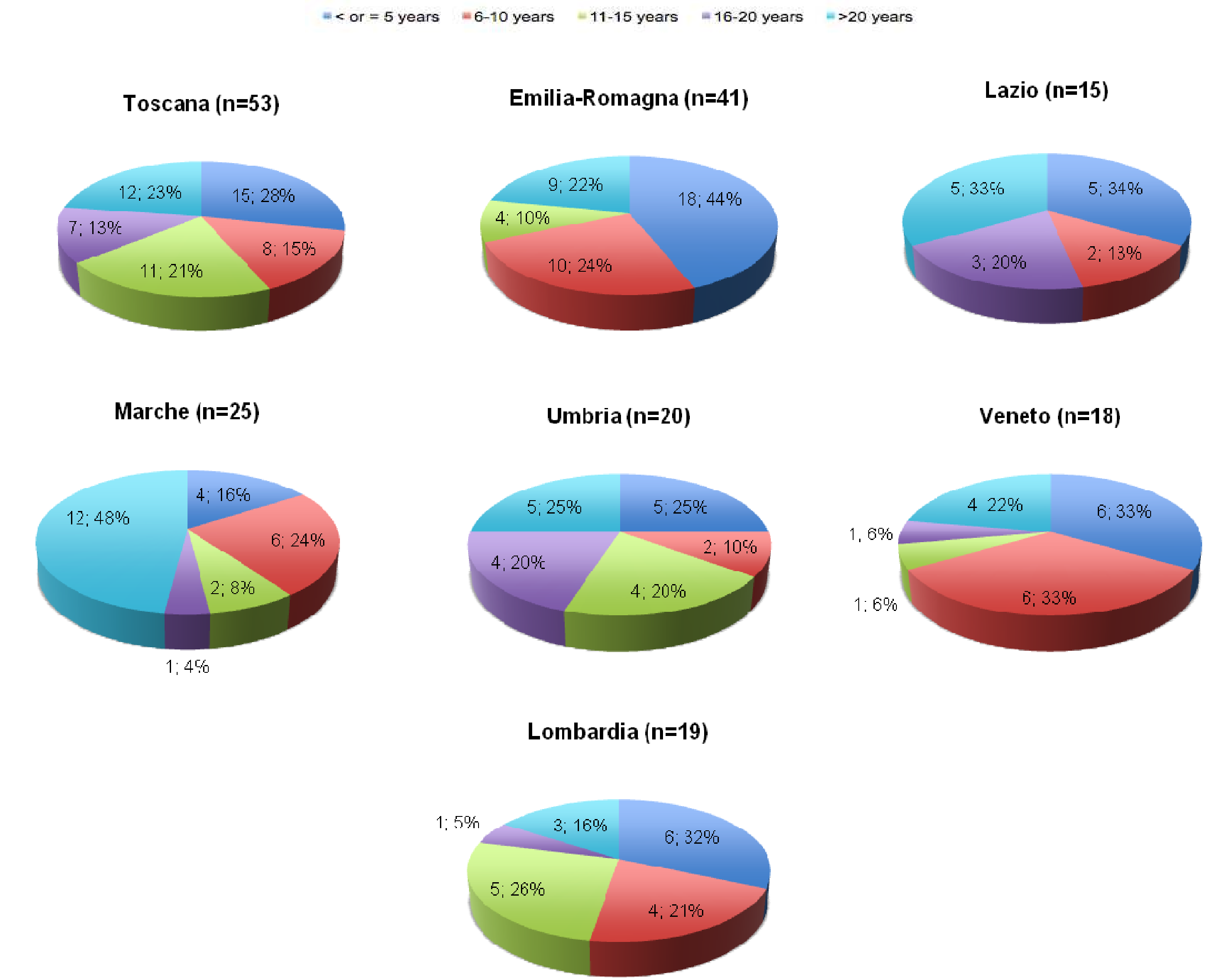
n=98

Figure 28b: Same as above, inactive WBOs only



n=93

Figure 29 - Number and percentage of WBOs (active and inactive) by each of the seven major WBO regions with “WBO business clusters,” by lifespan cohort



Further region-specific and comparative research here would need to be conducted to more fully explain why some of these regional lifespan trends exist in Italy's regions with the largest concentrations of WBOs. For instance, in the region of Marche, Legacoop Marche seems to have been particularly active during the Legge Marcora I period, given that almost all of their older WBOs are affiliated with it. Engaging in oral history research with workers and other territorial experts there, for example, would go a long way to better understanding how and why Marche's disproportionately high number of WBOs over 20 years-of-age have survived for so long.

In Toscana and Emiglia-Romagna, on the other hand, though containing the highest concentration of WBOs in Italy and with equally active cooperative sector supports, more research needs to be done to understand why it is that they also have, numerically and proportionally, the most WBO closures. One obvious explanation here might be that, because these two regions simply contain the highest concentration of manufacturing-activity SMEs in the country, they have also experienced more acutely the economic crises of the past three decades and that these crises have also impacted their WBO populations. Thus, while more Legge Marcora funds have been allocated to firms in these regions historically (Corte dei Conti, 2002), at the same time these WBOs might have been the most at-risk and vulnerable before and after conversion, thus making WBOs in these two regions more susceptible to closure.

To explain these regional differences further, future research could also engage in regionally comparative social network analysis, case study work, and oral labour history methods with WBO firms which could explore their connections and collaborations with other firms in their sector, their degree of embeddedness in the community and territory, and the specificities of their broader support networks.[167] We have begun to do some of this work, although in an exploratory way, with the survey analysis in section 5.2 of Chapter 5. [168]

Another proposal for future research here could include comparative work related to the concentration of Toscana's and Emilia-Romagna's WBOs within broader industrial sectors to see whether the higher propensity of exit for WBO firms in these regions might have to do with the overall trends in the industries within which they belong. For instance, in an original piece of research, Blanchard, Huiban, & Mathieu (2012) found a strong relationship between a firm's propensity to exit in the French food industry with an increased concentration of firms in that sector. "There appears to be a critical concentration level," Blanchard *et al*. report, "below which a higher concentration will mean a higher propensity to exit…[and] may correspond to the end of what is called the 'shakeout' process" (p. 196). Blanchard *et al*. also found that sunk costs play a role in firm survival after controlling for firm productivity, age, and concentration. Exploring sunk cost dimensions in WBOs in these two regions at the time of the recuperation of the firm by employees and the survivability effects over time could also begin to pull out the relevance of the conditions of these WBO firms' assets and equity at the time of conversion and the effects of Legge Marcora-based capitalization supports compared to the relative productivity of the firm shortly after recuperation and over subsequent years.

[167] For an example of the type of questions that could be posed see, for instance, the case of the Kuni WBO-generated cooperative in L'Arena (2015).

[168] Another related research method that could be deployed here would be to overlay Italy's WBO business clusters with the Sistemi Locali del Lavoro (SLL) territorial lens (used increasingly by the Italian institute of statistics – ISTAT - to measure the economic impact and workforce dimensions of industrial districts across Italy). For a detailed description of this method, see Sforzi (2007).

Birth, death, growth, and survival rates of Italian worker buyouts

One way of measuring the resilience of Italian WBOs (and, implicitly, WBO support mechanisms such as Legge Marcora provisions) is to gauge for their rates of creation (or entry) vs. dissolution (or exits). This can be expressed in the birth and death rates and, by extension, the growth rates of WBO firms. Here we look at the data presented previously in Figure 22 and Table 11 from a different angle - over time. The analysis represented in Figure 22 and Table 11 presented WBOs in the same lifespan cohort but that had been operating in different time periods. In this section instead we look at the evolution of Italian WBOs on aggregate and over time.

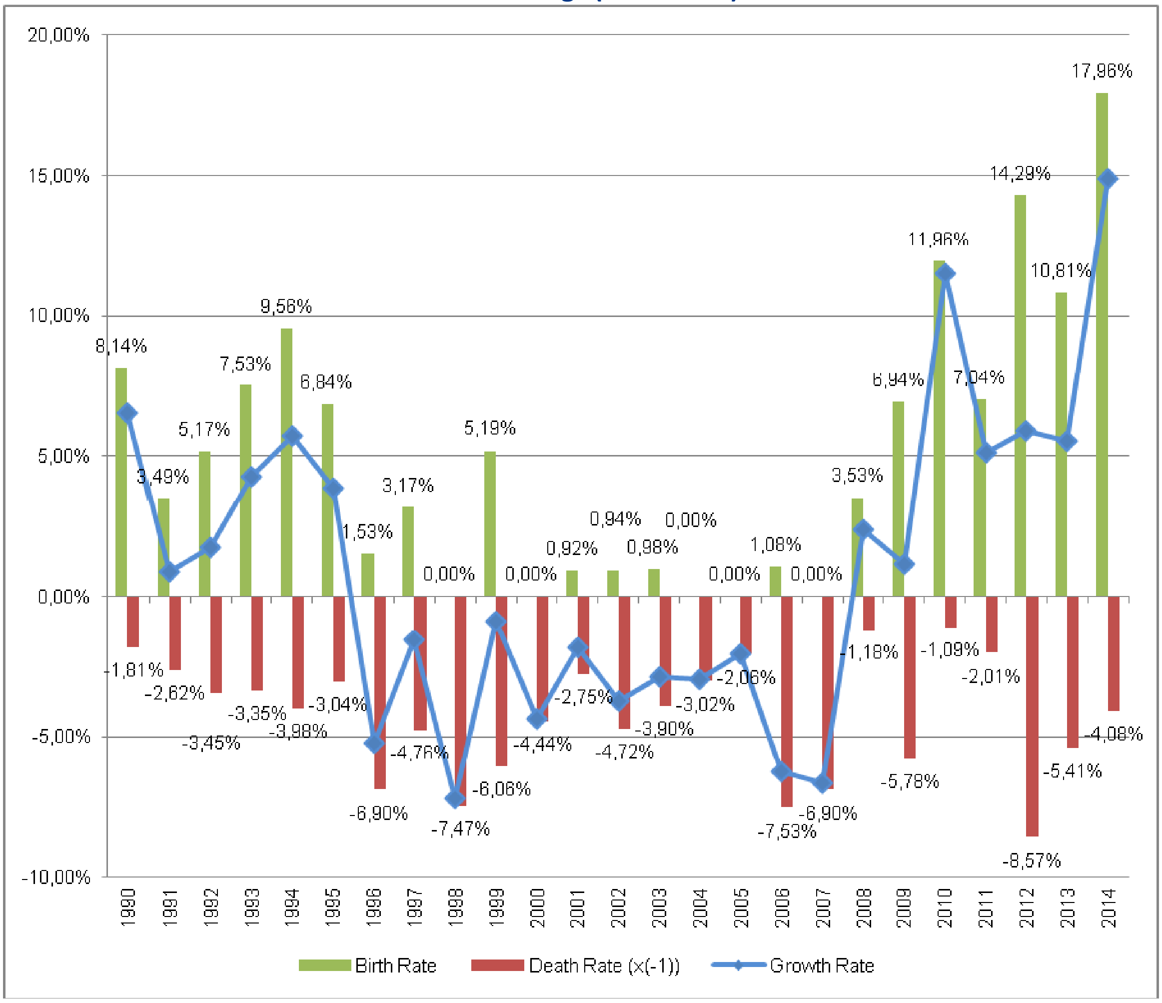
Birth, death, and growth rates. The evolution of firms over time is often measured via birth rates (also termed "creation" or "entry" rates) and death rates (also termed "dissolution" or "exit" rates). Birth rates are calculated by taking "the total number of [organizational] formations divided by the number of organizations in existence during the period under consideration, representing a gross measure of the desirability of belonging to a particular sector" (Ben-Ner, 1988, p. 13). Death (or exit rates), are, in turn, calculated by the same formula but instead take into account the total number of exits of firms over a given period divided by organizations in existence over that period.

Using well-accepted birth and mortality rate calculations for firms, we calculated birth and death rates of WBOs by dividing new formations and closures of WBOs respectively by the mean number of WBOs in existence during a period of one calendar year (following Ben-Ner, 1988; Brown, Lambert, & Florax, 2009; OECD, 2010). For birth rates we divided the number of new WBO openings during a given year by the mean number of WBOs in existence in a given year (i.e., the average of the number of active WBOs at the beginning of the year and the number at the end of the year).[169] Similarly, death rates were calculated by dividing the number of exits during the year by the mean number of WBOs in existence during that year. The growth rate, in turn, was calculated by subtracting the number of active WBOs at the end of the year from the number at the beginning of the year, which gives the change of WBOs (positive or negative) during the year, and then divided this change by the number of WBOs at the beginning of the year.

Figure 30 maps the overall birth and death rates of Italian WBOs since 1990, which was the year with the first two recorded closures of WBOs in our IRL Database. Here we have an immediate finding worth noting: None of the 107 WBOs that existed up to December 1989 in our IRL Database had closed since Legge Marcora era WBOs began to emerge in the early 1980s; in other words, this suggests a 100% survival rate for Italy's WBOs emerging in the 1980s and up to the end of 1989.

[169] Number of new opens / (number of active at beginning + number active at end of year)/2).

Figure 30 - Birth, death, and growth rates of WBOs in Italy, beginning with first year of known WBO closings (1990-2014)



n=248 WBOs with verifiable opening and closing dates. Pre-1990 data were excluded due to scale and no recorded closures in our IRL Database.

As the dataset covered in Figure 30 begins in 1990, the surge in WBOs that occurred in the late 1980s that we clearly saw earlier in Figures 15 and 16 is not reflected here. However, the sharp increase in WBOs starting in 2008 is clearly visible in Figure 30, as is the double-digit annual growth rate of WBOs in 2010 and 2012-2014. Also visible in Figure 30 is the period of net decrease of WBOs between 1995 and 2007 that we have already discussed.

Taking into account all WBOs with known birth and closure years over the 25-year period spanning 1990 and 2014, the average birth or entry rate of Italian WBOs was 5.08%, the average death or closure rate was 4.27%, an the average growth rate was +0.96%.

But leaving our birth-to-death rate assessment with this raw calculation is skewed given that only a handful of new WBO formations occurred in the eight years between 2000 and 2007, when the Legge Marcora reforms of 2001 had not yet taken full effect, when institutional investors were not actively pursuing WBOs, and also due to a more positive economic outlook in Italy during those years when compared to the 1990s and the post 2008 periods. When we just focus on the years between 1990 and 2014 when WBOs were also forming and not only closing and when the Legge Marcora framework was in full effect (that is, the 17 years spanning 1990-1999 and 2008-2014), we come to more robust birth and death rate figures that compare very favourably to the birth and death rates of employer-owned manufacturing firms in Italy and other OECD countries in recent years.

In the 17 years covering 1990-1999 and 2008-2014, Italy's WBOs had an average birth rate of 7.71% compared to an average death rate of 4.18%, with an average growth rate of +3.73%. While this slightly exceeds the average birth rate of all Italian manufacturing firms in recent years, which is around 7.5%, this death rate is much less than the average death rate of all Italian firms at roughly 6.5% (OECD, 2010). And taking only into account the five years between the beginning of 2010 and the end of 2014 when the latest economic crisis in Italy was in full effect, we see very high rates of WBO firm creation - a 12.41% average birth rate - and fairly low rates of firm dissolution for WBOs - 4.23% average death rate - with an average growth rate of +8.60%. Furthermore, between 2010-2014, WBO creation outpaced the net creation of new firms in manufacturing sector "employer enterprises" in the OECD countries and in Italy by several percentage points, while also falling well under the average dissolution rates of manufacturing firms in OECD countries, including in Italy (OECD, 2010).

This low overall death rate during years of crisis among Italian WBOs is historically significant since it is also much less than the combined mean death rates of all worker-owned firms (including *de novo* worker-owned firms (WOFs) and former capitalist firms converted into WOFs) during another period of deep economic crisis. During earlier years of economic crisis between the mid 1970s and early 1980s in Italy, France, and the UK, Ben-Ner (1988) reports death rates of WOFs to be 9.3% in Italy, 6.9% in France, and 6.3% in the UK (p. 14).

We would be remiss, however, to not mention the spikes in WBO dissolution rates in 2006, 2007, 2009, and 2012 in Figure 30. The closures of WBOs in 2006 and 2007 were all older Legge Marcora I WBOs. The five WBO closures in 2009 were also all older Legge Marcora I WBOs, while eight of the nine 2012 closures were older Legge Marcora I WBOs. The spikes in WBO closures in 2009 and 2012 were perhaps not anomalous since these years were particularly difficult ones in the Italian political economy. The early and continued effects of the Great Recession seems to have not only induced the growth of new WBOs, but also the closure of some of the oldest WBO firms. Given the evidence detailed in Figure 6 in Chapter 2, these years - especially after 2007 - witnessed particular sharp drops in GDP, the widest gaps in overall manufacturing firm closures to openings, and continuously rising rates of unemployment. These spikes in older WBO closures during moments of deep economic recession should serve as a warning sign to the vulnerabilities also faced by WOFs, although overall, as our data in this section suggests, WOFs do survive crisis years much better than conventional firms.

Overall, these numbers again point to very favourable survival rates and highlight further the possibilities of the WBO model for saving jobs and firms during times of economic crises and austerity (CECOP-CICOPA, 2012b, 2013; Zevi *et al*., 2011). We dig deeper into the longitudinal dimensions of Italy's WBOs by looking at survival rates over time next.

Survival rates over time. While the previous section gauged for the rate of WBO births, deaths, and firm growth over time, in this section we analyze the rate of survival of WBO firms over time. This is a way of gauging for the likelihood of a group of firms from the same period surviving over a period of time. Table 14 measures survival rates of WBOs entering within a designated period of time as a cohort. While these survival rates are based on aggregates for firms that emerged at different dates within a time-period cohort, it offers a snapshot of the survivability of WBOs emerging within fairly homogenous periods of time over the span of the Legge Marcora era.

Following Audretsch, Santarelli, & Vivarelli (1999), survival rates are calculated by dividing the surviving firms for a particular period of time by the total number firms that entered during the original time-period cohort. The last row of each major time-period column in Table 14 highlights in bold the number of surviving firms and the survival rate as of 31 December 2014 for each time-period cohort. Since there were no firm closures of the first WBOs that emerged up to 31 December 1989 in the IRL Database until 1990, the 1980-1989 period cohort (the first column group in Table 14) takes into account all of the 107 WBOs from the 1980s. The rest of the WBOs that entered on or after 1990 are grouped into five-year time period cohorts based on their year of entry.

Table 14 thus gives an overall picture of the long-term survival rates of Italy's WBOs. Table 14 shows fairly robust long-term survival rates for the 1980s cohort, with 39 of its 107 WBO-generated firms making it to the 2010-2014 period (a 36.45% survival rate), and the 1995-1999 cohort, with nine of its original 21 WBOs making it 2010-2014 period (a 42.86% survival rate). Interestingly, the 1990-1994 cohort reaches survivability rates under 45% one five-year period earlier than the older 1980s cohort, and has a much lower rate of survivability than any other cohort. This might be to due to the fact that the 1990-1994 cohort is made up of WBOs that entered just before the period where the Legge Marcora was in question with the EU, possibly affecting the survivability rates of these WBOs during their crucial years of higher propensity for exit between years six and 15 after opening. This does not seem to be a factor with the 1995-1999 cohort, however, perhaps because the initial infusion of Legge Marcora financing carried these WBOs over to the Legge Marcora II period when the framework was back in full force after the 2001 reforms and into a period of more economic stability in Italy. And, overall, the Legge Marcora II cohorts (covering 2000-2014) also show strong survivability rates in the short period of time they have been in existence.

