



Cooperatives: The Italian Experience

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1. Introduction

The Italian cooperative movement has a long history, as it has contributed to the growth of the country since the second half of the nineteenth century. In fact, it is not unusual to find Italian cooperatives today that have been in business for over 120 years. Italian cooperatives operate in many sectors, and in some of them (as well as in some regions of the country) they have a very large market share. Moreover, over the last few years they performed better than the economy as a whole and managed to grow their business in new sectors, such as health, education and social services.

Since the creation of the first cooperative in 1854, the Italian cooperative movement has experienced long periods of fast growth, as well as some phases of stagnation, and is today a major component of the national economy. In order to provide a brief review of this evolution and summarize the current situation, this document is structured as follows: after a brief presentation of the main phases of development of the cooperative movement as a whole, the document will describe the movement's structure and the evolution of relevant legislation starting from the end of World War II. The document will then analyze the more recent evolution of the cooperative system.

2. Notes on the Historical Evolution of Cooperation in Italy

The founders of the first Italian cooperatives were inspired by the various experiences that were taking hold in Europe in the mid-1800s, ranging from the consumption coops of the Rochdale pioneers, to the French worker coops, to the Austrian and German experiments with social credit banks (in the two different models proposed by Reiffeisen and Schulze Delizsch). The emergence and diffusion of these models varied significantly across Italian regions, partly due to the different levels of economic organization and development in different parts of the country, and partly as a response to the different needs of local markets.

The first Italian cooperative was founded in 1854 in Turin, where the workers' mutual assistance society gave rise to a consumption cooperative with the purpose of mitigating high living costs. Over the following years, this kind of cooperative spread throughout both cities and rural areas. Cooperation in financial services began to grow a few decades later, towards the end of the 1870s, in the dual form of the Banca Popolare (a limited liability bank whose members belonged to the small urban bourgeoisie), and the social credit banks (later named Rural Banks and then Cooperative Credit Banks), which were characterized by unlimited liability and had

memberships composed mainly of small-scale farmers. Both of these forms of credit cooperation were meant to facilitate their members' access to credit in a context where credit markets were not very developed and generally uninterested in serving small entrepreneurs.

During the last two decades of the eighteenth century, other forms of cooperation emerged. First, the farmers' cooperative was born, based on the shared purchase of goods and tools and on the collective sale of produce, aimed at combating both monopolistic and monopsonistic situations. Among these, cooperative vineyards and dairies were particularly important. Worker cooperation began to take hold in this period as well, especially among construction workers and farmhands.

In 1882, the cooperative movement, which could now boast a significant presence nationwide, gained the first legislative recognition: the Commerce Code identified cooperatives and recognized their particular forms of governance (especially the "one head one vote" principle). In 1885, 4.896 cooperatives were active in Italy.

The first years of the twentieth century, and particularly the years between 1903 and 1914, were growth years both for the Italian economy and for the cooperative movement. Thanks to the government and to the social engagement of Catholics, Italian cooperation grew in all of its components, and in 1910 there were 7.400 cooperatives with over one million members. This growth continued in the aftermath of World War I and through the first half of the 1920s, when cooperatives numbered in the 15.000s.

The rapid development of Italian cooperatives was interrupted (starting in 1922) with the rise of fascism. The fascist regime was ideologically opposed to any form of organization that could come between the state and its citizens, and was particularly opposed to movements (such as the cooperative one) that had at least in part a socialist inspiration. At first, the regime fought cooperation - even physically, with fascist squads attacking cooperatives and their managers. Then it eliminated all representative bodies and separated cooperative banks from the rest of the movement. Finally, it assigned all assistance, development and coordination functions to one organization under the direct control of the state: the National Fascist Organism of Cooperation. This aversion resulted more in a slower growth of cooperation and a change in its sectoral composition (with a significant growth of cooperatives in agriculture and food processing and sales) than in an eradication of the movement (as in the case of the union movement). Indeed, at the end of the regime (which coincided with the end of World War II), the number of cooperatives was higher than it was in the early 1930s.

