

## Background to the Italian Cooperative Movement

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### **Introduction**

A cynical remark often made about Italian society is that there seem to be few institutions which work efficiently in Italy. Such and similar comments proposing that Italy 'enjoys' a culture of organisational inefficiency are not totally fair, however; and we owe it to two particularly well organised institutions that the cooperative movement developed into such a strong force in Italy in the post-war period.

### **Institutional Support**

These two key institutions are the Christian Democratic Party, inspired by a powerful, near hegemonic, Catholic Church; and a Communist Party, at one time enjoying the largest electoral support in the Western World. Such unlikely allies are an excellent example of the wide ideological support which is generally enjoyed by cooperative forms of organisation. The Christian Democrats were keen to establish forms of solidarity which foster support for, and a stake in, the existing politico-economic regime, humanising it in the process; while the Communists saw in cooperatives an attempt at weakening capitalism and at training workers in alternative collective forms of management. This powerful political support to the cooperative idea was instrumental to the enactment of Article 45 of the Italian Constitution which declares that cooperatives are to be strongly supported and protected by the state because of their social functions and contributions.

## **A Federated Structure**

Cooperative societies in Italy are strongly federated; and the character of this federative network closely follows the respective ideological inspiration and the associated political and trade unionistic support. There are three central cooperative federations : The Lega Nazionale (henceforth Lega) has obtained support from the former Communist and Socialist parties, as well as from the left-wing trade union, the Confederazione Generale Italiana Lavoratori (CGIL), the Confederazione delle Cooperative (henceforth the Confederazione) which is supported by the former Christian Democratic Party and by the so called free trade union, the Confederazione Italiana Sindacati Lavoratori (CISL). The third and smallest assembly is the Associazione delle Cooperative (henceforth Associazione) drawing its inspiration from the Mazzini tradition which, contrary to Marxist precepts, propounds that worker cooperation and solidarity should be the target for the working classes rather than the pursuit of a destructive class struggle. The Associazione is supported by centre-left lay political parties, which included the former Republican Party and the Social Democratic Party, the latter having split off from the main socialist camp in 1947. Support is also forthcoming from the third largest trade union confederation, the Unione Italiana del Lavoro (UIL).

The Lega is definitely the strongest of the three, with 15,422 affiliated cooperative societies by 1985. Of these, 2,149 are consumer cooperatives; 2,751 in agriculture; 4,774 in housing; 3,956 in production; 197 in transport and a further 1,435 in other economic activities. The geographical distribution of these cooperatives indicates that the concentration is not random; rather, there are clearly defined regions where registered cooperative forms of working are more widespread. By far the strongest in terms of spatial concentration of cooperatives is

Emilia Romagna (the Bologna - Ferrara area), followed by Lombardy, Tuscany, Lazio and Campania. All together, the Lega cooperatives are responsible for a substantial turnover in their respective industries and there are some 180,000 persons working in these sectors, with production and agriculture ranking first and second respectively in terms of employment levels. It should however be noted that a large number of employees are not members of the cooperative where they work and therefore they do not enjoy shareholding rights.

The Confederazione is the largest federated body in terms of the number of cooperatives organised within it; most of the 22,000 cooperative units registered as Confederazione members are however small scale operations. The regional ranking of the spread of its affiliates is somewhat different: Lombardy ranks on top, followed by Sicily, Emilia Romagna, Venezia, Lazio and Campania. Most of these cooperatives operate in the production sector, with agriculture and consumer cooperatives ranking second and third respectively.

The Associazione boasts a total of some 6,300 cooperatives and its main strength lies in the Italian Mezzogiorno (the southern regions). Indeed, Sicily comes first in geographical spread, followed by Campania, Lazio and Emilia-Romagna.

## **Market Share**

Cooperatives must by law be registered with the Ministry of Labour. The total is definitely an impressive figure with thousands of cooperatives in all sectors of the economy and a cooperative community embracing some 8 million producers. The figures must somehow be toned down because they

incorporate popular banks which are not strictly speaking cooperative organisations in the true sense of the word.

Almost half of the registered cooperative ventures are connected to the building and construction industry. Some 77% of the Italians today own their own homes and close to a third also own a second home. Such a policy in favour of home ownership was deliberately encouraged in order to dispel the appeal of communism, more likely to take root among the propertyless and the dispossessed.