Table 14 - Comparative survival rates for Italy's WBOs in time-period cohorts (as of 31 Dec. 2014)

	1980-1989			*1990-1994*			*1995-1999*		
Total WBO entry in period	***107***			***40***			***21***		
Period	***Surviving***	***Exiting***	***Survival rate***	***Surviving***	***Exiting***	***Survival rate***	***Surviving***	***Exiting***	***Survival rate***
1980-1989	107	0	100.00%						
1990-1994	89	18	83.18%	39	1	97.50%			
1995-1999	64	25	59.81%	30	9	75.00%	20	1	95.24%
2000-2004	54	10	50.47%	21	9	52.50%	19	1	90.48%
2005-2009	47	7	43.93%	17	4	42.50%	9	10	42.86%
2010-2014	**39**	8	**36.45%**	**10**	7	**25.00%**	**9**	0	**42.86%**
	T. exits	***68***		***T. exits***	***29***		***T. exits***	***12***	

	2000-2004			*2005-2009*			*2010-2014*		
Total WBO entry in period	***3***			***10***			***67***		
Period	***Surviving***	***Exiting***	***Survival rate***	***Surviving***	***Exiting***	***Survival rate***	***Surviving***	***Exiting***	***Survivalrate***
1980-1989									
1990-1994									
1995-1999									
2000-2004	3	0	100.00%						
2005-2009	3	0	100.00%	10	0	100.00%			
2010-2014	**3**	0	**100.00%**	**8**	2	**80.00%**	61	**6**	**91.04%**
	T. exits	***0***		***T. exits***	***2***		***T. exits***	***6***	

n=248 WBOs with verifiable opening and closing dates.

Of note, however, is the slighlty lower survivability rate of the 2010-2014 cohort within its first 5-year time-period when compared to the other time-period cohorts. This might be rooted in two factors: First, the recent recession might have impacted to some degree the newest WBOs more so than the economic circumstances facing new WBOs in older time-periods. Second, the new Legge

Marcora provisions after the 2001 reforms (see Chapter 3), particularly the more stringent criteria for loan repayments and expected rates-of-return to institutional investors (especially given that the grants-based provisions of financing under the law have now been rescinded) might be proving more onerous for some new WBO projects.

Overall, how do the long-term survival rates in Table 14 compare to other SME-based manufacturing firms in Italy and elsewhere? Very favourably it turns out. According to Audretsch *et al*. (1999), for all Italian manufacturing firms entering mostly via entrepreneurial start-up between 1987 and 1993, there was a 91.1% survival rate by year two of operations, 81.6% by year three, 62.7% by year five, and dipping to 59.1% by year seven (p. 971). A conservative comparison might suggest that, at minimum, Italy's WBOs' survival rates follow similar patterns for the first years of operation. However, with a closer look we can conclude that Italy's WBOs have, on the whole, better survival rates than the average Italian manufacturing firm. For all of the period cohorts in Table 14 except for the 1995-1999 and 2010-2014 time-period cohorts, there was at minimum a 100% survival rate for all WBOs by year two after start-up, and, with the majority of Italian WBOs, within the first five years of existence (also see Figure 31). Also, by at least year six after entry (and much later for most WBOs from the 1980s cohort), Italian WBOs were well above the 70% survival-rate range, while other Italian manufacturing firms were, as reported by Audretsch *et al*., already at around the low 60% decile and upper 50% decile survival-rate range by years five to seven. Indeed, if we look at the 1980s cohort of WBOs, they do not enter the 60% survival-rate range until at least 10 years after entry, considering that the last WBOs from the 1980s cohort emerged in 1989.

The two Legge Marcora II five-year periods to record a significant number of WBOs (the 2005-2009 and 2010-2014) in Table 14 also show very favourable survival rates for newer WBOs when we see that manufacturing firms in Italy generally enter the 75% range of survivability by year three (Audretsch *et al*., 1999, p. 971). In Table 14, in contrast, we see that 80% of WBOs that had emerged between 2005-2009 were still active by 31 December 2014, while the gross survival rate for the newest WBOs emerging post 2010 sits at just over 91%, almost equal to that of all Italian manufacturing firms by year two after entry.

Tables 15-17 home in on the dataset to look at survival rates for various other age cohorts of WBOs emerging throughout the Pre- and Legge Marcora I period. Tables 15-17 focus on the Pre- and Legge Marcora I WBOs because we can gauge their survival rates more completely over a longer period of time given that they emerged in the 1980s (Tables 15 and 16) and 1980s and 1990s (Table 17).

For instance, Table 15 breaks down on a year-by-year basis the survival rates for the 107 Legge Marcora I WBOs that were active as of 31 December 1989, or what we have called "the 1980s cohort" of WBOs. Table 18 evaluates the year-over-year survival rate of this cohort over the subsequent 25 years up to 31 December 2014. Again, the first two exits of these 107 WBOs (and indeed the first two WBO exits in our database) occurred in 1990. Here we again identify the longevity and robustness of the 1980s cohort of WBOs, the first of the Legge Marcora era. We discover that the peak year of exit for this cohort was 1996 with six exits, with a handful of exists per-year leading up to 1996, three more years of five WBOs exiting per-year thereafter, and then a tapering down of exists, with smaller peaks in 2001, 2003, 2009, and 2012 with three exits in each year. While 39 of these original 107 WBO-generated firms survive today - a survival rate of 36.45% - these are indeed quite remarkable survival rates for Italy's first 107 WBOs from the Pre- and Legge Marcora I period, with many of them still active today and a handful having reached three-decades of more of activity.

Table 15 - Survival rates for 107 WBOs active in 1989 (as of 31 Dec. 2014)

Year	*Surviving*	*Exiting*	*Survival rate*
1989	***107***		
1990	105	2	98.13%
1991	102	3	95.33%
1992	98	4	91.59%
1993	94	4	87.85%
1994	89	5	83.18%
1995	85	4	79.44%
1996	79	6	73.83%
1997	74	5	69.16%
1998	69	5	64.49%
1999	64	5	59.81%
2000	62	2	57.94%
2001	59	3	55.14%
2002	56	3	52.34%
2003	55	1	51.40%
2004	54	1	50.47%
2005	54	0	50.47%
2006	53	1	49.53%
2007	51	2	47.66%
2008	50	1	46.73%
2009	47	3	43.93%
2010	46	1	42.99%
2011	45	1	42.06%
2012	42	3	39.25%
2013	40	2	37.38%
2014	***39***	*1*	***36.45%***
	T. exits	***68***	

Table 16 focuses in on a subset of these first WBOs, looking at the 54 WBOs that were in existence as of 1985 over a 30-year period of time between 31 December 1985 to 31 December 2014. Of these *very* first WBOs from the Pre- and Legge Marcora I period, the first to exit were two in 1991, showing a 96.3% survival rate between 31 December 1985 and 31 December 1991. The peak year of exits for this cohort was 1997 with three exits and 1998 with five exits, meaning that by the end of 1998, over 70% of WBOs that had entered in 1985 or before were still active and had been so for at least 18 years. And the overall survival rate for this cohort is even stronger than for the full 1980s cohort from Table 18: their survival rate as of 31 December 2014 was 40.74%. That is, almost 41% of the 54 oldest WBOs that emerged during or before 1985 had been in existence for 30 or more years by 31 December 2014.

Table 16 - Survival rates for 54 WBOs active in 1985 (as of 31 Dec. 2014)

Year	*Surviving*	*Exiting*	*Survival rate*
1985	***54***		
1991	52	2	96.30%
1992	50	2	92.59%
1993	49	1	90.74%
1994	48	1	88.89%
1995	48	0	88.89%
1996	46	2	85.19%
1997	43	3	79.63%
1998	38	5	70.37%
1999	38	0	70.37%
2000	37	1	68.52%
2001	35	2	64.81%
2002	34	1	62.96%
2003	34	0	62.96%
2004	33	1	61.11%
2005	33	0	61.11%
2006	32	1	59.26%
2007	30	2	55.56%
2008	29	1	53.70%
2009	27	2	50.00%
2010	26	1	48.15%
2011	25	1	46.30%
2012	24	1	44.44%
2013	23	1	42.59%
2014	***22***	***1***	***40.74%***
	T. exits	***32***	

Lastly, Table 17 looks at the survival rates for Legge Marcora I WBOs that had survived up until the beginning of the Legge Marcora II period, which we have set here as 2002, the first full year after the passing of the Legge Marcora reforms. Of all remaining 108 Legge Marcora I period WBOs going into the Legge Marcora II period, 55.56% of them were still active firms as of 31 December 2014. We can also interpret this by saying that by the beginning of 2015, 48 Legge Marcora I WBOs had exited during the Legge Marcora II period and 60 Legge Marcora I WBOs were still active (confirmed also in Table 12).

In sum, the evidence in this section reveals quite outstanding rates of survivability for these oldest Italian WBOs emerging from once troubled firms. While not accounting for other variables that could have influenced the propensity of exit or the survival rate on a firm-specific basis, these findings do strongly allude to the overall patterns and propensities for survivability over time of Italian WBOs. These findings, we can hypothesize, could very well be underscoring the entrepreneurial and managerial capacity for workers to indeed be able to convert, revive, and sustain businesses under self-manage. They also implicitly attest to the important role of the support mechanisms provided by the Legge Marcora framework for securing the long-term survivability of WBO projects.

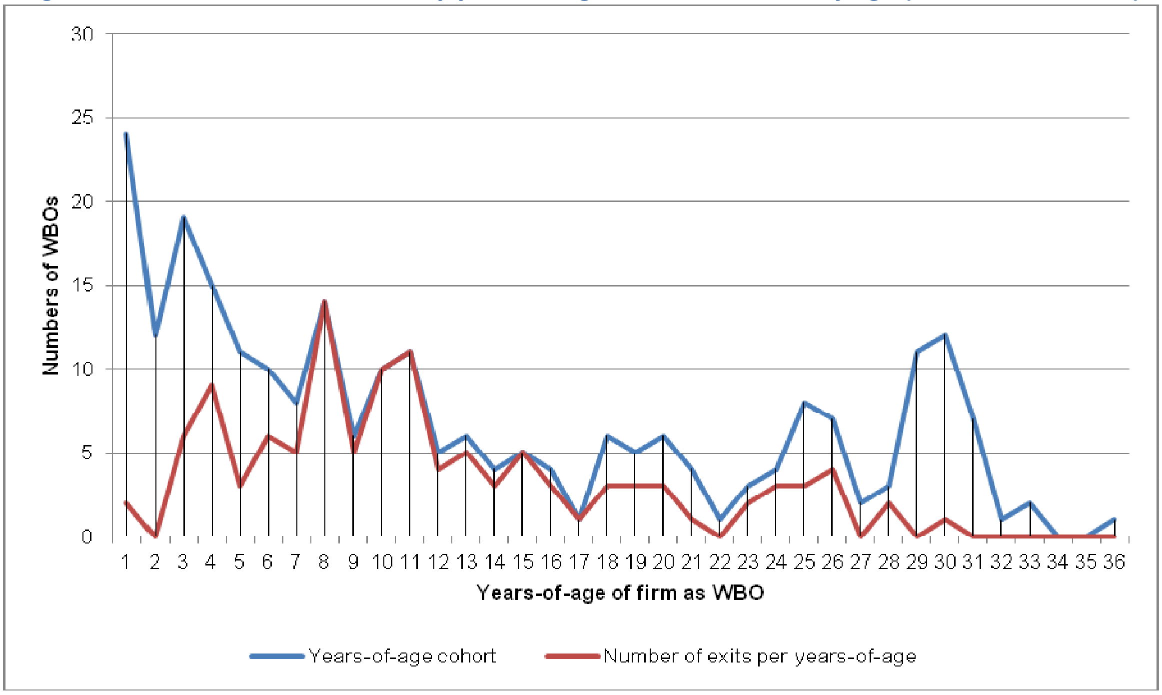
Table 17 - Surival rates for 108 Legge Marcora I WBOs active in 2001 (as of 31 Dec. 2014)

Year	*Surviving*	*Exiting*	*Survival rate*
2001	***108***[170]		
2002	103	5	95.37%
2003	99	4	91.67%
2004	96	3	88.89%
2005	94	2	87.04%
2006	87	7	80.56%
2007	81	6	75.00%
2008	80	1	74.07%
2009	75	5	69.44%
2010	74	1	68.52%
2011	72	2	66.67%
2012	64	8	59.26%
2013	62	2	57.41%
2014	***60***	***2***	***55.56%***
	T. exits	***48***	

Propensity for closure. An interesting analysis can be carried out by measuring how long Italian WBOs stay active and when they are at greater propensity to exit by comparing WBOs by their years-of-age cohort and exits per age of firms.

Figure 31 compares the total sample of WBOs with verifiable opening and closing dates by years-of-age cohorts as of 31 December 2014, and the number of exits of WBOs per years-of-age cohort as of 31 December 2014. Figure 31 can be seen as presenting the data in Figures 22, 23, and 30 in another way, highlighting now the specific peak years for closure for Italian WBOs by their age.

Figure 31 - Distribution of WBOs by years-of-age cohort and exits by age (as of 31 Dec. 2014)



n=248 WBOs with verifiable opening and closing dates.

[170] Surviving Legge Marcora I WBOs going into the Legge Marcora II period as of 31 Dec. 2001.

First, from looking at the years-of-age cohort distribution (the blue line in Figure 31), we see again that, as we confirmed earlier in this chapter, the majority of Italy's WBOs have either been younger or older firms. Here we see more exactly that most of the WBOs that have existed as of 31 December 2014 in the IRL Database have either been under 12 years-of-age or over 18 years-of-age, putting more nuance to the age and lifespan findings we have already reviewed in Figure 22 and Table 11. Second, the distribution of the number of WBO exits by years-of-age cohort (the red line in Figure 31) clearly shows that Italy's WBOs have had a higher propensity of exit within their first 15 or so years, but here we see more clearly that the peak years of exit for Italian WBOs is specifically between years eight to 11 after start-up, with a smaller spike of exists at year 4.

But there are two more significant findings that we can identify from presenting the data in this way. First wee see the roughly parallel patterns of firm age to exits after year seven and up to year 17. That is, in the years-of-age distribution and number-of-exits per year patterns between years seven and 17, we see an almost parallel number of WBOs existing and exiting for each years-of-age cohort. After year 12, however, the number of exits per years-of-age cohort is consistently less than the number of active WBOs (and is substantially less so after year 17), while the number of exiting WBOs in each years-of-age cohort decreases significantly in comparison to total WBOs per years-of-age cohort after year 17. This, yet again, highlights the finding we already came across several times: *the older the WBO firm the likelier it is to remain active*.

The most remarkable finding concerns the oldest WBOs. Firm exits per years-of-age cohort considerably drop after year 11; they go down to five or less firm exits per years-of-age cohort by year 12. Therafter there are never more than four WBO closures per years-of-age cohort up to year 30, going down to between zero and three closures per year cohort between years 18 and 26, and even off at an average of 2.4 exits per years-of-age cohort for firms surviving between 12 and 30 years. However, and most noteworthy, *only three WBO firm closures have been recorded after year 26 of activity*. That is, *of the 39 firms 27 years-of-age or older in our IRL database, 36 of them are still active*, making up more than half of the 60 still-active WBO-generated firms that were founded during the Legge Marcora I period. This finding complements and adds nuance to the survival rates and surviving WBOs from the Legge Marcora I period that we have been discussing throughout section 4.4.

From Figure 31 we can clearly see that, as with other studies of LMFs/WOFs, overall chances of exit decline with the age of WBO organizations (for similar results for other types of SMEs, see: Audretsch *et al*., 1999; Baldwin, Bian, Dupuy, & Gellatly, 2000; Ben-Ner, 1988; Freeman, Carroll, & Hannan, 1983; Pérotin, 1986; Wilson & Altanlar, 2014). However, Italy's WBOs show much older ages of mortality when compared to overall worker-owned firms in other conjunctures. Ben-Ner (1988), for instance, found that the age of mortality of UK worker-owned firms peak at age three. While in a study by Pérotin (1986, in Ben-Ner, 1988, p. 18), "the mortality rate of French [worker-owned firms] peaks at between ages three and five and declines afterwards" (Ben-Ner, 1988, p. 18). With these Italian WBOs, however, firm exits peak at ages eight to 11 and even off at an average of 2.4 exits per years-of-age cohort for firms surviving between 12 and 30 years.

Summarizing the growth and survivability of worker buyouts and future research. While the evidence we presented in this sub-section provides, we believe, compelling links between WBOs and their long-term survivability, more research needs to be conducted to factor in other elements that could be contributing to WBO firm survivability. For instance, the firms in our sample range over a multiplicity of manufacturing and business support sectors and therefore we cannot reliably test for sector-specific survival rates as Audretsch *et al*. (1999) did across Italian manufacturing sectors. Future research could, however, seek to layer in technological determinants to survival rate patterns for Italy's WBOs as Giovannetti *et al*. (2011) did in their study of innovation in Italian firms. On the other hand, the firms in our database are all homogenously worker buyouts of, in the main, formerly troubled capitalist businesses made up of firms with less-than 250 employees. We were, thus, justified to a certain extent in considering them as types of homogenous firms for our survivability analysis based on these two overarching factors. This sub-section thus measured survivability of WBOs as a specific type of firm - a once troubled capital-owned business converted to a worker-owned and labour-managed firm.

Regardless, to more fully understand the survival rates of Italian WBOs, future research could test for, via comparative firm econometrics and case study work, various factors of surviving WBOs to exiting WBOs, and between WBOs and non-WBO firms. Factors for comparison could include: the conditions of firms at conversion and start-up; start-up investment levels from workers' own resources and Legge Marcora-based provisions; business sector and market particularities; the technological capacity of larger WBOs vs. micro-enterprise WBOs relative to industry sector norms (i.e., the previously mentioned innovation factor); the level of managerial and industrial know-how of different types of WBOs; the entrepreneurial capabilities of worker-members; whether or not the number of workers at start-up makes a difference; the production networks that WBOs are involved with other firms (if any); and the variables related to economies of scale of larger vs. smaller WBOs and between WBOs and non-WBOs.

Summary of the demographic dimensions of Italy's worker buyouts

In section 4.4, we discovered that Italy's WBOs are either young firms that have been operating for five years or less, or older firms that have been in operation for over 16 years. We also detailed WBOs by age in the regions where they are particularly pronounced, congregating in the Centre and Northeast regions, and especially in Toscana and Emilia-Romagna, the heartland of Italy's Made in Italy districts and, we learned, WBOs. We also found a recent surge of new WBOs in the Islands with the use of the Legge Marcora framework to assist in ceding to workers property confiscated from the proceeds of crime, and a comparative rise in WBOs in the *Mezzogiorno* overall, in part at the expense of the WBO-intensive regions in the Centre and Northeast areas.

The demographic analysis in this section also pointed to very favourable lifespans and growth, closure, and survival rates for Italy's WBOs. Italian WBOs tend to have higher overall birth and growth rates than the average manufacturing firm in the OECD and especially in Italy, lasting longer as gauged by survival rates, and also experiencing peak years of mortality several years later than worker-owned firms historically have in other European countries. Our analysis in this chapter also underscored that age matters when it comes to the longevity of Italian WBOs: *the older the firm the higher propensity for it to survive several years more*.

Taken together, our findings on survival rates by age of WBO might also have some predictive importance for the future of Italy's new WBOs that have emerged since 2008. If Italy's newest WBOs can survive their first six to 15 years there is a good likelihood that they will survive some years thereafter. These findings could inform workers of WBOs regarding when to seek further financing or funding for capital re-infusions, and for institutional investors' decisions of when to provide further funding to WBO projects.

4.5 Conclusion

Chapter 4 reviewed the geographic, sectoral, and demographic realities of Italy's worker buyouts. We began by detailing how many WBOs have existed in Italy since the early 1980s as tracked by the IRL Database, most of which were WBOs financed and supported by the Legge Marcora framework, and pointed out the surge of new WBOs emerging in Italy in recent years as direct responses by workers to the lingering economic crisis in Italy. We also analysed in some depth these firms' age spreads, their size by number of employees, their sectoral specifics, and by their breakdown by active and inactive firms. We then assessed the territorial dimensions of WBOs that appear in our IRL Database, including their geographic concentration in and the location of "WBO business clusters". Finally, we looked at Italy's WBO's lifespans and survival rates (i.e., rates of openings and closings, and lifespan averages). We found ample evidence for the resilience of WBOs in times of crisis and how they positively fare long-term when compared to Italian SMEs in the broader manufacturing sector, and when compared to worker-owned firms more broadly. Overall, this chapter provides a fair amount of the evidentiary groundwork that will lead to the "seven pillars" (or main characteristics) for the emergence of WBOs that we will discuss in Chapter 6, contributing, we hope, to a broader understanding of the evolution and formation of labour-managed firms via worker buyouts.

In sum, the territorial and demographic analysis in this chapter highlights the possibilities of the WBO model for saving jobs and firms during times of economic crises and austerity and over the long-term. Their more-than respectable demographic trends and the territorial spread of Italy's WBOs across the country are perhaps surprising given that most WBOs - including those in Italy - emerge from troubled or failing firms. Workers engaging in WBO initiatives are challenged with restarting production in less than favourable circumstances, at times with depleted or antiquated machinery and reduced inventory, and with workers' needs for retraining regards administering and co-owning a firm as members of a cooperative. Indeed, the relatively long lifespans and low closure rates of Italian WBOs across the national territory attest to the robustness of business conversions to labour-managed and -owned firms. As we will show in survey and case study analysis of the organizational dimensions of Italy's WBOs in Chapter 5, rather than laying off workers or closing the shop during economic downturns, WBO-generated firms, as with other forms of workers' self-management, compel worker-members to secure their jobs and places of employment by committing to the health and wellbeing of their enterprises, by actively embracing democratic stewardship and governance of the firm, and even by temporarily reducing wages or sacrificing paying out year-end dividends or patronage refunds.

Chapter 5 - Organizational Dynamics and Types of Worker-Recuperated Enterprises in Italy

by Sara Depedri, Marcelo Vieta, and Antonella Carrano

5.1 Introduction

This chapter focuses in on the micro level of the firm, detailing some of the organizational dynamics of Italian WBOs in section 5.2, and the three major types of worker-recuperated enterprises in Italy via 10 illustrative case studies in section 5.3. This chapter helps to further accentuate our understanding of Italian *imprese recuperate* and their majority subset of WBOs. It does this via the testimonies and narratives of its protagonists from across the national territory. To do so, this chapter reports on emerging findings from survey research, interviews, and case study work we have been conducting with Italian WBOs, attempting to gauge some of the below-the-surface dimensions of the organizational structures and workplace dynamics of these firms while looking at the changes that these organizations go through before and after their conversions into worker cooperatives.

5.2 An Empirical Analysis of the Organizational Dynamics of Italian Cooperatives Emerging from Worker Buyouts

To assess the organizational dynamics of Italy's WBO-based *imprese recuperate* worker cooperatives, we designed and implemented a survey instrument for Italian worker buyout experiences. We did so in order to: (1) better understand the process of the conversion of a firm into a worker cooperative, (2) compare the firm before and after the buyout from the perspective of its workers and current management, and (3) delve into some of the organizational dynamics of these converted firms regarding their efficiencies, advantages, and challenges. Specifically, the survey protocol, made up of almost 100 questions, was structured as follows:

1. An overview of the transition from the previous firm to the recuperated cooperative.
2. The original conflicts, challenges, and subsequent supports leading to the opening of the worker cooperative.
3. The changes in the business's organization, activities, markets, and customer-base since recuperation.
4. The intricacies of the new, WBO-generated firm compared to the old firm regards the following areas:
    a. Members and employees.
    b. Work hours, working conditions, and worker wellbeing.
    c. Relations with unions and the cooperative sector.
    d. Processes of production.
    e. Revenues, profits, and financial situation of the firm.
    f. Governance and management.
    g. Democracy and transparency.
    h. Engagement with and impact on community (*territorio*).
    i. Learning and skills acquisition by members.

The survey initially had the objective of targeting as many Italian WBOs as possible in our IRL Database. Despite various contact attempts by us over the span of 18 months, and receiving a lower response rate than initially desired,[171] we secured completed responses from a total of 24 WBOs of different ages and economic sectors, offering a suggestive look into the dynamics of Italy's WBOs today.

The responses to our survey proved to be enlightening, providing us with qualitative and quantitative information on the buyout conversion process and the organizational conditions of a sample of WBO-generated cooperatives today. Thus, while an illustrative rather than a fully representative sample, the interpretation of the data offers us the ability to reflect on insights into WBO cases in Italy. Our survey sample includes 15 WBOs founded during the Pre- or Legge Marcora I periods, and nine WBOs arising after the 2001 reforms (for more on these periods see Chapters 2 and 3). One of the results of the survey is to begin to glean the organizational policies and practices that were implemented by the cooperative after the conversion process, allowing us to compare them to the policies and practices of the previous firm.

The size, age, and geographic distribution of the cooperatives in our survey sample is also diverse, helping to add nuance to the characteristics of the conversion process of Italian WBOs. While there is thus a range of cooperatives surveyed (different sizes and ages, different economic sectors, different geographic location), homogeneity is found in that they are all employee buyouts of formerly troubled capital-owned firms, and in that four out of five cases operate at the national level, as compared to a few who operate only on a regional or provincial level. This sample is thus suggestive of the scope of Italian WBOs and their business activities. With respect to size, 18% of responding cooperatives had less than 15 employees, while a quarter had more than 40, the rest falling somewhere within this general range. This follows to some degree the size distribution of Italian WBOs in our IRL Database as reviewed in Chapter 4. Finally, the sample is composed of one WBO cooperative that has experienced downsizing, six cooperatives in a growth phase, one that was in the start-up phase, and the rest were in a phase of business stability.

The path of business conversion into a worker cooperative

We begin by assessing the motivations for a worker collective taking on the path of transforming a firm into a worker cooperative. The conversion of firms in our sample - underscoring the "negotiated WBO" model prevelant in Italy (see Chapter 2 and section 5.3) - occurred in most cases without major conflicts between former owners or managers and employees, while five cooperatives did have some form of conflict or endured lengthy situations of strikes or lockouts. Most of the surveyed WBOs were previously *società di*

> *Following the main objectives of the Legge Marcora framework, the start-up funds received from institutional investors and other support organizations were used mainly for the purchase or repair of machinery, for securing the assets of the former firm, or for the general creation of the foundational share capital of the cooperative.*

[171] This was due to several factors, including: a lack of desire to participate by some WBOs we contacted due to a shortage of time to complete the questionnaire or an underestimation of the importance of academic research by some WBO administrators; the WBO not identifying with the cooperative sector or a "movement" of worker-recuperated companies or buyouts; and a lack of institutional memory of the process of conversion from some of the older WBOs we contacted. Taking a cue from the work of the Programa Facultad Abierta from the University of Buenos Aires in surveying Argentina's *empresas recuperadas* (ERTs) (Ruggeri, 2014; Ruggeri & Vieta, 2015), future survey research into WBO experiences would require a more personalized approach based on direct visits to WBO firms, or face-to-face interviews with WBO protagonists. While we did engage with some of the cooperatives surveyed in this manner, such an approach was beyond the budget of this phase of the *New Production and Worker Cooperatives and the Employee Buyout Phenomenon* project.

risponsabilita limitata business types (limited responsibility societies, SRL), and some of the surveyed cases had undergone some sort of restructuring before the conversion process to a cooperative. During the WBO conversion stage, employees that had formed a newco received financial support mainly from institutional investors such as Cooperativa Finanza Impresa (CFI) (see Chapters 2 and 3), as well as in some cases from mutualistic funds such as Coopfond (four cases). A quarter of the surveyed cooperatives were supported in the buyout/recuperation process by additional cooperative consortia and second level territorial organizations and federations Following the main objectives of the Legge Marcora framework (see Chapters 2 and 3), the start-up funds received from institutional investors and other support organizations were used mainly for the purchase or repair of machinery, for securing the assets of the former firm, or for the general creation of the foundational share capital of the cooperative.

Indicative perhaps of a space for further development in the Italian WBO process, only four of the surveyed cooperatives declared that their unions were intensely involved in the recuperation and buyout process; for the majority of the surveyed cooperatives their workers' representative unions were not involved during the conversion process even though the workers remained affiliated with their unions during and after conversion.

Reorganization of the business and the workplace

By comparing the previous company to the post-recuperation cooperative we can observe significant changes to the firm, including downsizing and restructuring as a consequence of the buyout, both perhaps inevitable given the general crisis situations of the original firms. Here, then, we can also identify additional areas that the Legge Marcora process might home in on to further support re-starting production and minimize the challenges that come with downsizing and restructuring.

A majority of the surveyed WBO-initiated cooperatives have changed some aspect of previous production processes, most tend to keep the same target-customer base, and those cooperatives that emerged from companies with substantial economic problems focus on forming production and marketing partnerships with other companies in their sector. In general, Italian WBOs go a long way to not only salvaging but at minimum somewhat improving on the productive capacities of these firms, while more than half markedly improved on the productive capacities of the previous firm.

To get a better grip on market competitiveness and for overcoming the previous business's situations of crisis, a majority of the surveyed WBO-initiated cooperatives have changed some aspect of previous production processes. For instance, some have invested in quality assurance mechanisms (seven surveyed co-ops) or have diversified or changed the characteristics of the goods produced (eight cooperatives), while two surveyed firms completely changed the products they now offer. Indicative of how widespread these diversification or quality assurance changes are for new cooperatives emerging from WBOs in Italy, only four surveyed co-ops maintained exactly the same production regime and product line as the previous firm.

On the other hand, our survey suggests that most WBO-generated co-ops in Italy tend to keep the same target-customer base; some keep their exact customer base while a smaller number have increased the variety and number of customers by purchase type. Moreover, and in line with the type of networked production regimes that exist throughout the Made in Italy regions where the majority of the WBOs we surveyed are located, with those cooperatives that emerged from companies with substantial economic problems the tendency is to focus on forming production and marketing partnerships with other companies in their sector, which was the case with eight surveyed co-ops. Interestingly, while in general the relationship with customers and partnering companies are based purely on economic exchange, two of our respondent co-ops stated that its customers were very positively influenced by the nature of the new company as a recuperated cooperative firm, while two others revealed the opposite effect where customers were more skeptical of the new cooperative and their recuperation/conversion history. Some of the nuances of these transformed production processes, business partnerships, and emerging customers are captured in our case studies in section 5.3.

Contributing to the evidence of the resilience of Italian WBO cooperatives detailed in Chapter 4, more than half of the cooperatives surveyed managed to eventually attain production and revenue levels significantly higher than the previous company had in the years leading up to the recuperation/buyout process. A quarter of the cooperatives underwent some sort of reorganization of business activities that saw them, at the time that the survey was conducted, operating at production and revenue levels below the previous firm. The remaining co-ops have retained, at minimum, the same production and revenue levels as the previous firm. These findings suggest that at least three quarters of Italian WBOs go a long way to *not only salvaging but at minimum somewhat improving* on the productive capacities of these firms, while more than half *markedly improved on the productive capacities of the previous firm*. These positive results were secured by their worker-members on the whole engaging in sound investments in new machinery and production processes, according to our respondent co-ops.

More than half of surveyed cooperatives achieved profits over the three years previous to the survey. This attests to the resilience and flexibility of these converted worker cooperatives as they seem to have been able to ride out the crisis by investing in new machinery and production processes while keeping labour costs at bay by adjusting salaries and member dividends rather than laying off workers.

Perhaps not surprising, the effects of the ongoing post 2008 crisis expressed themselves for Italian WBOs in the main in market circumstances located outside of the firm: Seven of our surveyed co-ops witnessed a substantial decrease in orders in recent years that at the time of the survey had brought on new challenges, while less than half of the surveyed cooperatives reported to not have achieved profits in the last three years, again indicative of the effects of the most recent economic crisis. But, looked at from another angle, more than half of surveyed cooperatives did achieve profits over the three years previous to the survey. Again, this attests to the resilience and flexibility of these converted worker cooperatives as they seem to have been able to ride out the crisis by investing in new machinery and production processes while keeping labour costs at bay by adjusting salaries and member dividends rather than laying off workers, in contrast with the practices of the previous firm (see the case studies in section 5.3 for further evidence of this).

Workers responded that they engaged in their WBO projects primarily to save jobs rather than for personal convictions or ideological reasons. Hence, the vital element in the conversion process is the very workers that have been involved in the WBO process. It is clear, however, that a substantial restructuring of the labour-base does inevitably take place with most Italian WBOs. Not surprising given the crises of the previous firm, three out of four of the surveyed cooperatives witnessed a substantial reduction in the number of workers employed at the new firm when compared to the previous firm. This reduction of the workforce is not negligible, consisting of a workforce in the new cooperative that is made up, on the whole, of less than half of the previous workforce. The reasons for the reduction of the workforce when compared to the previous firm are common in WBOs, as is also in evidence in Argentine, Uruguayan, and Brazilian *empresas* *recuperadas* (Henriques, 2014; Martí, Thul, & Cancela, 2013; Vieta, 2013, 2017). These reasons include: the lack of desire of some workers to engage in self-management for various personal reasons, some workers accepting new jobs before the WBO process (the case for seven of our surveyed Italian cooperatives), some workers taking unemployment or severance benefits, and some workers choosing early retirement.

However, an important caveat must be highlighted regarding workforce reduction. The exit of workers from the cooperative generally occurs via attrition and not, in general, due to the forced exclusion of workers from the new cooperative. For instance, only five of our surveyed co-ops decided to actively limit the number of worker-members in the new cooperative for reasons of business restructuring. Half of the sampled co-ops reported that some workers decided not to become members of the new cooperative for fear of the excessive commitment that this involves or for the perceived "economic uncertainty" that affects the sector, or because they consider the proposed work to not be satisfactory. We briefly introduced these reasons for worker exit before and during a WBO process in Chapter 3, again also in evidence to some degree with South American *empresas recuperadas* (Vieta, 2013, 2017). Here, too, we see a clear area where the Legge Marcora provisions and the efforts of WBO support organizations could do more to minimize the further loss of jobs during and after the WBO process by ensuring the stability of salaries for workers and perhaps even introducing additional educational outlets and supports for learning new managerial and cooperative skills (see the Chapter 6).

Importantly, however, WBOs tend to - and overwhelmingly so - *not* create further unemployment *after* the buyout. Rather, the overwhelming tendency is for the new cooperative secure employment for incumbent workers and eventually *generate employment* long term, as evidenced by all of our case studies in section 5.3. In some instances, for example, the new cooperative might decide to hire new professionals or specialized workers to fill the gaps left by exiting specialists and managers of the previous firm prior to the buyout (five of the surveyed cases), or possibly eliminate some management or administrative positions that were present in the old firm and instead take on new worker-members with similar skill sets (five surveyed cases). Again, in the literature and in other examples from around the world, these models of workforce restructuring are not uncommon among WBOs (Jensen, 2012; Paton, 1989; Ruggeri & Vieta, 2015; Vieta, 2013, 2017). To some extent workers engaging in a WBO must inevitably adapt their employment levels to stabilize their business, particularly at the beginning of the process and especially given that most emerge from already troubled firms (Vieta, 2013, 2017; also see Chapter 3). However, the main takeaway here is that our findings point to the tendency of cooperatives emerging from WBO processes to not create further unemployment once the cooperative is formed. Over time and on aggregate, Italian WBOs experience net employment stability after recuperation and even some job growth when they enter the expansionary stages of their development, as also witnessed in other jurisdictions with worker-recuperated and worker-owned firms (Artz & Kim, 2011; Burdín, 2014; Burdín & Dean, 2009; Fournier & Vázquez, 2007; Rosen & Klein, 1983; Ruggeri, 2010; Vieta, 2017).

Our findings point to the tendency of cooperatives emerging from WBO processes to not create further unemployment once the cooperative is formed. Over time and on aggregate, Italian WBOs experience net employment stability after recuperation and even some job growth when they enter the expansionary stages of their development.

Fairly stable micro-economic scenarios, workplace security, and workers' wellbeing

The evolution of the surveyed worker cooperatives over time and their overall stable economic situations have had positive impacts on workers. Generally with our surveyed cooperatives, job satisfaction was high. Not only is there good job stability in terms of job contracts and seniority, but the WBO-generated cooperatives in our survey have grown significantly over time (except of course for those who are still in the start-up phase or that have recently launched, although even here their overall future outlook is positive). Very frequently, new cooperatives emerging from WBO processes not only recruit new workers in the open market, but also tap into family or friendship networks for new hires, putting in evidence the "intra-firm social networks" that distinguish Italian WBOs and that we described in Chapter 4. Some cooperatives (although only six of the total surveyed co-ops) have also sought to guarantee to workers the continuation of certain norms and privileges from the previous firm, such as the carry-over of previous contracts and accumulated severance pay and seniority. Moreover, working hours, as with Argentine *empresas recuperadas* (Vieta, 2013, 2017), tend to now be more flexible in order to respond better to the personal needs of workers, to build solidarity between workers, and to entice otherwise exiting workers to stay with the new cooperative. On the whole, most of the surveyed cooperatives have kept employment contracts and working hours relatively unchanged or have improved on the previous firm's practices.