Some of the cooperatives, especially those affiliated with the Lega, are economic giants. For example, 5% of the Lega cooperatives are responsible for 60% of the total turnover of the Lega for any particular year. Three of the Lega Cooperatives are among the top 24 companies in Italy. This startling economic success is demonstrable in a broad range of economic activities. In terms of turnover, a cooperative ranks third in the beverages sector; another ranks fifth in the production of cement; another ranks seventh in furniture making; yet another ranks ninth in the insurance sector. No less than 8 cooperatives rank among the top 25 firms in the building and public works sector of the economy. A healthy number of cooperatives are also operating in those which can be considered the growth areas of the post-industrial society: welfare and social services, tourism, planning and design, research and consultancy, informatics.

There is nevertheless an element of hostility to cooperative organisations mainly from the private sector maintaining that cooperatives enjoy exemptions and privileges which may undermine the free market mechanism that is supposed to allocate resources and set prices in an efficient manner. Cooperatives also benefit from a softer rate of interest than the market rate, obtainable from the state bank, the Banca Nazionale

del Lavoro (BNL). Cooperatives also obtain public funds in the form of grants and are further advantaged with respect to company taxation. The welfare contributions to family allowances payable by cooperatives is also 2.6% less than that payable by private industry. Cooperatives were also favourably considered in decisions concerning the allocation of public works contracts.

Cooperatives worldwide suffer from an in-built disadvantage: the upholding of a 'one member, one vote': democratic organisation reduces the incentive for members to contribute more capital to the firm than the nominal amount necessary to acquire membership rights. Such a tendency towards capital starvation has however been used in Italy to justify significant financial assistance from the state. In 1980, the three central cooperative federations received from the BNL no less than 156 billion lire against a total declared turnover of 30,000 billion lire. During the same year, these federations received a further 300 million lire in the form of direct grants.

### **Cooperatives & Trade Unions**

There is also an interesting relationship between cooperative organisations and trade unions. An agreement between the three cooperative federations and the three main trade union bodies was actually signed in October 1985. This event was a direct consequence of a law passed in February 1985 and presented by Senator Marcora, a Christian Democrat. The agreement was meant to minimise conflicts in labour relations and to try and implement a policy aimed at tackling unemployment. Instead of traditional welfare provision, this law, called the Marcora Act, released state funds equivalent to three times the start-up capital put forward by workers with the intention of setting up a

productive cooperative venture. The three cooperative federations and the three trade unions therefore established a private, financial holding company, called *Compania Finanziaria Industriale (CFI)*, to receive and administer these funds and to allocate them in accordance with the provisions of the *Marcora Act*. The law is an innovative instrument of job creation, because it only supports initiatives which are viable in the open market. The jobs created will not have to be supported but will be self-sustaining and embracing state-of-the-art technology from the start. The CFI is selective in choosing which projects to support: it considers favourably those projects which promise high rates of productivity, enterprise restructuring, the purchase of advanced technological equipment, job creation and redundancy prevention. Between 1987 and 1992, 77 billion lire were allocated by CFI to create 95 firms with 3,500 jobs and generating a total turnover of 350 billion lire. Not a bad deal, considering a relatively low rate of investment of 22 million lire per job. The CFI also pays half of the interest on loans which may be advanced by the state to cooperative societies. Rates of interest may be reduced still further to preserve employment in the Southern Regions of Italy.

### **Current Issues**

Contemporary debates on the cooperative sector in Italy are not particularly different from those elsewhere; two key issues being debated concern a) the relationship between state support and economic viability and (b) the setting up of an increasingly flexible fiscal infrastructure for cooperatives which will allow them to compete more fairly with private competitor firms. Questions which are being raised on these issues include:

- Should restrictions on the capital share contributions by members be lifted?

- Should cooperatives have the ability to issue bonds and to apply for listing on the stock exchange?
- Should the current restrictive threshold of a maximum of 12% of membership being white collar employees be removed?
- What are the possibilities of recruiting managers for cooperative societies from the open market?
- Should the controls by, and administrative obligations to, the Ministry of Labour, be totally eliminated or reduced?
- What other ways are there of attracting capital to cooperatives and of strengthening economic cooperation among cooperative societies?
- Would the creation of a specific cooperative bank be a viable proposition?

## **Conclusion**

To conclude this overview of the cooperative sector in Italy, one could comment that the idea started off with a very strong ideological baggage; but this is gradually withering away as cooperatives face the inevitable shift to an open market. The signs are that this shift is being successfully handled economically. The imposing building of the Lega in the capital of the cooperative kingdom, Bologna, is a clear enough witness of this success. Whether the same can be said of the democratic basis of the organisations is a different matter. It may be fairer to say that cooperatives are more often than not private organisations, where a minority of worker shareholders employ a majority of their staff; these nevertheless benefit from the social,

fiscal and economic advantages which the Italian state has bestowed on cooperatives because of their presumed social functions and contribution to the distribution of wealth and control. In a sense, therefore, cooperatives in Italy may be enjoying the best of both worlds.