> *The evolution of the surveyed WBOs over time and their overall stable economic situations have had positive impacts on workers: job satisfaction is high, job contracts are stable, and WBO-generated cooperatives tend to grow significantly over time. Moreover, the tendency is to either increase wages when compared to the previous firm or to keep them the same, and, at times, when significant profits permit it, cooperative members tap into supplemental salaries in the form of bonuses, dividends, or patronage refunds (*ristorni*).*

When looking at the overall wage policies of the surveyed firms, the tendency is to either increase wages when compared to the previous firm or to keep them the same: just over a quarter of the surveyed cooperatives increased wages subsequent to the buyout/recuperation, a quarter kept them the same as the previous firm, and 20% reported that they had, due to economic circumstances, decreased wages compared to the previous contractual situation. Additionally, many of the surveyed co-ops resorted to supplemental salaries in the form of bonuses, dividends, or patronage refunds (*ristorni*), at times linked to production levels. On the whole, current wage policies still generally follow common practices of the specific sector of the firm, including how they handle overtime wages. Other than additional bonuses linked to production levels, we found in our survey, however, very few innovations in how wages are handled for workers in Italian WBO co-ops, such as across-the-board salary parity as one of our authors identified as a trend in Argentina's *empresas recuperadas* (Vieta, 2010, 2013, 2014a, 2017). With Italy's WBO-generated cooperatives, rather, their innovation for workers seems to rest with giving them both contractual security in the wake of increasing precariousness in the broader Italian job market, and physical security in the workplace. These were aspects of workplace security that all of our surveyed cooperatives reported to have invested in.

Linked to this emphasis on contractual and workplace security, a majority of our surveyed co-ops self-reported an overall satisfaction of workers with their job situations in the cooperative: While ten cooperatives reported that worker satisfaction was medium-to-low (scores 1 to 3 on a scale from 1 to 5), the rest reported that their workers' satisfaction with their jobs and levels of job security is medium-to-high (scores of 4 and 5). Overall, the most likely response from our surveyed cooperatives here was that its workers understand that the cooperative model strives for their general welfare (average agreement of 4 on a scale from 1 to 5).

More democratic workplaces

In this final part of section 5.2, we advance some reflections on the organizational dimensions of WBO-generated worker cooperatives, homing in on their cooperative structures, democratic constitution, and corporate governance.

Focusing first on the distribution of revenues, we find that policies concerning the application and distribution of profits are very heterogeneous, influenced not only by necessities dictated by Italian cooperative legislation on how to handle revenues and reserves (see Chapter 3), but also by the particular sectoral situation that each worker cooperative finds itself in. Some of the cooperatives we surveyed tend to distribute profits to its worker-members via bonuses, dividends, or *ristorni* as much as possible and as allowed by Italian cooperative legislation, some decide to accumulate excess reserves and strategize more long-term (taking into account more junior and future worker-members and the continuation of the cooperative), some accumulate reserves only within the limits of Italian cooperative law, while others accumulate more than the required reserves only during profitable economic years.

New, more participative firms seem to emerge out of the WBO process. A promising number of WBO-generated cooperatives have included a double- or even triple-bottom line reporting mechanisms. In addiiton, most of our surveyed co-ops report that communication with employees is clear, open, and democratic; that WBO co-ops hold numerous company-wide assemblies with an average of three per year; and that they practice company-wide decision-making open to the entire membership of the cooperative. Moreover, members, our respondents report, have full ability to take up administrative positions or take seats on the cooperative's administrative board, while managers and professionals are mostly identified and recruited from the worker cooperative's membership base.

Second, we find a promising number of WBO-generated cooperatives have included a double- or even triple-bottom line reporting mechanisms, with 61% of the surveyed co-ops including a social report within their annual reports, 30% reporting their environmental impacts, and two cooperatives generating sophisticated social impact assessment systems. These additions to reporting policies for these worker cooperatives show innovative advances when compared to the practices of the previous firm and evidence a serious take-up of the cooperative model by workers that have gone through a WBO process.

Third, economic democracy seems to be alive and well in Italy's WBO-based worker cooperatives; new, more participative firms seem to emerge out of the WBO process. Most of our surveyed co-ops report that communication with employees is clear, open, and democratic, with all employees informed of the cooperative's by-laws and company regulations. Most of the surveyed co-ops also claimed to hold numerous company-wide assemblies with an average of three per year, which is well above the required annual general assembly. Indeed, virtually all of our cooperative respondents reported some degree of participation of all members, while 11 of the cooperatives we surveyed declared the participation of all members at their annual assembly, a noticeable rate of involvement considering the voluntary nature of participation. Moreover, the practice of company-wide decision-making open to the entire membership of the cooperative is also quite high. On the whole, new democratic governance mechanisms see, overwhelmingly, the deep involvement in decision-making of at least a quarter of the cooperative worker-members and even non-members in some of the cooperatives we surveyed.

Collectively taken decisions most often only require the approval of the board and are restricted only in the sense that they are open to members with a minimum of experience in the cooperative (the latter was the case for 15% of the cooperatives surveyed). Moreover, members, our respondents report, have full ability to take up administrative positions or take seats on the cooperative's administrative board, while the general assembly of workers enjoy various checks-and-balances authority over decisions made by the board. Often (in about 50% of our surveyed co-ops) the administrative board must consult with the general membership before making important decisions, while the relationship between the board and members was most usually considered always good or excellent.

Lastly, managers and professionals are mostly identified and recruited from the worker cooperative's membership base; only two cooperatives in our sample had brought in external professionals, managers, or executives. The relationship between managers and the board and managers and the membership base is also reported to be very good with much continuous communication and exchange taking place.

In short, these democratic governance practices suggest a deeply invested take-up of workplace democracy and collective self-management in Italian worker cooperatives that have emerged from WBOs. This overall finding seems to be in contrast to some non-WBO Italian worker cooperatives where, according to Webb & Cheney (2014), non-member workers can outnumber member-workers. If, as workplace democracy expert Paul Bernstein (2012) has proposed, the first necessary component for a fulsome workers' democratic control of a firm is a combination of "the *degree* of control employees enjoy over a single decision, the *issues* over which that control is exercised, and the organizational *level* at which it is exercised" (p. 47), it seems that Italian WBOs are in actuality playing a strong role in transitioning formerly capital-managed and hierarchical businesses into robustly democratic labour-managed and -owned firms.

5.3 Three Types of Worker-Recuperated Enterprises in Italy as Viewed Via Ten Case Studies

As we documented in Chapter 4, there has been a spike in new worker-recuperated firms in Italy in recent years, especially in conjunction with the recent economic and financial crisis of 2008 (see Figures 14 and 15 in Chapter 4). In addition to the continued prevalence of what we called "negotiated WBOs" in Chapter 2, new forms of employee-led workplace conversions that do not strictly follow the institutional path of the negotiated WBO have also emerged in Italy over the latest years of crisis and austerity, revealing some similarities to the worker-recuperated enterprises of Latin America.

The 10 brief case studies presented in section 5.3 serve to illustrate the main typologies of worker-recuperated enterprise in Italy. We group these case studies into three overarching categories, highlighting the three main types of Italian *imprese recuperate*:

1. WBO processes emerging from businesses in crisis.
2. WBO processes emerging from business conversion without the presence of crisis.
3. Non-institutional workplace takeovers emerging from company crisis, conflict, and workers' occupation of the property.

The majority of Italian *imprese recuperate* are of the "negotiated WBO" variety and fall into the first two categories. These are the WBO processes we defined and described in detail in Chapters 2 and 3. A fairly new group of workplace conversions in Italy arising in recent years in response to the ongoing economic crisis and austerity are akin to "labour conflict WBOs," characterizing the third category. In reality, firms falling within this last category are, while certainly *imprese recuperate dai lavoratori* (or worker-recuperated enterprises), not technically WBOs in the sense of the "negotiated WBO" definition in Chapter 2. Rather, they are *workplace takeovers* by former employees and other community stakeholders and are thus more akin to Argentina's *empresas recuperadas*; in these cases, while the previous firm might not have yet been *bought out* by workers, workers and other community stakeholders have restarted some form of production at the former firm's facilities under collective self-management.

The 10 brief case studies of Italian WBOs that follow serve to further illustrate, qualitatively, the subtleties and nuances that we presented quantitatively in section 5.2 and in Chapter 4. These 10 case studies begin to add a dimension of lived experience to Italy's *imprese recuperate* and detail some of the micro-economic and micro-political dynamics that have shaped the formation of Italy's worker-recuperated firms to date.

For six of these ten case studies, we engaged in interviews with one of the head administrators of the firm via telephone or site visits.[172] Data for all of the case studies were also gathered using various sources, including: reviews of company websites, newspaper clippings, cooperative apex federation and institutional investor resources and accounts, as well as information gathered from the Italian Camera di Commercio (Chamber of Commerce).

WBO processes emerging from businesses in crisis

Scalvenzi Società Cooperativa

www.scalvenzi.it

Founded as a cooperative in July 1982 and located in the Municipality of Pontevico, Province of Brescia, Lombardia, Scalvenzi Società Cooperativa was one of Italy's first worker buyouts, pre-dating the Legge Marcora legislation (L. 49/1985) by three years. Indeed, the early experiences of Scalvenzi made it one of the WBOs that would inspire and pave the way for the later formulation of the Legge Marcora framework.

The period of crisis for the Fratelli Sclavenzi family business, founded over 150 years ago as a manufacturer of agricultural machinery, began when a deep micro-economic downturn engulfed the firm by the late 1970s and early 1980s. The motivation to take over the firm for a group of its employees arose at the time from their fear of losing their jobs after the real possibility emerged that the troubled business could be sold off to speculators. Convinced that they could continue production and overcome the difficulties related to a severe crisis that had tightened its grip around the entire field of agricultural machinery production in late '70s and early '80s, a group of Scalvenzi workers began experimenting with the idea of establishing a worker cooperative and taking over the control and management of the firm. In 1982 Cooperativa Scalvenzi was founded from out of its employees' one-and-a-half year occupation and eventual real estate purchase of the Fratelli Scalvenzi plant. During this period the workers would also benefit from the assistance of the Province of Brescia and two local consultants and cooperative advocates, Felice Scalvini and Nanni Pagnoni.

Though the workers were initially unable to raise the necessary resources to buy out the firm outright, eventual contributions by local institutions were crucial in completing the worker buyout. With no supportive framework resembling the Legge Marcora privions in place at the time to facilitate the worker buyout, the founding group would eventually decide to start a new cooperative under the legal form of a *società per azione* (SpA, or a shareholder cooperative

[172] These six include: Scalvenzi, Arbizzi, Fenix Pharma, Ericina, Ri-Maflow, and Officine Zero.

company, see Chapter 3) and pursue a real estate purchase solution, eventually seeing the founding members go on to acquire the property that had been under the control of the liquidator. In many ways, the experiences of Scalvenzi were influential for the eventual formulation of the Legge Marcora framework. As former president of the cooperative, Nerina Carlotti, related to us in 2012: "We invented the process of taking over and buying out the former firm on the fly, in the heat of the moment. Afterwards, our experiences contributed to the Marcora model".[173]

Equally important in later stages of the occupation and the eventual buyout would be the interventions of both Confcooperative and Legacoop, which in addition to providing support to the new cooperative would also go on to accompany it in subsequent years through a continuous business monitoring program. Despite this, the new cooperative was unable to overcome the crisis that continued to face the agricultural machinery production sector during its first years. Given this, by 1988 the Scalvenzi workers decided to take a new road and diversified production by purchasing 10% shares in Tecneco, a manufacturer of waste compactors and containers. The following year the Scalvenzi cooperative purchased Tecneco outright and has since abandoned the agricultural machinery market to focus on producing trash compactors and containers exclusively for the ecological services and waste management sector. The company has become in the ensuing decades one of Italy's most respected producers of waste compactors, stationary presses, and equipment for urban waste and transfer stations with a client-base that includes municipalities and other customers throughout Italy.

Currently, the company has 43 employees, 32 are worker-members of the cooperative and seven are also *soci sovventori* (subvention investment members, see Chapter 3). A fair number of Scalvenzi's member-workers have been at the firm for a number of years, some having helped build the cooperative since the 1980s or early 1990s; at the time of our visit to the cooperative in April of 2012, a handful of its founding members were still actively working at the plant. Scalvenzi's overall workforce is made up of members from the town of Pontevico and surrounding municipalities in the Province of Brescia, with a notable number of immigrant workers from other European countries, and a group of workers that have been at the cooperative for many years. To prevent a generation change crisis and related losses to business activity at the firm, Nerina Carlotti, the president of the cooperative at the time of our visit, had earlier spearheaded the purchase of 25,000 square meters of land just outside of Pontevico for the cooperative's main offices and production site, while also changing the name from New Scalvenzi to Scalvenzi Società Cooperativa in recent years.

Today, production amounts to about 400 compactors per year. To enable this level of production, the company has had to outsource some activities to local manufacturers while also building partnerships with the waste management firm NordEngineering and the vertical compactor manufacturer Bramidan. Scalvenzi has thus been influential in sustaining employment opportunities beyond its own shop to other local metalwork and waste recycling companies, demonstrating it to be strongly rooted and committed to the local Brescian economy. In 2014, and due to a new crisis in the waste management sector stemming from the 2008 recession, Scalvenzi had sought further financing support from institutional investors under the Legge Marcora provisions to sustain its production levels and expand into new markets.

[173] Also see Facci (2013) for similar comments.

Art Lining Società Cooperativa

www.artlining.com

Art Lining Società Cooperativa is located halfway between the cities of Parma and Reggio Emilia in the Municipality of San Ilario D'Enza, Province of Reggio Emilia, Emilia-Romagna in one of Italy's major WBO business cluster corridors that we identified in Chapter 4. Art Lining Società Cooperativa was founded in 2008 from out of the closing of Lincra SRL, a leading manufacturer of interiors for men's ties. The demise of Lincra was rooted in a series of bad investments that adversely affected the company's financial stability, which was exacerbated by fierce competition from the Chinese textile industry. This situation of increased competition from foreign manufacturers is not unusual for a firm such as Lincra, affecting thousands of firms across Italy over the past few decades and hearkening back to one of the major reasons for the shrinking of the Italian manufacturing sector suggested in Chapter 2. In March 2008, Lincra entered into bankruptcy proceedings, formally declaring bankruptcy in September of that year.

An obvious shock to Lincra's employees, many of them would, in futility, attempt to subsequently find alternative employment during a historical moment increasingly burdened by the impact of the international financial crisis in the Italian economy. Given this situation, and with a good dose of sheer determination, a group of employees would eventually go on to explore the possibility of keeping the firm afloat. Fortunately for them the company had maintained a good customer portfolio, including brands like Armani, Tom Ford, Ferragamo, and Ermenegildo Zegna. Armed with the solidarity and commitment of a group of employees and this intact customer base, 11 former workers of Lincra SRL (almost all women) would eventually decide to establish a cooperative, buy out Lincra SRL, and continue in the textile activity that has allowed them to build on their professional qualifications and commercial and administrative experience.

An early case of a Legge Marcora II WBO, as part of the WBO process each of the remaining employees invested 10,000 euro in the buyout, of which 6,500 euro derived from advances on their unemployment insurance as per the provisions of the Legge Marcora framework. The remainder of the initial financing was obtained through a 5% reduction of salaries. Collaboratively, members of the new worker cooperative would raise 120,000 euro, which was doubled thanks to the timely intervention of Coopfond (Legacoop's *fondo mutualistico*, see Chapter 3). A case of an Italian WBO not funded by CFI, the institutional investors assisting the Art Lining cooperative would eventually include Legacoop's Reggio Emilia branch's Financial Consortium for the Development of Cooperatives (CCFS)[174] and additional contributions from Confocooperative. With this starting capital the cooperative was able to buy out the Lincra business, and soon after the former company's property, facilities, and equipment.

Administering a 3,000 square meter modern plant with a flexible, fully computerized, and just-in-time CAD design system, today's production facility includes a full fabric warehouse, two automated drafting lines, and two cutting machines able to work cotton and wool fabrics. Since the buyout, the intention of Art Lining's worker-owners has been to continue to work as a cooperative, hoping to again reach the commercial successes that had characterized the company during the 1990s. As of this writing, they were well on their way to achieving this goal.

[174] Consorzio Cooperativo Finanziario per lo Sviluppo (http://www.ccfs.it/) (see Chapter 3).

Infissi Design Società Cooperativa

www.infissidesign.eu

Infissi Design Società Cooperativa was established in the Municipality of Carpineti, Province of Reggio Emilia, Emilia-Romagna in August of 2011 in order to rescue Ferri SRL, a family carpentry business originally focused on manufacturing frames for doors and windows of various types. Infissi Design is, like Art Lining, another WBO from the Bologna-Parma WBO business cluster corridor.

Between 2003 and 2005, management errors, internal differences, and over-extended investments (such as the construction of the building where the business activity is still based) contributed to an economic crisis at Riccardo Ferri SRL, the original firm. By 2004, Riccardo Ferri SRL was failing to contain mounting losses. This pushed a group of owners, including brothers Mauro and Stefano Ferri, to found a new firm, Ferri SRL from the purchase of Riccardo Ferri SRL, signing a lease on the property in which business activities were carried out. In 2006, the Ferri brothers implemented a scheme to reorganize production and were able to achieve positive results by 2008, during which the company was provided a further 300,000 euro infusion of capital by Park SpA, a private sector financing company, in order to consolidate the financial restructuring of Ferri SRL. This intervention, however, was only able to temporarily hold off the effects of the emerging financial crisis on the company's real estate value, which saw the firm enter a new period of problems compounded by a decline in sales and a significant increase in the percentage of outstanding debts. This resulted in further losses on its financial statements and an economically untenable situation. Although the company tried to respond in 2009 and 2010 through another round of reorganization, on 15 June 2011 work at Ferri was halted.

Despite these mounting difficulties, the remaining Ferri family owners and the firm's employees refused to give up. An example of a WBO collaboration between former owners and employees, in mid 2011 three Ferri family members (Stefano, Mauro, and Mauro's son David) along with seven employees of Ferri SRL constituted a cooperative newco in order to reorganize the company, receiving assistance from Legacoop Reggio Emilia. Through the provisions of Legge Marcora, the employees of Ferri each contributed 15,000 euro from their *Trattamento di fine rapporto* (TFR) and unemployment benefits (see Chapter 3), reaching an initial share capital contribution of 121,000 euro, which was doubled by the contributions of Coopfond. In addition, the former Ferri family owners contributed their own funds since they did not have access to TFR and unemployment insurance benefits, available only to waged workers. The conversion of the firm into the cooperative was completed by the second half of 2011 when the cooperative newco bought out and replaced the Ferri SRL target company. Today, Infissi Design Società Cooperativa, works in collaboration with various companies in the doors, windows, and blinds sector while continuing to produce its Ceppo SpA brand of garden houses. Moreover, it also managed in recent years to begin to build energy efficient homes via its New Home brand, certified by Climate House of Bolzano.[175]

While, according to CFI, Infissi Design had entered a period of difficulites in recent years caused by the continuing crisis plaguing Italy, this case serves as an illustration of a collaborative effort over many years between employees and owners. Infissi Design's worker buyout process is what we can also call a "hyrid buyout model," seeing its employees work with former owners to rescue the firm and restart it as a worker cooperative. From a business perspective, its WBO process has thus benefited from a substantial amount of continuity with the previous administration, property and assets, customer base, and marketing strategy.

[175] See http://www.agenziacasaclima.it/it/casaclima/1-0.html.

D & C Modelleria Società Cooperativa

www.decmodelleria.com

D & C Modelleria Società Cooperativa emerged as a collaborative negotiated worker buyout project in 2010 from the bankruptcy of Modelleria Quadrifoglio SRL, a foundry in the Municipality of Vigoderzene in the Province of Padova, Veneto. Like Infissi Design, D & C is another example of a WBO partnership between former owners and employees.

Established 30 years ago via the initiative of four owners of an industrial building, Modelleria Quadrifoglio was sold in 2006, along with all its production installations, to Marc Gestioni SRL, a management and holdings firm. The ownership of the property, however, remained in the hands of the four former owners (two of them still work for D & C Modelleria today). In 2008, Modelleria Quadrifoglio employed 16 people and had a turnover of around 2 million euro. While still solvent for most of 2008, Modelleria Quadrifoglio's troubles had arrived by late 2008 with the negative effects on its market share from the growing macro-economic financial crisis.

At the beginning of 2009 the company was sold to an Egyptian entrepreneur who immediately proved to be incompetent in managing the business. For five months the new owner failed to pay employees and subsequently forced the firm into bankruptcy proceedings. In agreement with their trade union, the employees eventually decided to follow closely the ensuing bankruptcy, which was eventually declared by the Court of Padova on 20 May 2010. Throughout this period in 2009 and the beginning of 2010, the employees continued to strategize next steps with their trade union in collaboration with Legacoop Veneto, eventually arriving at the idea of buying out the firm and restarting activity as a worker cooperative. After ten months of economic, financial and production feasibility studies, on 8 June 2010, twelve former employees of Modelleria Quadrifoglio constituted a newco, naming it D & C Modelleria Società Cooperativa.

The founding workers secured initial share capital via advances on their unemployment insurance and their *Trattamento di fine rapporto* (TFR) severance, which totalled around 300,000 euro. They also managed to gain the financial support of three customers who had maintained good relations with the workers, and received further funding and consultancy support from CFI and from four other cooperatives belonging to Legacoop Veneto who decided to support D & C as *soci sovventori* (see Chapter 3). Two of the four former owners of the target company would also subsequently become members of the cooperarative, with one of them eventually become the president of the cooperative. On 2 August 2010, the worker-members entered into an agreement to lease a branch of the former company for six years with an additional six-year option at an annual fee of 43,000 euro, with a purchase option at the end of the term. Four days later, on 6 August, the worker-members of the new cooperative resumed the activities of the former firm, which includes design, production, and maintenance of industrial patterns for foundries.

As in most worker buyouts, the beginning for the D & C experiment was not easy. By the time the workers were set to take over the firm, for instance, the bankruptcy court trustee had already cancelled contracts with the firm's utility providers, resulting in the workers receiving a plant without electricity, water, and natural gas. The worker members also found it necessary to shrink salaries to the minimum required by their contracts. Although initial costs incurred were numerous, D & C managed to close the first year of business as a worker cooperative (2010) with a balanced budget. By 2011, D & C already had a turnover of more than 1 million euro, which has been sustained since in spite of the continuing economic crisis affecting Italy.

Fenix Pharma Società Cooperativa

www.Fenix Pharma.it

Fenix Pharma Società Cooperativa, located in Rome, is a unique WBO: It is likely one of the only worker cooperatives in the world that has been successfully formed out of the buyout of a branch plant of a pharmaceutical multinational.[176] Moreover, the closure of the original plant was not due to a financial crisis, per se, but was rather rooted in the corporate dealings and offshoring decisions of Warner Chilcott, one of the world's largest pharmaceutical multinationals.

Fenix Pharma was originally an Italian branch plant of Warner Chilcott, an American-based pharmaceutical giant with $2.7 billion in revenue. In 2009 Warner Chilcott purchased Procter & Gamble's prescription-drug division, Procter Pharma, for $3.1 billion. A few months later, Warner Chilcott's shares would increase from $16 to $21 per share. Facing the expiry of its osteoporosis drug patent in 2010, however, and the inevitable decrease in the medication's price and thus profits from its prescription drug business, the company decided to capitalize and streamline its prescription drug division. As a result, in 2011, the multinational would permanently end European activities, suddenly laying off 500 employees including more than 151 positions in Italy.

Not all of its former Italian employees would go away quietly, however. In September 2011, five former managers of Warner Chilcott's Italian branch plant decided to reorganize and take over the activities of the Roman firm, founding, together with a group of ex-employees, Fenix Pharma Società Cooperativa. Today the cooperative consists of 41 workers: three managers of the former plant who continue to manage Fenix Pharma, 31 pharmaceutical representatives, five area heads, and two administrative staff who are not cooperative members. In order to facilitate the start-up of the new cooperative, the 39 full cooperative members decided early on in the WBO process to create a new contract with themselves in a plan that would gradually increase their wages over time. For the WBO purchase, each employee contributed 10,000 euro, providing the cooperative with 390,000 euro of capital, to which was added more than 125,000 euro in interest-free loans, made possible by five of the founders, and an additional 340,000 euro from the other 34 members. In addition, CFI and Legacoop's Coopfond also contributed to the start-up, providing an additional sum of financing equalling 500,000 euro, of which 300,000 euro came from Coopfond.

The size of the initial capital investment into the newco was crucial in the beginning, used to fund the acquisition of licenses, equipment, inventories, and promotional operations. Today, Fenix Pharma's business focuses on the production of medications for the treatment of joint pathologies, especially osteoporosis, arthritis, and joint degeneration (in a continuation of the firm's speciality when owned by Warner Chilcott). From the beginning, the newco's workers were conscious that the WBO process would be difficult given the capital-intensive nature of the pharmaceutical productions industry. Even though the use of medication against osteoporosis in Italy, with its aging population, has increased by over 80% in recent years, risedronate, a drug used for the treatment of bone disease that had been very profitable for Warner Chilcott, had by the time of the buyout become a generic product. This has consequently decreased the price of the drug, making it impossible for Fenix Pharma to achieve the multinational's former profit margins. Despite this, the new company billed for 2,500,000 euro in 2012 and 5,000,000 euro in 2013, demonstrating a

[176] While the takeover of a branch plant of a multinational is unusual for WBOs, there are some cases around the world. France's Fralib in Gémenos, for instance, emerged as a result of the takeover and worker buyout of a branch plant of the multinational Unilever (see www.multinationales.org/Claiming-victory-against-Unilever). Our next case study, Idealscala, is another example.

successful first case of a pharmaceutical sector worker buyout in Italy (and perhaps the world). Since then, Fenix Pharma has not only managed to survive in a very competitive market filled with larger and more powerful competitors, but also managed to save jobs and achieve healthy returns.

Ceramiche Idealscala Società Cooperativa

www.idealscala.org

Like Fenix Pharma, Ceramiche Idealscala Società Cooperative also emerged from a former branch plant of a multinational, Ideal Standard. Ceramiche Idealscala is a case of a WBO project in process by a group of ex-employees of the multinational's former plant in the Orcenico neighbourhood of the Municipality of Zoppola, Province of Pordenone, Friuli-Venezia Giulia. What distinguishes Ceramiche Idealscala from the other case studies presented here is that it is still a WBO in the making, allowing us to witness the nuances of a WBO project being created; its legal situation as of this writing (mid 2016) had not yet been settled.

Ceramiche Idealscala Società Cooperativa is the worker buyout project of former employees of the Orcenico branch plant of Ideal Standard, a multinational ceramics product manufacturer managed since 2007 by the global investment firm Bain Capital Partners. Up to late 2013, Ideal Standard had three production sites in Italy located in the Municipalities of Orcenico; Trichiana in the Province of Belluno, Veneto; and in Roccasecca in the Province of Frosinone, Lazio. Ceramiche Idealscala was created as a newco by former employees of the Bathing & Wellness division of Ideal Standard after the Orcenico works was closed and its 384 employees were made redundant in late 2013. As of May 2016, 270 of them were still without employment (MessaggeroVeneto, 2016). This closure was part of Bain Capital's broader business restructuring strategy for Ideal Standard, seeing it move parts of its Western European operations to cheaper labour markets in Eastern Europe and Asia, an undertaking it had been engaging in between 2011 and 2013.

The Ceramiche Idealscala cooperative newco was founded in May 2014 by 18 Orcenico works employees desiring to save their jobs. Since then they have managed to garner much support from the local community and the interest of local and national media. In an early savvy move by the founding workers, assisting them in earning the support of the local community, they chose to name the new cooperative "Idealscala" as symbol of the union between past and present.[177]

In order to build the internal organization of the new cooperative, the founding members elected early on a president, a vice president, and a board of directors consisting of five members. Soon after, the cooperative members set out to form the newco, begin the process of detaching the Orcenico plant from Bain Capital, and start on the path towards buying out and managing the Orcenico works independently. While challenges in finalizing the WBO project still persist, given their years of collective experience the Idealscala workers report being confident that they have the skills and knowledge necessary to self-manage the firm. As they still negotiate the transfer of the property to their control, the 18 founding workers, together with their local union, have also been attempting to save an additional 200 jobs for the new cooperative's workforce.

Desiring to complete the objective of the WBO, the new cooperative immediately began to foster working relationships with various local and national institutional and social actors. On 22 July 2014, at just a few minutes to midnight (at which time Ideal Standard would have had the power to formally lay off the 399 employees indefinitely), the workers signed an agreement with the

[177] When the original firm located in Orcenico started business it was called Scala and became an important industrial player during Italy's economic boom after World War II in Friuli-Venezia Giulia. It was later bought out by Ideal Standard.

Italian Ministry of Labour in the presence of Debora Serracchiani, the President of the Friuli-Venezia Giulia region. This agreement was spread over three documents.

The first document was the formal request by the employees of the Orcenico works to access their *Cassa integrazione guadagni straordinaria* lay off benefits (CIGS) (see Chapter 3), which was to be used by the Idealscala workers to sustain themselves during the ensuing WBO negotiations. Specifically, the agreement granted them five months of CIGS from June 1 to October 31, with the possibility of an extension for another two months until December 31, 2014. The granting of the CIGS was made possible by the actual establishment of the Ceramiche Idealscala cooperative newco as the workers' mark of good faith, showing their desire to restart manufacturing operations at the Orcenico plant under self-management.

The second document stipulated the treatment of workers' claims on unemployment benefits (i.e., *Indennità di mobilità*) and their renunciation of future benefits claims. In total, the process of these advances on unemployment insurance provided for:

1. 30,000 euro for each employee leaving Ideal Standard before the end of August 2014;
2. 20,000 euro for each employee leaving before the end of September; and
3. 10,000 euro for each employee leaving before the end of October.

The third document presented an agreement between all the parties. Unlike the previous two documents stipulating the terms of involvement between the workers and the state in regards to lay off and unemployment insurance, this third document stipulated the reciprocal commitments between Ideal Standard/Bain Capital and the workers' trade union, specifically underscoring that Ideal Standard would support the creation of the Ceramiche Idealscala worker cooperative. According to this third document, it was agreed that multinational would by mid October 2014 decide on the parts of the business that would be transferred from Orcenico to the other two locations in Trichiana and Roccasecca and the assets that would remain at Orcenico. At this point, and supported by the two signed ministerial agreements, the workers of the newly formed Ceramiche Idealscala cooperative began to challenge details of Bain Capital's asset relocation plans. Their challenges were based on several points concerning the most feasible way that Ceramiche Idealscala would be able to initiate a viable business plan for the WBO and secure their future production capabilities. As of this writing, these negotiations were still being worked out via the mediation of the bankruptcy court.

By May 2015 new challenges had emerged in the WBO negotiations as the legal issues between Ideal Standard/Bain Capital and Ceramiche Idealscala had yet to be fully resolved. These challenges included ongoing disputes between Ideal Standard/Bain Capital and Idealscala regarding the use of the plant and the final sale price of molds, machinery, and the Senesi brand to the co-op. Conducted at a bankruptcy court in Milan, parties at the negotiation table included representatives of the multinational and Confindustria, Idealscala workers and their union, and representatives of Confcooperative. By the end of the first semester of 2015, negotiations were still ongoing. Local newspapers have recently reported that personal difficulties have begun to mount for the workers because they have been prevented from engaging in production during this extended period of asset allocation negotiations (MessaggeroVeneto, 2015).

Cooperative Idealscala's road to becoming a self-sustaining worker co-op is still under construction. While its future yet to be decided, the unwavering support of the local community, the Municiaplity of Zoppola, the regional government, the provincial and regional press, and the Italian cooperative movement, seems to have gone a long way in finally securing the eventual start of production as a worker cooperative. Throughout the buyout negotiation process, for instance, the cooperative movement apex federation Confcooperative has been giving full support to the Idealscala project, "believing strongly" in the workers' proposals and in the conditions for the completion of the WBO project. Since its founding as a worker co-op, participation in the cooperative has been an open affair, with the continued involvement in the buyout negotiations by ex-explOyees, the Municipality of Zoppola, the regional government, and community and cooperative experts. By May 2016, the Idealscala workers had finalized a co-production business plan that was set to launch in September 2016. The plan comprises the phased-in inclusion of up to 30 former employees of the former Orcenico plant of Ideal Standard for "the development of products for the decoration of interiors and exteriors and bathroom fixtures" using the recyclable Dulver construction material (MessaggeroVeneto, 2016, par. 1). The business plan also includes forming a partnership with the Swiss company that holds the trademark rights to the Dulver material and with other marketing firms. Should this project and the finalization of the WBO ultimately succeed, Idealscala will be vital not only for the wellbeing of its workers, but also for the future of the Zoppola community and for the preservation of local jobs.

WBO processes emerging from business conversion without the presence of crisis

Arbizzi Società Cooperativa: A case of business succession

www.arbizzi.it

Arbizzi Società Cooperativa is not a typical case of a WBO emerging from the failure of a company. Rather, it emerged as a negotiated conversion plan between Arbizzi's ex-owner and its employees for the voluntary transfer of the company. Arbizzi serves as a case of business succession due to the retirement of the former owner, and is thus an example of the second type of WBO emerging without conflict between the former business owner and employees, and without the presence of economic crisis.

Arbizzi Società Coopprativa was founded on 26 June 2014 in the locality of Corte Tegge, Province of Reggio Emilia, Emilia-Romagna, when a group of 18 employees of Arbizzi SRL signed the cooperative's constitutive act in the presence of a notary and the firm's former owner, along with a lease contract to continue operations at the plant. Recognizing that Arbizzi's staff were the primary holders of the operational skills and knowledge which they had learned and earned during their years of working at the firm, the former owner decided to pass the baton to Arbizzi's managers and employees in lieu of an alternative succession plan for the company.

Originally founded in 1997 as Arbizzi SRL by Emilio Arbizzi, Arbizzi Società Cooperativa has continued the business of the former firm, producing and marketing industrial packaging materials. By the time of the workers' acquisition of the firm, Arbizzi had a turnover of around 10 million euro per year, and a net worth of more than 2 million euro. The company also had approximately 3,000 customers from Emilia-Romagna and Lombardia and has had a long run of consistent annual profits beginning well before the conversion.

All of the 18 former employees of Arbizzi SRL continue to work at the cooperative, 16 of them becoming the worker-members of the new cooperative. The WBO model used for transferring Arbizzi to its employees includes a six-year lease-to-own plan, similar to D & C Modellaria (see above). This period was defined based on the capacity of the new cooperative to reach financial equilibrium as a cooperative and to facilitate the complete acquisition of the company by its worker-members after the lease term expires.

To start the cooperative, its 16 worker-members invested a total of 80,000 euro in start-up capital, each contributing 5,000 euro. To this was added 120,000 euro of capital subscribed by the former owner, Emilio Arbizzi, as a *socio finanziatore* (financing member, see Chapter 3), who no longer has an active role within the co-op. The transaction also involved financing from CFI and Coopfond, who added 120,000 euro and 300,000 euro of capital respectively. Arbizzi Società Cooperativa thus began operations on solid footing, with more than 600,000 euro of capital financing, a management scheme consisting of a six-person board of directors appointed from among the worker-members, a supervisory board, a strong brand which the workers of the new cooperative chose to keep and continue to market, and a sound customer base.

Calcestruzzi Ericina Libera Società Cooperativa: A conversion of a business confiscated from the proceeds of crime

www.calcestruzziericina.it

The experience of Calcestruzzi Ericina Libera Società Cooperativa, a cement manufacturer and recycling plant in the Municipality of Trapani, Province of Trapani, Sicily, is another case of a business conversion via property transfer without the usual type of micro-economic crisis that has been increasing in recent years. Instead, Ericina Libera (Free Ericina) is unique in that it was created and developed from the increasingly used model of transferring businesses confiscated from the mafia to employees. Over the past two decades, this type of business conversion has been made possible by Law 109/1996, which legislates the social repurposing of confiscated crime-based assets for community use that we mapped out at the end of Chapter 3, and that is increasingly being applied in conjunction with the provisions of Legge Marcora. To date, it is one of the three such cooperatives that has emerged in the Province of Trapani, which is becoming a WBO business cluster of formerly mafia-owned businesses transferred to worker ownership and control.[178]

Beginning operations in 1991, to outsiders and even to its workers, the original Ericina seemed like any other company producing concrete and construction materials. But by July 1996, five years after it began production, the business was placed under investigation and put under state administration by the Prefecture of Trapani. At the time, according to the president of the co-op we interviewed, Giacomo Messina, the eleven employees of Ericina were surprised by what seemed to them to be a situation emerging from out of nowhere. Through the ensuing investigation, Ericina's employees would eventually discover that the firm had been controlled by the local mafia boss, Vincenzo Virga.

In 2000, under the auspices of L. 109/1996, Ericina would become the property of the Italian State. But this was not to be a simple seizure and sell-off of Ericina's assets. Rather, deploying the terms permitted by L. 109/1996, the state authorities began to consider the possibility of transferring the company directly to its employees in a unique WBO process, now also facilitated by Legge Marcora provisions, that has been taking off in Italy in recent years (see Chapter 3). Between 2000 and the founding of the cooperative in 2008, the firm was managed via the intervention of judicial authorities. During this period, however, the economic situation of the company was less than ideal given the obsolescence of the property and machinery, making it difficult for the Ericina employees to effectively re-start full production. Already by the mid 2000s it was evident that the firm would need assistance in refurbishing its production assets in order to complete its full transfer to its employees.

Many actors have intervened in first converting Ericina into a state-administered enterprise and, more recently, into a worker cooperative: the Prefecture and the Public Prosecutor of Trapani; the NGO Associazione Libera and its president, who supported the workers especially in the process of cooperative conversion; the Legambiente environmental society, whose intervention was vital in starting the environmentally sensitive conversion of production; and, as we show below, Legacoop, Unipol Banca, and Unipol Gruppo Finanziario. These state, civil society, and

[178] Documented in our IRL Database, conversions of firms formerly owned by mafia interests using Legge Marcora and L. 109/1996 provisions in the Province of Trapani (a particular hotbed of mafia-owned business activity) included as of 31 December 2014: Ericina, the olive oil products manufacturer Terramia, and the meat products manufacturer COGEST. Also located in Sicily, another such business transfer of a former mafia-owned business to workers is the supermarket Progetto Olimpo.

cooperative sector actors managed to create a strong coalition and enabling environment for the Ericina workers, supporting their long struggle to reactivate and fully self-manage the Calcestruzzi Ericina plant.

Before Ericina would become a cooperative, its workers, the state, the civil society organizations Ericina was working with, and its co-op sector partners decided that a complete restructuring of the plant would be necessary, both to upgrade depleted machinery and assets, to retrofit the firm to meet stringent environmental standards, and to enable the plant to recycle used construction materials. To do this, in 2004 the employees of the then state-controlled Ericina SRL responded to a public call from the Region of Sicily together with some European Union funding in which they presented a proposal for the corporate restructuring and refurbishment of the plant. The Ericina workers would go on to win the public call and received funding for approximately 2.5 million euro, which was used between 2004-2009 to retrofit and modernize the plant. The project involved the construction of a high technology facility, including capabilities to recycle waste from construction and building materials. The new facilities were designed in cooperation with Legambiente and became the first cement plant to meet these standards in Italy's *Mezzogiorno*.

With the issue of corporate restructuring and facilities refurbishment settled, the last remaining hurdle was to raise additional funds for the conversion of Ericina into a new worker cooperative. While six out of the 11 Ericina SRL employees were able to use advances of their *Trattamento di fine rapporto* (TFR) contributions (see Chapter 3) to raise 450,000 euro, the funds were not sufficient to complete the conversion. The coalition of institutions involved with Ericina would assist one more time and worked with the employees to raise 1.1 million euro in additional public financing to complement the workers' contributions. The workers also managed to increase the initial capital by seeking out debt financing. While initially no bank was willing grant them a loan, eventually, after some research, and with the support and the guarantees offered by the Associazione Libera and Banca Unipol, the Ericina workers were able to secure a loan of 700,000 euro and an additional 259,000 euro in debt financing thanks to the intervention of the municipality of Trapani.

In 2008, with the funds in place and with the assistance of Legacoop, Calcestruzzi Ericina Libera Società Cooperative was formed by the former emlpoyees of Ericina SRL. Today the cooperative includes 13 workers, seven of whom are members of the co-op made up of the six founders and a newer member who is now the environmental engineer of the firm. Ericina's board of directors consists of five cooperative members and two non-members, including the judicial administrator of Trapani (who had an important role to play in securing the final debt financing) and an industry management expert. In February 2009 the new Ericina plant was finally inaugurated, and on 11 June 2011, the national agency responsible for goods confiscated from organized crime, ANBSC,[179] officially entrusted the plant to the new Calcestruzzi Ericina Libera cooperative workers.

The path of Ericina's conversion from confiscated mafia assets to a cooperative, has, in sum, not been and easy one. In addition to the long process involving multiple stakeholders, the Ericina workers had for many years been subject to sabotage attempts by the mafia clan who had formerly controlled the business as it repeatedly tried to reclaim ownership of the company via various nefarious methods. In no small way, the diligence and support of the Trapani judicial administrator, who had followed the case closely since the beginning, made it possible to thwart these attempts. Today, the challenges for the Ericina workers continue in a construction market that, in spite of attempts to clean up corruption and mafia influence, has been "tainted" by the "*malavita*" (underworld), as Messina, the president of the cooperative, told us. This, however, has not deterred the Ericina workers and their vision for the future. And, for the first time in their

[179] Agenzia Nazionale per l'Amministrazione e la Destinazione dei Beni Sequestrati e Confiscati alla Criminalità Organizzata (see Chapter 3).

history, Ericina achieved a profit in 2014. Inspired by this, the Ericina workers now have plans to expand operations by restructuring and refitting another plant that is located on the nearby island of Favignana. The idea is to create a small concrete industry on Favignana to complement Ericina's already existing storage facility there, which would provide a sustainable concrete manufacturer on the island that would directly address the high costs of transport. Together with other similar ideas for the short- and long-term, the Calcestruzzi Ericina Libera cooperative has, in short, a very positive vision for its future, as its workers have directly contested its long and troubled history and created a viable community-centred worker cooperative.

Non-institutional workplace takeovers emerging from company crisis, conflict, and workers' occupation of the property

Ri-Maflow Società Cooperativa Onlus

www.rimaflow.it

The non-profit, community-focused Ri-Maflow Società Cooperativa, located in Trezzano sul Naviglio near Milan, diverges from the more usual Italian case of a negotiated worker buyout illustrated by the previous eight case studies. Instead, Ri-Maflow is an exemplary "labour conflict WBO" that we outlined in Chapter 2, with similarities to the experiences of Argentina's *empresas recuperadas*. Ri-Maflow is a case that marks a growing trend with business conversions in Southern Europe with the stubborn continuation of the effects of the Great Recession and austerity on a growing number of SMEs and working people. Ri-Maflow and Officine Zero (which we detail next) help to illuminate the third type of business conversion that has been emerging in recent years in Italy: non-institutionalized workplace takeovers emerging from company crisis, conflict, or workers' occupations of businesses in trouble. In the case of Ri-Maflow, the former employees of the original firm physically occupied the building and directly faced off with its former owners and the Milanese bankruptcy court, managing to radically transform the firm from a manufacturer of vulcanized rubber hoses for air conditioners, vehicle power steering, and transmissions into a new community-oriented productive space that also serves as a site for social and cultural initiatives.

The history of Ri-Maflow begins with the original business, Murray SRL, founded in 1973 in Trezzano sul Naviglio. Murray SRL would go on to become in its hey-day one of Italy's leading suppliers of power steering, brake, clutch, and fuel delivery components for automobile manufacturers and later also of air conditioning components for cars. In 1999, the company was purchased by Manuli Rubber Group and changed its name to Manuli Automotive Components SpA. In 2004, a division of Manuli, Maflow SpA, was sold to a private equity fund, Italian Lifestyle Partner, for 150 million euro. In 2007, at the height of its expansion, Maflow had transformed into a global company with 23 plants located throughout the world. Despite this apparent prosperity, however, in 2007 the Court of Milan declared Maflow insolvent, with debts of around 300 million euro. By 2009 it was placed under receivership, and by July of that year it came under court administration. After a year and a half of "extraordinary administration," in which the company lost more than half of its customers, a Polish entrepreneur purchased Maflow but kept only 80 of the 320 employees on the payroll at the Trezzano sul Naviglio plant, laying off the rest of the workers.

The laid-off employees, after having taken their unemployment benefits, decided to wage a rather unique campaign for recuperating their place of work. Working collectively, the laid off workers first attempted to recover the lost orders, especially from Maflow's BMW contract which had moved its supplier base to Germany. Their hope was that recovering these clients would encourage the company to re-hire them. Unsuccessful, the workers reconvened and began to discuss the real possibility of starting a new cooperative where they would be able to use their skills and experience in a new line of work, deciding to focus on the recycling of electrical and high tech waste materials. They also decided, rather boldly, to physically take over Maflow's Trezzano sul Naviglio complex, which was in the process of closing after several failed financially speculative manoeuvres by the previous ownership and with no new owners lined up once the Polish entrepreneur who had last purchased the firm was diagnosed with a terminal illness. By December 2012, the Polish entrepreneur decided to close the firm definitively, at which time the workers moved in to occupy the factory.

On 1 March 2013, the laid off workers established a non-profit cooperative, Ri-Maflow Società Cooperativa Onlus, and, via funds from their own savings and the support of the community, began to refurbish the plant, converting operations into a recycler of electrical and computer equipment. Inspired by similar experiences with the *empresas recuperadas* of Argentina (see Vieta, 2010, 2013, 2014a, 2017), and taking on a socio-political ethics against financial speculation and in support of more environmentally sustainable production activities, they also decided to open up the shop to other community-based economic initiatives with the help of community members from across the Milanese territory. Today, these micro-enterprise initiatives within Ri-Maflow include a computer repair and recycling shop, organic food production, a second-hand market, a popular gym, a rehearsal room for community events, and a theater, all managed cooperatively and communally by its workers and community stakeholders and administered via weekly workers' assemblies. Taking on the slogan of "*Reddito, Lavoro, Dignità, Autogestione*" ("Income, Work, Dignity, Self-Management"), the cooperative is now a vital centre of community production in Italy's Northwest that actively promotes and practices what it terms "the other" social and solidarity-based economy. In the process, the Ri-Maflow workers have tapped into the spirit of Italy's older social centre movement as well as experiments with workers' control and self-management in Argentina. They have especially embraced the Argentine notion of "*la fábrica abierta*" ("the open factory"), which they often use to describe their self-managed project (see Vieta, 2014a).

Deciding early on out of conviction to not affiliate with the traditional Italian cooperative movement (nor have they yet tapped into the Legge Marcora provisions), the Ri-Maflow workers have instead opted for a self-provisioning model where the various community-based business activities self-finance workers' salaries while engaging in a growing local community economic model. They have also decided to govern themselves collectively, opting not to be constrained by what they characterize to be the vertical model of governance of traditional cooperatives (i.e., board of directors, specialist administrators, managers, etc.). Instead, the Ri-Maflow workers have chosen an "open membership" and decision-making model rooted in regular assemblies and open and direct democracy.

Officine Zero

www.ozofficinezero.org

At the same time that the Ri-Maflow workers were organizing and struggling to reclaim their workplace, the experiment know today as Officine Zero emerged in Rome's Casalbertone neighbourhood, close to the Tiburtina railway station. Not yet a cooperative, Officine Zero represents another unique case of a non-institutionalized workplace takeover and workers' self-management. In the case of Officine Zero, the recuperation of the former train maintenance yard did not take place exclusively at the hands of ex-employees of the former firm. Rather, it was carried out by a small group of former employees, a larger group of community activists, and other precarious workers from across Rome.

Officine Zero was born out of the closure of Officine RSI (Rail Service International SpA) when the collective of ex-workers and community stakeholders decided - in the wake of the ongoing financial crisis and a dearth of alternative job prospects - to occupy the space of the former RSI rail yard and restart a community-based production project. Located on several acres of prime real estate just off of one of the major rail lines into Rome, RSI had been responsible for servicing the night trains of Italy's national rail system, Trenitalia. RSI entered into financial crisis when Trenitalia decided to invest almost exclusively in high speed trains, abandoning the cheaper and less-lucrative night trains. At the same time, and in the wake of growing austerity, the crisis of RSI was heightened with the trend across Italy's state sector to outsource services to reduce costs to Italy's public coffers.

Already by 2006, the growing tendency for outsourcing and the subsequent loss of business induced the sale of the RSI rail yard to a holding company with mainly construction interests, the Dutch Tonard Finance BV, which in turn is owned by the Barletta Group. The lack of experience in train service by the Dutch holding company led to bad management at RSI in the ensuing years; although RSI continued to take on new orders, the company stopped purchasing adequate materials and began to leave orders unfulfilled. After several months under these conditions, the RSI workers' stopped receiving salaries, leading to layoffs and a halt to production. In 2010, the company decided to close the rail yard and placed its 59 workers - 33 metallurgical employees and 26 transport specialists - on *Cassa integrazione guadagni straordinaria* lay off benefits (CIGS, see Chapter 3). The workers would face further indignities when they ended up not receiving part of their CIGS because the holding company failed to present the required documentation to the National Institute for Social Security (INPS, see Chapter 3).

On 20 February 2012, and with mounting bills and family sustenance needs to meet, the 33 metallurgical workers occupied the factory. During this phase, the workers were joined and supported by activists of the neighbouring social center, Strike. Together, the resisting workers and the Strike activists eventually established a plan from which to restart production again at the RSI site. Rechristened Officine Zero (alluding to "zero exploitation" and "zero bosses") the proposed worker- and community-led project was presented to the Municipality of Rome on 1 and 2 June 2012 and would subsequently involve the conversion of the RSI workshops (which still includes several abandoned train wagons) to a multipurpose community production centre. To date, Officine Zero has managed to stay open and even thrive despite its members' continued struggles against eviction threats from state authorities and disputes over the use of the property with the property's former owners, liquidators, and land speculators.

In the ensuing years, Officine Zero has become, like Ri-Maflow, a diverse and hybrid community production and work-integration enterprise (see Chapter 6) consisting of multiple participants and initiatives, including many contractually and contingently employed and precarious workers from the information and cultural sectors, such as web designers, coders, and programmers. As well, a handful of the ex-employees of RSI who decided to stay proposed and spearheaded the idea that the skills relevant to train maintenance could be re-deployed in provisioning socially useful goods. Since then, Officine Zero has transformed into a community-centred and -managed facility that has taken on a multipurpose production model, including a craft-based metal, textile, and woodworking shop; an electronics recycling initiative (with a pending licence from the local government to handle toxic components); a co-working space for self-employed "knowledge economy" workers, known as CowOz; a free and self-managed student housing complex called Mushrooms; a community kitchen; and public meeting space that often hosts numerous community-based how-to workshops, conferences, and gatherings. Moreover, Officine Zero is also the headquarters of the newly formed union for precarious, contingent, and self-employed workers called the Camere del Lavoro Autonomo e Precario (Chamber of Autonomous and Precarious Work, CLAP).

Like Ri-Maflow, Officine Zero was inspired by the experiences of Argentina's worker-recuperated enterprises, the concept of the "open factory," and the emergence and promotion of an alternative, solidarity-based economy. Also like Ri-Maflow, the worker- and community-recuperated Officine Zero is not a traditional factory or formal cooperative, nor has its emergence followed the more usual trajectory of Italian WBOs. Officine Zero, instead, is collectively managed by its multiple stakeholders in an open and directly democratic format; it is self-managed not just by the remaining RSI employees, but also by contingent workers, precarious contract workers, and community activists from across the city of Rome. Moreover, its bottom-up organizing structure is rooted in and draws inspiration from a long tradition of self-management of abandoned buildings and communal spaces throughout Rome which has made the city itself a unique laboratory of self-managed projects of all types (Cellamare, 2008, 2010).

5.4 Conclusion

This chapter has cast light on the micro-level dynamics of Italian WBO-based worker-recuperated enterprises, observing their organizational dynamics and their processes of conversion. In section 5.2, we reported on results of a survey of WBO projects emerging during both Legge Marcora periods, comparing and contrasting the firm before and after conversion to a cooperative. Section 5.3 engaged in case study work, focusing in on Italy's three types of *imprese recuperate* via 10 brief and illustrative case studies. Throughout, we attempted to gauge for some of the below-the-surface organizational structures and dynamics of Italian worker-recueprated firms, and the varied intricacies of conversion.

General organizational dynamics of Italy's worker buyouts

Overall, our survey sample of still-active WBOs reported on in section 5.2 revealed that firms emerging from WBOs in Italy are stable economically and organizationally and take their cooperative responsibilities seriously after conversion. Most surveyed WBO cooperatives reported having grown substantially in their production, markets, and employment after the recuperation of the firm. While the recent economic crisis has brought challenges for Italian WBOs, the majority were able to overcome the crisis by investing in new machinery and production processes while keeping labour costs at bay by adjusting salaries and member dividends. Reconverting their production to some degree, the majority of sampled WBOs managed to improve their productive capacities when compared to the previous firm and some have formed production and marketing partnerships with other companies in their sector. With salaries generally paralleling their sectors' standards and with job security for members top of mind, Italy's WBOs tend to strive to guarantee workers' wellbeing over profit maximization. Finally, Italy's cooperatives emanating from WBOs practice solid democratic governance structures.

The three types of Italian worker buyouts

Section 5.3 overviewed the three types of worker-recuperated enterprise in Italy via 10 illustrative case studies.

WBO processes emerging from businesses in crisis is the main type of worker-recuperated enterprise in Italy. Our six case studies of this type of WBO ranged from one of the first WBOs of the early 1980s, Scalvenzi, to one of the newest and still emerging WBOs, Idealscala. These six case studies helped nuance the lived experiences of a negotiated WBO, shed light on the key stakeholders in the conversion process, and served to illustrate the scope of possibilities and challenges faced by WBO projects across Italy.

WBO processes emerging from business conversion without the presence of crisis is the second type of worker-recuperated firm in Italy. To illustrate this type, we included two cases. The first, Arbizzi, is an example of a negotiated business succession WBO where the firm is voluntarily transferred from the owner to its employees. The second, Ericina, is a promising Sicilian case of a worker cooperative that emerged from property confiscated by the state from the proceeds of crime and that was subsequently ceded to its employees. Ericina illustrates the increased use of the Legge Marcora framework in conjunction with other Italian legislation for repurposing productive assets seized from criminal activity for community use.

Non-institutional workplace takeovers emerging from company crisis, conflict, and workers' occupation of the property is the third type of worker-recuperated enterprise in Italy. Through the cases of Ri-Maflow in Milan and Officine Zero in Rome, we saw that firms falling within this category are akin to Argentina's *empresas recuperadas*, with more intense struggles in the conversion process characterized by shop floor conflict and property takeovers by workers. Technically, it could be argued that these are not actually WBOs since the previous firm was not (or has has not yet been) *bought out* by workers. More accurately, they have been *taken over* or *occupied* by former employees, are distinguished by heavy community involvement in the takeover, and, as in the case of Officine Zero, are marked at times by continued struggles over the firms's property between ex-employees and community groups and former owners, liquidators, or state authorities.

This last category of business conversion in Italy offers up a complex set of both possibilities and challenges for workers and communities desiring to directly take on economic crisis and the effects of continued neoliberal austerity. This third type of conversion experience is earmarked by situations of legal and financial limbo as workers and community groups engage in ad hoc processes of recuperations. They rely more on social and political legitimacy for the takeover of the former firm, such as claiming that the function of a productive entity should be returned to the commons in order to provide broader community wealth and decent jobs rather than privatize profits. Hence, these types of firms are also closely related in Italy to the social centre phenomenon, where community assets are taken over and self-managed by broad coalitions of community partners (Pusey, 2010). They also suggest that the results of a business conversion can be the creaton of hybrid forms of work-integration enterprises, which should offer up rich sites for future collaborative research on and proposals for community-based enterprises. We touch on these possibilities in the concluding chapter.

CHAPTER 6 – CONCLUSIONS, IMPLICATIONS, AND FUTURE RESEARCH

The aim of this report has been to better understand the process of worker-initiated business recuperations and conversions in Italy by homing in on its worker buyout (WBO) phenomenon supported by the country's strong cooperative development enabling environment. Italy's framework for WBO formation - the "Italian road to recuperating enterprises" - is one of the most unique in the world, deploying on the whole a negotiated WBO model that has proven to be a comprehensive yet flexible, customizable yet collaborative approach to saving jobs and businesses between workers, the state, and the cooperative sector.

As we reviewed in several chapters of this report, the path that employees take to convert troubled businesses are varied. At times these conversions take place as negotiated employee buyouts, such as in the majority of cases in the Italian context. At other times they unfold as more dramatic workplace takeovers by workers during moments of high conflict on shop floors, as with the two final Italian case studies in Chapter 5 and with Argentina's *empresas recuperadas* (Chapter 2). Worker-led business conversions are, at the same time, influenced by national and regional contexts; the culture and practices of labour organizing and cooperativism; the degree of support from unions and cooperative federations; the economic policies in place; the legal frameworks that assist (or prevent) such conversions; and the level of knowledge of conversion or succession solutions on the part of workers, experts, and the legal and political system.

This report has sought to better understand these contexts and the organizational particularities of converted firms emerging from WBOs. We have done so by deploying a multiperspectival analysis of Italy's WBOs at a macro- and political economic level (Chapters 2 and 4), at the micro-level of the organization (Chapter 5), and through a detailed assessment of the policy and legal frameworks that support worker-recuperated firms and WBOs (Chapters 1 and 3). In short, this report has thus offered a detailed overview of the main features and characteristics of Italy's processes of business conversions to cooperatives; the varied legal and financial supports available, including its Legge Marcora (Marcora Law) framework; and the overall trends and organizational dynamics of the labour-owned firms that emerge.

In this final chapter we conclude the report with an overview of the seven main pillars, or characteristics, of Italian WBOs, offer several hypotheses regarding the lifespan patterns of Italy's WBOs, recommendations for strengthening policy, and discuss some of the implications and openings for future research suggested by this report.

6.1 Seven Pillars of Italy's Worker Buyouts

We begin these final reflections by summarizing the overall discussion and analysis of this report via the seven main Italian pillars (or characteristics) of its WBO phenomenon. These seven pillars help to both crystalize the emergence of WBOs in Italy and complement and contribute to the literature on the emergence of labour-managed firms. We unfolded these characteristics throughout Chapters 3, 4, and 5. Taken together, these seven pillars, grounded in comprehensive Italian cooperative development legislation and policies; its Legge Marcora funding framework; and its collaborative approach between workers, the state, and the cooperative sector, have provided fertile soil for the re-emergence of WBOs in Italy in recent years.

Italy's WBOs are rooted in a strong policy and financing enabling environment

The first and foremost characteristic that distinguishes Italy's experiences with worker buyouts is its myriad supports for creating new cooperatives from firms in trouble, grounded in its Legge Marcora framework (L. 49/1985). This framework is undergirded by a robust policy and financing environment for facilitating business conversions of troubled firms to cooperatives and rests within a broader base of cooperative, business, and labour legislation. Without such an enabling environment the record shows that there will be much less propensity for the widespread take up of the WBO solution. Under the auspices of the Legge Marcora framework, its subsequent reforms, and the related legislation, norms, and cooperative practices that support it, Italy's worker-recuperated firms are, on the whole and as we showed in Chapters 2, 3, and 5, "negotiated WBOs". Noted for its collaborative approach, the "Italian road" to workplace conversions provisions policies and supports for workers in companies at risk of closure via three broad notions and practices:

1. a *right-of-first refusal for employees* seeking to buy out companies in crisis and that are undergoing liquidation or bankruptcy procedures;
2. the use of *workers' own entrepreneurial initiative and resources* for investing in new cooperatives, including the possible use of *lump-sum payments of appropriate unemployment benefits* to employees of closing firms intending to convert their employers' businesses to work-generating cooperatives; and
3. *saving jobs and productive capacity* via the formation of cooperatives while *minimizing undue burdens to the state's budget*.

WBOs emerge out of economic downturns and market difficulties

Macro-economic downturns or market difficulties open up the possibilities for WBO cases. Such is the case in Italy, as well. WBOs, as with worker cooperatives that emerge *de novo*, tend to be countercyclical, arising and growing in numbers in times of crisis and stabilizing or diminishing in growth rates in times of economic stability. The ample evidence we found for this characteristic in our findings, analyzed at length in Chapters 2 and 4, converges our research with the literature on the emergence of labour-managed firms. As we outlined in Chapter 2 and detailed empirically in Chapter 4, the overall Italian economy over the past 20 or so years, especially its manufacturing sector, has witnessed a steady decline. This has negatively affected, in particular, smaller, more volatile and lighter industrial and craft-based firms, especially in the Made in Italy manufacturing regions. Moreover, more and more Italian workers have been impacted negatively by the increased loss of workers' rights and job security after the neoliberal labour and economic policies of the 1990s and 2000s, evidencing also a marked rise in temporary, contingent, and contract work and, in more recent years, a deepening of structural unemployment. Collectively, these macro-economic factors make WBOs more attractive to workers facing unemployment, especially given the rising socio-economic barriers to finding alternative work in Italy today.

WBOs emerge within some degree of inter-firm and territorial networks

Given the right conjunctural contexts, there is an increased propensity of SMEs to convert to labour-managed firms when they are situated to some degree within *inter-firm networks*, such as those in the tightly networked Made in Italy industrial districts. SMEs in geographic situations found in the Made in Italy regions seem to be more prone to consider the WBO option when other known firms in their territory or networks have done so, which has also been noted of the *empresas recuperadas* in Argentina and WBOs in Canada, which also tend to cluster (Quarter & Brown, 1992; Ruggeri, 2010; Ruggeri & Vieta, 2015). As we detailed in Chapter 4, what we termed "WBO business clusters" in Italy can be found, for instance, in the provinces of Firenze, Ancona, Rome, Padova and in a corridor between the provinces of Parma and Bologna. According to Ben-Ner (1988), this familiarity with other known instances of WBOs "enhances the possibility that [worker-owned firms] will be considered an option […] and reduces […] establishment costs related to the [otherwise] scarcity of the [worker-owned firm] form of organization" (p. 22).

WBOs emerge in labour-intensive sectors

WBOs tend to form in *labour-intensive sectors made up of high-skilled workers* rather than capital-intensive ones with a low-skilled workforce. Such is also the case with Italy's WBOs. Their "small size, simplicity of the production process and ability to follow a product through completion are prominent" and reduce the need for large amounts of capital which further lowers entry costs (Ben-Ner, 1988, p. 24). As we illustrated in Chapter 5, labour-intensive SMEs also prove to be an ideal firm size for labour-managed firms when fully operational, especially when worker-members need to respond quickly to production or market fluctuations by, for instance, varying salaries or adjusting production inputs and outputs. Indeed, this size factor taps into the competitive advantage of the SME-sized labour-managed firm, enabling these firms to be nimble enough to quickly alter production decisions should they need to, such as in situations of market or financial troughs when, for example, the solidarity of the workforce must be drawn on to reduce salaries or change product lines. The survey and case study evidence from our work thus far in Chapter 5 begins to point to this characteristic. This characteristic also aligns with similar characteristics in Argentina's *empresas recuperadas* (Ruggeri & Vieta, 2015; Vieta, 2012a, 2013, 2017).

WBOs emerge with workers having relative geographic and sectoral immobility

WBOs will tend to form with a *workforce profile of relative geographic and sectoral immobility*. Again, the Made in Italy regions are known for their firms' labour-intensive, craft-based, inter-connected, and skilled production processes, usually employing dedicated workers with specific skill-sets that are not easily transferable to other jobs outside of their economic sector and with long-held commitments and social embeddedness to their local situation, where most workers also live (Becattini, Bellandi, Dei Ottati, & Sforzi, 2003; Beccattini & Dei Ottati, 2006). Workers in WBO firms in Italy also tend to have low-mobility propensities and strong commitments to their localities and existing social networks. These characteristics are typical for Made in Italy firms where they are often situated within smaller parts of an intricate inter-firm production process, and located within industrial districts consisting of tight networks of SMEs. As we showed in Chapter 4, this is the case, for instance, with WBOs that have emerged in the footware and leather manufacturing districts of the Province of Ancona, the metallurgical shops of Padova, the varied specialty manufacturing firms of Toscana and Emilia-Romagna, or in the services-intensive SMEs found in Rome. In these craft-based occupations, workers tend to have low-mobility propensities and strong commitments to their localities and existing social networks (Amatori, Bugamelli, & Colli, 2011; Lazerson & Lorenzoni, 1999; Piore & Sabel, 1984). These factors, we hypothesize, make workers more receptive to the idea of a WBO. In other words, WBOs tend to be initiated by workers with careers heavily invested in these types of occupations and sectors, and with lives strongly rooted in the localities where they live and work. These are factors that, again, outweigh the risks for engaging in a WBO. Our case studies in Chapter 5 also served to illustrate these propensities.

WBOs emerge with some degree of intra-firm social networks

Our case studies in Chapter 5 further illustrated how WBOs tend to emerge within *strong intra-firm social networks* with a workforce that has forged strong bonds of solidarity on shop floors. SMEs are small enough to have fostered workplace solidarity amongst members considering a WBO and to best "meet members' demands for participation" (Ben-Ner, 1988, pp. 23, 25). In turn, member participation is stimulated by the camaraderie that emerges within the workforce from having gone through crisis moments together (Vieta, 2014a, 2017). Indeed, these bonds are further entrenched during the moments of conversion and thereafter as the firm matures as a cooperative. Employees that form a WBO from moments of shop floor struggle in a SME solidify their solidarity through "internalization of the conflict," which eventually merges into more democratic reconceptualizations of "the functions of work, control, risk-bearing and capital ownership" (Ben-Ner, 1988, p. 21; see also Vieta, 2017). The strong take-up of democratic governance structures at Italy's WBOs that we reviewed in section 5.2 of Chapter 5 underscores this characteristic.

Italian WBOs are resilient

Italian *WBOs are resilient*, witnessing relatively *long lifespans and robust survival rates* linked to age and when the firm was founded. While the average lifespan (i.e., age) of all active and inactive WBOs in our IRL Database is 13 years, and that of still-active WBOs 13.9 years, almost half of the still-active WBO-generated firms in Italy have existed for 16 years or longer. Moreover, Italy's WBOs are surviving the economic crisis very well, with many more entries than exists of firms created via WBOs since 2008. Between 2002 and the end of 2014, 81 new WBOs had emerged in Italy, mostly over the seven years since the beginning of the Great Recession in 2008. Indeed, between the beginning of 2010 and the end of 2014, during the height of the latest period of crisis, WBO birth rates in Italy averaged 12.41%, death rates 4.23%, and the average growth rate was +8.6%, far outpacing the birth and growth rates of employer-owned manufacturing firms in Italy and the rest of the OECD, and showing much lower death rates, as well. And more new WBOs have been emerging throughout 2015 and 2016, including the storied Italian newspaper of the left *Il Manifesto* (Il Fatto Quotidiano, 2016; Vidal, 2014).

As we also detailed in Chapter 4, the age of the WBO-generated firm matters for long-term survivability. The peak age for firm closure of a WBO-created firm is year 8 followed by year 11 after start-up. This is several years after the peak age for firm closure for conventional manufacturing firms in Italy and labour-managed firms elsewhere. After that, the propensity for closure goes down substantially for Italy's WBOs.

6.2 Hypotheses for the Resilience of Italy's Worker Buyouts and Recommendations

The more-than respectable firm lifespans and birth, death, and growth rates for Italian WBOs are perhaps surprising at first given that most WBOs - including those in Italy - emerge from troubled or failing firms. As our case study and interview work has shown (see Chapter 5), a WBO firm's workers are challenged with restarting production in less than favourable socio-economic circumstances, and at times with depleted machinery and assets, reduced inventory, and with workers' needs for retraining regards co-administering and co-owning a firm as members of a cooperative. Nevertheless, these firms' relatively long lifespans and their surge during crisis periods begin to suggest that *workers' entrepreneurial acumen and commitment to their businesses* is alive and well in Italy, and has been so for some time.

The robust Legge Marcora framework and the broader cooperative enabling environment are no doubt contributing to the survivability of Italian WBOs when compared to worker-owned firms and WBOs in other jurisdictions and to overall SMEs in the Italian manufacturing sector. Firm exits during the early years of WBO firms in Italy tend to occur much later when compared to historical cases of French (Pérotin, 1986) and UK (Ben-Ner, 1988) WBOs, and with SMEs in the Italian manufacturing sector (Audretsch *et al*., 1999). The crucial period of exit for Italian WBOs are between years eight to 11 specifically (Chapter 4), while for French and UK WBOs and Italian manufacturing sector SMEs the crucial period is much earlier, within their first two-to-five years. Italian WBOs seem to be doing better here by more resiliently surviving their initial, more risky early years. Moreover, and again most likely due to the robust financing mechanisms and support structures offered by the Legge Marcora framework, Italian WBOs tend to be much older at exit, on average, recalling that the average age of inactive WBOs in Italy is 11.9 years.

Another related finding that stands out from this report is that Italian WBOs are, in the main, either young firms (less than six years-of-age), or older, established firms over 16 years-of-age. We can make several hypotheses for this from our data.

One possible reason for the drop in active WBOs and the rise in firm closures in the "6 to 10 years" and "11 to 15 years" age cohorts highlighted in Chapter 4, and more acutely between years eight and 11 after start-up (as we detailed at the end of Chapter 4), might be related to the fact that these include the years when institutional investors such as CFI (i.e., as *socio finanziatore*) usually end their participation with the worker cooperative (i.e., between years 5 and 10 of intervention), thus perhaps putting at increased risk the ongoing capitalization and administrative oversight of some of the most vulnerable WBOs.[180]

> ***Recommendation:*** While dependent on each WBO case, this suggests that there might be a need for institutional investors to engage in further cooperative development financing provisioned by the Legge Marcora framework or related sources between years six to 15 after start-up. Moreover, future reforms to cooperative legislation and WBO procedures might consider extending the participation of institutional investors past the current 10-year limit.

A second and related factor for the drop in active WBOs in the "6 to 10 years" and "11 to 15 years" age cohorts (and more specifically between years eight and 11 after start-up) is that the WBO firm might have gone through the difficulties most young firms go through in their early years when chances of closure are highest—the so-called "liability of newness" (Ben-Ner, 1988, p. 18; also see Audretsch et al., 1999; Freeman et al., 1983; Pérotin, 1986). Here, findings previously uncovered concerning the econometric performance of Italian WBOs in existence during the first years of the current crisis seem to suggest that a number of WBOs were in a potentially precarious state when factoring the value of production over the cost of production (Facci, 2013). For instance, almost a quarter of active WBOs analyzed during these years recorded costs of production substantially above their value of production, while most of the rest had costs of production and values of production within the same range. These scenarios could limit budgetary flexibility for these WBO-generated firms should they incur unexpected costs, market downturns, or financial difficulties. Moreover, this econometric analysis also indicated that long and short-term loans to cover production costs and capitalization were being relied on by a fair number of WBOs studied. These debt-reliant scenarios could be further risking some of these firms' long-term security and

[180] As we outlined in Chapter 4, institutional investors such as CFI do not extend their participation in Italian WBO beyond 10 years.

thus offer another plausible explanation to the relative rise in closures between years eight and 11. However, Italian WBO cooperatives still working with institutional investors do enjoy favourable loan rates and re-payment commitments under Legge Marcora provisions, thus possibly mitigating these potentially negative financial scenarios and partly explaining, on the other hand, the relative longevity of a fair number of the WBO-based cooperatives we studied.

> ***Recommendation:*** Institutional investors of WBOs might pay particular attention to the reliance on debt financing for managing operations in young WBOs, ensuring that the firms have sustainable resources from available reserves and via other self-financing instruments to be able to continue operations at levels well-above break-even and that can sustain a young WBO during future market downturns. Assistance with further market expansion, in forging collaborative production partnerships with other companies in related sectors, or with using the firm's fixed assets and production methods more efficiently might be an area for expanded participation by external investor members of the cooperative.

A third factor for the drop in active WBOs between the years indicated above might be that WBO protagonists are, as with Argentina, Uruguay, and Brazil's worker-recuperated firms, older workers that are either mid-career or close to retirement. Within roughly the first decade of the WBO project, therefore, some of these workers will be retiring or will be nearing retirement and the firm might not have established a viable succession or generational turn-over plan, or might not have found the next generation of worker-owners.

> ***Recommendation:*** WBO support institutions might seek out ways of further securing generational succession planning specifically geared at WBO firms early on in their interventions. Educational initiatives at the local level, use of *fondo mutualistico* resources towards succession planning and training, and succession-based knowledge mobilization strategies via easily accessible online information portals (perhaps linked to cooperative federations) might go far in assisting WBO cooperatives here.

We also cannot discount the possibility that this broader general dip in the WBOs that had been in existence for six to 15 years as of 31 December 2014 (the last year covered by our empirical analysis) is also related to the drop in WBO formation between the late 1990s and the mid 2000s, as we detailed in Chapters 2 and 4. First, we must recall that these years encapsulated better economic circumstances in Italy that might have seen a drop in incentives for workers to engage in new WBO projects, especially when work was more readily available elsewhere. Second, there was a lull in the use and promotion of the Legge Marcora framework by Italy's institutional investors such as CFI during this period when the law was under dispute with the EU. And third and concomitantly with the second point, there was a focus by Italian legislators and WBO institutional investors at the time in reforming Legge Marcora in response to the concerns of the EU, which again was at the expense of promoting the WBO solution.

Lastly and importantly, we must also underscore here that our findings do not show that Italy's WBO-generated cooperatives primarily close because workers could not successfully manage them. Indeed, that so many of Italy's WBOs have survived for over two decades (and some even longer) is testament to the entrepreneurial and self-management acumen of workers if given the chance to run their firms. Our survey, interview, and case study research reported on in Chapter 5 uncovered the preponderance of democratic practices in these worker-recuperated firms, sound organizational restructuring strategies post-recuperation of the firm, and the recuritment of managers and administrators from the cooperative membership.

In sum, and especially given the sustained levels of support offered by Legge Marcora provisions and institutional investors not available to purely capitalist firms in Italy, we further hypothesize that closures of WBO-generated firms are more probably due most often to generational turnover issues.

> ***Recommendation:*** Future research, via econometric analysis and case study work, where possible, should explore further the specific reasons and scenarios for WBO firm closure, including the few cases that have seen reconversions back to investor-owned firms. Understanding better the reasons for the closure or dissolution of WBO-generated firms might go far in anticipating closure and provideing early diagnoses for saving the firm via, for instance, further injection of debt or risk capital, or planning an adequate succession strategy. Recognizing that such a research agenda for studying older firms is difficult (especially as retired workers age or die), workers and year-end reports from more recent closures might still be accessible for conducting such research.

6.3 Towards New Theories of the Firm

We believe that better understanding studying worker-recuperated firms and WBOs can also contribute to new and emerging theories of the firm (also see Borzaga, Depedri, & Tortia, 2010). Business conversions to cooperatives and WBOs at core transform conventional, investor-owned firms into collectively owned and labour-managed enterprises. They are thus a prime opportunity for studying alternative types of firms because they put into comparative relief the differences between investor-owned firms and labour-managed enterprises. They also highlight the entrepreneurial capacities of workers for self-managing their own business affairs, and the dynamics and learning processes of people who transform from managed employees to self-managed workers. Furthermore, they begin to allude to ways of returning productive entities to the commons in order to provide broader community wealth and decent jobs rather than privatizing profits and socializing risk.

Implicitly emerging from this report's research, then, are two directions for further developing new theories of alternative work organizations that are brought to the surface by the conversion and WBO process: the *organizational and community benefits fostered by collective entrepreneurship* and *the educative possibility for workers* as they learn participation and cooperative skills *in action* via informal processes of "learning-by-doing" (Vieta, 2014a).

Worker buyouts, worker cooperatives, and collective entrepreneurship

As we reviewed in Chapter 2, the conversion of conventional firms into collective enterprises oriented around issues of work have been of increasing interest to policymakers and cooperative studies and social economy researchers as of late, especially given our global economic crisis. One reason for this is that, as we have also shown in this report, labour-managed firms such as Italy's WBOs are showing much resilience during periods of broader economic crisis (see Chapter 4). Moreover, our findings from Chapter 5 began to show that the impact of WBO projects on workers and communities seem to be very positive, going far in saving jobs and rescuing companies via long-lasting labour-managed firms, and in some cases, as our last two case studies illustrated, community-managed productive entities. These key findings underscore the "WBO advantage" with which we began this report. While we have endeavoured to outline these advantages in this report, they are deserving of continued research, especially regarding the specific organizational characteristics of the new firms that emerge from business conversions or buyouts, and what their consequences are for workers, organizational change, and community renewal.

The resilience of WBOs is linked to, among other things, their cooperative organizational and governance structures. Factors that contribute to the robustness of the cooperative business model, as we documented in Chapters 3 and 5, are linked to the "mutualistic" nature of cooperatives grounded in members' solidary exchanges; their "one-member, one-vote" decision-making structure; and other participative responsibilities taken up by a co-op's members. A WBO's robustness is also entrenched in how the worker cooperative firms that emerge take on flexible work hours and adjust salaries rather than reduce jobs during market downturns, look for other business opportunities to redeploy the firm's capabilities for local needs or subcontracting, and in how they are businesses that commit to the wellbeing of members and other social objectives rather than the sole pursuit of profits, as the case studies in Chapter 5 particularly highlighted.

These factors have also been theorized as the strength of the social or collective entrepreneurship intrinsic to cooperatives (Connell, 1999; Duguid, Tarhan, & Vieta, 2015; Spear, 2012). They have equal application for WBO-generated cooperatives emerging from conventional firms in crisis. For David Connell (1999) "collective entrepreneurship combines business risk and capital investment with the social values of collective action" (p. 19). Further, collective entrepreneurship exists "when collective action aims for the economic and social betterment of a locality […] for the production of goods and services by an enterprise" (p. 19). Of all collective enterprise types, Connell concludes, the cooperative form is the "clearest example" of collective entrepreneurship (p. 19).

Indeed, cooperatives are the most attractive alternative organizational type for a workers' collective experiencing economic crises, the closure of the firms that employ them, and potential job loss. Taken together, collective ownership and self-management of a firm resonate with workers seeking more control and security over their economic lives and with their inherent values of solidarity and belongingness (Ben-Ner, 1988). In a workers' cooperative, these relational dimensions solidify into strong expressions of what Navarra (2010) has called "we-rationality" within a workers' collective (p. 4), which is not only vital for a group of workers needing to self-manage a firm (Vieta, 2010, 2014a), but also central to a collective in times of uncertainty (Birchall, 2003; Henry, 2009a, b). "We-rationality" humanizes labour processes and economic activity and grounds collective enterprises within communities of people rather than with dispersed and groundless groupings of shareholders. As collective enterprises co-owned by worker-members, worker cooperatives thus tend to privilege members' needs over profits and workers over investors, specifically relying on the direct and collective labour contributions of worker-members. In Italy, this is all underscored in the cooperative movements' principles and practices of mutuality and indivisibility (see Chapter 3). These intrinsic motivators for members of a worker cooperative are based on the sense of control over their productive capacities generated by "labour hiring capital," rather than the reverse as in investor-owned firms (Vieta, Quarter, Spear, & Moskovskaya, 2016a) - in worker cooperatives, "work" is the common contribution of each member and, perhaps most importantly, "control is linked to work" rather than to arbitrary managerial hierarchies or financial investment (Oakeshott, 1990, p. 27).

Investing much time and effort into their firms, and usually living in the same communities as their workplaces, worker cooperative members - as with the protagonists of Italy's WBO-generated firms - tend to be more emotionally and socially invested in their businesses and at times begin to acquire deeper community values (also see Larrabure, Vieta, & Schugurensky, 2011). This local embeddedness also helps keep capital local and reduces the risk of capital flight from the geographic localities where worker cooperatives are found and where its members live. Since worker-owners need to fully commit to their collective enterprises, the risk of these businesses abandoning their communities is greatly reduced. Finally, labour-managed firms and worker cooperatives have even been found to be better overall for workers' wellbeing (Novkovic & Webb, 2014). Evidence is beginning to show that when workers control their places of work and when they work in more egalitarian workplaces, they tend to be less stressed and healthier (Erdal, 2014; Pérotin, 2012; Wilkinson & Picket, 2011), and more committed to participating in the broader affairs of their community (Larrabure *et al*., 2011; Mason, 1982; Pateman, 1970; Vieta, 2010, 2014a).

Transformative learning organizations

Also deserving of further research - in a particularly under-researched area - is how workers and the broader community *learn about* workplace conversions and self-management, and *transform themselves* in the process. The empirical evidence we provided in Chapter 5 implicitly suggests that business conversions from conventional firms to cooperatives are experiments in "transformative learning" for workers, organizations, and communities (Mezirow, 1997; O'Sullivan, 1999; Vieta, 2014a). A small but growing literature based on case study and ethnographic research is beginning to show the transformative learning nature of worker-recuperated firms and WBOs (for a review, see Vieta, 2014a). McCain (1999), for instance, writes that "the mystery of worker buyouts" lies in the "learning by doing" that unfolds as workers must learn to take control of their own human capital or risk failure and the permanent loss of jobs (p. 165). And, for Paton (1989), "[e]ach takeover is an intense learning process for the workforce as an organisation as well as for individuals - there is a change of social roles, new attitudes are required" (p. 39). Even the EU seems to have undersood this when it positioned business transfers to workers as "schools of entrepreneurship" (EC COM, 2004, point 2.1.1).

Much of the learning that takes place within worker-recuperated firms is, in short, intensive and informal as workers must quickly learn new entrepreneurial and business tasks, and learn how to be cooperative members of a business. It takes shape within emergent processes of collaborative learning-by-doing (Jensen, 2012; Vieta, 2014a), or what Ian MacPherson (2002) has termed learning through "associative intelligence" (p. 90). While early findings of the literature on labour-managed firms are suggestive of the transformative nature of learning at worker-recuperated firms, Jensen (2012) rightly points out that the specifics of the learning process by workers engaging in business conversions are still not understood well. "The dynamics of the learning process of [these firms]," Jensen contends, "is an area virtually untouched in the literature of the LMF" (p. 75).

Via rigorous and comparative case study work, future research should continue to explore these subjective and collective learning dimensions to business conversions as "transformative learning organizations" (Vieta, 2014a). Increased understanding of the learning dimensions of workers in labour-managed firms would, we believe, contribute to new behavioural, motivational, and sociological theories of the firm.

6.4 Future Research: Towards a New Cross-National and Comparative Research Agenda

This report forms part of a larger research program entitled *New Production and Worker Cooperatives and the Employee Buyout Phenomenon*, based out of EURICSE and in collaboration with the Centre for Learning, Social Economy & Work (CLSEW) at the University of Toronto. This research program aspires to disseminate and exchange knowledge and research findings related to the conversion of conventional shareholder or proprietary businesses, hierarchical workplaces, or privatized or abandoned community spaces of all kinds into labour-managed and labour-owned, or community-managed and community-owned organizations grounded in the practices of *autogestión* (self-management) (Vieta, 2012a, 2013, 2014a, 2014b, 2014c, 2017). Future phases of the research program will aim to collaborate with a network of social scientists, cooperative federations, cooperative practitioners, labour and social movements, and other stakeholders in building a cross-national knowledge bank of phenomena centred on worker and community self-management.

The research questions that drive the broader *New Production and Worker Cooperatives and the Employee Buyout Phenomenon* initiative include:

1. Where are worker- and community-recuperated enterprises located, and what is their prevalence?
2. What are the motivations for workers and other community stakeholders to convert, take over, or buy out investor-owned, hierarchically managed, or otherwise capitalistic businesses?
3. How exactly are worker- and community-recuperated enterprises transformative for workers, for work organizations, and for the communities where they are located?
4. What are the socio-economic and regional contexts for business conversions to labour/community-owned and -managed organizations?
5. What are the legal, policy, and financing frameworks that facilitate these conversions?
6. What types of new productive organizations are formed as a consequence of business conversions into worker- or community-centred organizations,[181] and what is their significance for community development policies in jurisdictions that seek to overcome socio-economic crises?
7. How are these worker- or community-recuperated firms re-organized and democratized?
8. How can these worker- or community-recuperated firms proliferate and flourish?

The *New Production and Worker Cooperatives and the Employee Buyout Phenomenon* research program consists of the following phases and objectives:

- ***Phase 1*:** Mapping Argentina's *empresas recuperadas* and Italy's *imprese recuperate*, including: their legal and financial frameworks, a review of their history and emergence, their demographic and territorial dimensions, and preliminary analysis of the organizational makeup and illustrative case studies of Argentine and Italian worker-recuperated firms. With the Argentine portion already completed in early 2015 (see Vieta, 2013, Ruggeri & Vieta, 2015), this report concludes the Italian portion of Phase 1's research and findings.
- ***Phase 2*:** Closer case study work looking at an illustrative subset of firms created via WBOs in Italy and elsewhere.[182] Dissemination of our findings via publications of our ongoing research results in leading peer-reviewed journals and more publically accessible outlets.[183]
- ***Phase 3*:** Additional econometric analysis of the performance of Italian WBOs, assessing them against the universe of small- and -medium sized manufacturing firms in Italy (funding pending). Further ethnographic and interview-based analyses of the organizational nature of worker-recuperated enterprises in Italy and elsewhere, looking at these firms before and after workers recuperate and convert them to a worker cooperative (funding pending).

The broader *New Production and Worker Cooperatives and the Employee Buyout Phenomenon* research program and this report are responses to recent calls by numerous researchers, practitioners, and policymakers to:

1. fill in knowledge gaps regarding business conversions to cooperatives or other types of labour-managed and -owned firms (CECOP-CICOPA, 2013);

[181] Such as hybrid "solidarity worker cooperative/work integration social enterprises" (see Vieta, 2013).

[182] As of this writing, we have concluded case study work of six Italian WBOs of differing types and are currently engaged in continuing Phase 2 research. An overview of six of these cases and additional case studies can be found in Chapter 5 of this report.

[183] To date, these publications and dissemination initiatives have included: EURICSE 2012, 2016; Giovannini & Vieta, 2016; Ruggeri & Vieta, 2015; Vieta, 2013, 2014a, 2014b, 2015a, 2015b, 2015c, 2015d; Vieta & Depedri, 2015.

2. assist in the "promotion of best practice examples" for employee and community participation in businesses and productive activity (EC-DG MARKT, 2014, pp. 2, 59; also see: Malleson, 2014; Wolff, 2012);
3. help eradicate barriers to business conversions to cooperatives and encourage possible "cross-border" worker participation and ownership initiatives (EC-DG MARKT, 2014, p. 57); and
4. engage in collaborative knowledge mobilization and research initiatives that look at the outcomes of business conversions to cooperatives and for worker self-management practices more broadly (EC Call for Proposals, 2015).[184]

Taking up these appeals, the *New Production and Worker Cooperatives and the Employee Buyout Phenomenon* research program ultimately proposes to be an emergent, international, interdisciplinary, and multi-phased collaborative research hub. Its ultimate goal is to better understand the myriad dimensions of business conversions, transfers, takeovers, or buyouts - most broadly termed *worker-recuperated enterprises* - that are increasingly being created by and for the actual people and communities that are most affected by their activities. This report is component of this broader research program.

Later phases of this research (funding pending) will strive to give nuance to the role of collective entrepreneurialism and the "learning-by-doing" processes when conventional firms are convereted into labour-managed and labour-owned firms. This future research also aspires to dig deeper into the organizational change dynamics of these firms before and after conversion and their embeddedness in territorial social networks.

Seeking to explain further the findings and hypotheses developed in this report, we are currently engaging in further interviews and case study work with Italian WBO protagonists, gauging for the below-the-surface qualitative dimensions of the organizational structures and workplace dynamics of worker-recuperated enterprises. Future research should also embark on further econometric analysis of the performance of Italian WBOs, assessing them against the universe of broader worker cooperatives and non-cooperative small- and medium-sized manufacturing firms in Italy and elsewhere.

Engaging in such a research program is important in order to better understand the further reproducibility of WBOs and business conversions in Italy and in other conjunctures, especially in these times of lingering economic crises, structural adjustment regimes, and chronically high rates of business failures and structural unemployment. Such a research project should strive to further discover, from cross-national and comparative economic and sociological perspectives, how different forms of worker-recuperated enterprises fare in diverse socio-economic contexts, in different jurisdictions, in their performance when compared to other similar non-cooperative and non-WBO-generated firms, and given specific policies that might benefit or hinder the creation of labour-managed firms.

We further propose that some WBO-generated firms, such as Chapter 5's case study of Sicily's Ericina - an example of a conversion of a firm confiscated from the proceeds of crime and ceded to

[184] The *New Production and Worker Cooperatives and the Employee Buyout Phenomenon* research program has already begun to exchange knowledge of our research into business conversions and the broader experiences of workers' self-management with other already established networks of researchers, such as: the ILO-ICA "Cooperatives and the World of Work" conference in Nov. 2015; the Canadian Association for Studies in Co-operation annual conferences (2013, 2014, 2015); the International network of the "Workers' Economy" (Programa Facultad Abierta, 2014); the workers' self-management information hub Workerscontrol.net (2014); Canada's "Unleashing Local Capital" initiative (ACCA, 2014); a new Canadian initiative for business succession led by Co-operatives and Mutuals Canada and the Canadian Worker Co-operative Federation; responding with a network of cooperative federations, funding agencies, and researchers to the European Commission's 2015 call for proposals for further studying the conversion of businesses to cooperatives (EC Call for Proposals, 2015); and with various other European, US, and Latin American-based research and practitioner networks interested in workers' and community-based self-management.

its workers - and the two cases illustrating the third type of property takeover conversions - Ri-Maflow and Officine Zero - are actually, given their broader involvement with community stakeholders and ecological and social interests, hybrid forms of social economy businesses deserving of further exploration. Elsewhere, one of the authors of this report has termed these types of multistakeholder and community-centred recuperated businesses hybrid forms of *solidarity worker cooperative/work-integration social enterprises* (Vieta, 2013). They are particularly deserving of further study for what they contribute to a sociological understanding of cooperatives, social enterprises, and community-based productive entities more generally. They are worthy of further research for better grasping what not only workers but also entire communities can do (and are doing) to overcome lingering crises and ensure the stability of local economies by: catalyzing the force of worker and community solidarity, tapping into the "commoning" of productive activity, and creating new and better employment in jobs that are rooted intimately in their localities and that have strong extrinsic *and* intrinsic value. Via a comparative research agenda in different national and regional settings, we propose that future research work should seek to better understand these hybrid worker- and community-converted social enterprises that are currently found, for instance, in Italy, Argentina, Brazil, Greece, France, the UK, and Spain, among other jurisdications (also see Vieta, 2012c, 2013).

Future research into business conversions to cooperatives and other forms of participatory firms should thus *take up a broader community agenda*, looking not only at the micro-economic possibilities and organizational dimensions of worker-recuperated enterprises but, more broadly, exploring the greater potential of *community-recuperated productive entities*. As proposed by Borzaga, Depedri, & Tortia (2010), such a research agenda should take up a multi-disciplinary and cross-national research program across scientific domains, such as comparative political economy, quantitative research (economic and sociological), and qualitative methods (ethnographic and case study research). Broadening out the research agenda to include the role of social networks and other community stakeholders, questions that might guide this research into community-recuperated and community-owned and -managed firms could include:

1. What motivates communities to support and engage in taking over formerly conventional firms or start new solidarity-based entrepreneurial endeavours?
2. Where in the world are they located?
3. What organizational forms do community-recuperated firms become, and how exactly are they transformative for people that work in them, for the organization, and for the communities that surround them?
4. What challenges do community groups face when embarking on takeovers, buyouts, or conversions of conventional firms or formerly private property?
5. What new values and attitudes, practices, skills, and knowledge do community groups formally and informally learn and need?
6. What organizational and production innovations do these community-recuperated firms forge?
7. What legal and policy contexts facilitate or hinder the emergence of broader community-recuperated and community-owned and -managed firms?

In sum, this future research should strive to give deeper nuances to the organizational form of worker- and community-recuperated enterprises, while also delving more deeply into their embeddedness within broader social networks, their links to other territorial actors, and even to social movements (for instance, see Duguid *et al*., 2015). Such a research program is important in order to gauge for the reproducibility of business conversions, transfers, buyouts, and takeovers for safeguarding the productive capacity and wellbeing of local economies.

6.5 Final Thoughts

Whether or not Italy's Legge Marcora framework for business conversions to cooperatives can be emulated in other parts of the world perhaps deserves further debate. Given the current conditions of crisis and austerity that continues to plague many parts of Europe and the global South, it is a debate worth engaging, we believe. Nothing less than the protection and creation of much-needed jobs, the safeguarding of productive enterprises, and the sustainability of local economies are at stake.

France and Spain, as we have briefly touched on in earlier chapters, also have flexible business conversion infrastructures combining, as with Italy's Legge Marcora framework, business, cooperative, and labour legislation with financial supports and already established labour-managed organizational models for restructuring businesses. In other words, a collaborative approach to saving businesses and jobs via supportive infrastructures for business conversions has been proven and stable in at least three national jurisdictions in Europe for some time. It is for these reasons that an increasing number of organizations and researchers are becoming interested in Italy's Legge Marcora framework and in business conversions to cooperatives more broadly, including: some progressive European legislators, social analysts, and cooperative movement stakeholders such as CECOP-CICOPA; the US-based ICA Group (ICA, 2015); a new working committee for business transfers in Canada led by Co-operatives and Mutuals Canada and the Canadian Worker Co-operative Federation; and researchers that are delving into alternative economies and workplace democracy, such as Richard Wolff (2012) and Anthony Jensen (2006, 2011, 2012). Together with this growing and worldwide community, it has been the spirit of this report to make the Legge Marcora framework and the WBO process better known within and beyond Italy.

APPENDIX - INTERACTIVE MAP OF ITALY'S ACTIVE WORKER BUYOUTS (AS OF 31 DECEMBER 2014)

- For access to the Interactive Map of Italy's active worker buyouts as of 31 December 2014: https://www.google.com/maps/d/edit?hl=en&authuser=0&mid=zuKYY0uwGQjw.kqTsz634WRZA
- IRL number codes for each WBO in Interactive Map coincide with IRL Database codes.
- Coloured points indicate seven major regions with "WBO business clusters" (see Chapter 4).
- Some points indicate more than one WBO if no address was found and if located in the same province.
- Some WBO cooperatives might no longer be active if closed after 31 December 2014.

Figure 2 - Screenshot of interactive map of WBOs in Italy, as per IRL Database(active as of 31 Dec. 2014)

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