In the aftermath of World War II, with the constitution of the Italian Republic, the attitude of the government turned once again in favour of cooperation. In fact, the Italian Constitution (approved in 1947) includes a direct reference to cooperation, stressing in particular both the mutual and the social aim of cooperatives and the exclusion of private speculation purposes. By 1951 cooperatives reached approximately 25.000 (double what they were in 1930), due primarily to the creation of many construction and housing cooperatives engaged in the reconstruction of buildings destroyed during the war.

The following two decades (1951-1971) witnessed the biggest boom in the Italian economy, largely driven by the development of the manufacturing sector, with the migration of the labour force from agriculture to factories and the related migration of

the population from the countryside to the cities. Growth was driven at the beginning (until the mid 1960s) by large private firms and large publicly-owned companies, and later by local systems of small enterprises – the so called industrial districts. The contribution of cooperation to this phase of development was very limited, and the economic relevance of cooperation did not change significantly. Nevertheless, cooperatives began to grow in size if not in numbers, as the total number of workers employed by cooperatives increased by 50.5% over this period.

The cooperative movement began to grow again in the following years, which were characterized by oil crises, the first difficulties of the manufacturing sector, lower GDP growth, and high inflation and unemployment rates. This growth increased over the years and manifested itself in an increase both in the number of cooperatives and in their average size, and thus in an increase in the number of people employed in this sector. New cooperatives were also founded to provide social, health and educational services and to create jobs for disadvantaged people. These new cooperatives were spontaneously created by groups of people in the 1980s, mainly on a volunteer basis, and were recognized with a special law in 1991 with the name of “social cooperatives”.

In the case social cooperatives, the law requires the cooperative to pursue the interests of the community and not just the interests of its members. Moreover, legislators established two types of social cooperatives: social cooperatives that provide social, health and educational services; and social cooperatives that can engage in any kind of activity, but are required to employ at least 30% of workers with low employability.

These new cooperatives were immediately met with a growing demand for their services, due in particular to the outsourcing policies of local governments. As a consequence, they registered a very high growth rate: in 2005 there were 8.000 social coops that employed around 250.000 people (including 30.000 disadvantaged workers), serving nearly 4.000.000 customers with a turnover of 7 billion Euros. These cooperatives are now estimated to account for 60% of the total supply of social services in the country.

The overall evolution of cooperatives from 1951 to 2001 is well summarized by the data derived from the Census of Industry and Commerce, reported in the table below.

TABLE 1: Growth in number and employment size of cooperatives compared to other enterprises, 1951-1971

| | 1951 | 1961 | 1971 | 1981 | 1991 | 2001 |
|---------------------|-----------|-----------|------------|------------|------------|------------|
| Nr. Coops | 10.782 | 12.229 | 10.744 | 19.900 | 35.646 | 53.393 |
| Employees coops | 137.885 | 192.008 | 207.477 | 352.435 | 584.322 | 935.239 |
| Total enterprises | 1.504.027 | 1.938.724 | 2.236.044 | 2.847.313 | 3.301.551 | 4.319.198 |
| Total employees | 6.781.092 | 9.463.457 | 11.077.533 | 13.001.187 | 14.601.812 | 16.201.431 |
| Coops/enterprises | 0,7 | 0,6 | 0,5 | 0,7 | 1,1 | 1,2 |
| Employees coop/ent | 2,0 | 2,0 | 1,9 | 2,8 | 4,0 | 5,8 |
| Average empl. coops | 12,8 | 15,7 | 19,3 | 18,2 | 16,4 | 17,5 |
| Average empl. other | 4,5 | 4,9 | 5,0 | 4,6 | 4,4 | 3,8 |

The data shows how, starting from the 1970s, the number of cooperatives progressively and significantly increased, with a growth rate of about 40% per decade. This trend in the cooperative movement was also accompanied by an increase in its share of total enterprises (from 2% in the 1960s to 5.8% at the end of the century).

The growth of cooperatives was also accompanied by an increase in their average size. The number of cooperatives with more than 50 employees rose from about 790 cooperatives in 1971 to more than 2.300 in 2001. At the same time, the number of cooperatives with less than 5 employees also increased significantly (from 6.000 cooperatives in 1971 to close to 25.000 in 2001).

This blossoming of the cooperative movement over the past thirty years was driven by three factors: (a) the maturation of a modern enterprise culture and the related organizational innovations, both at the individual firm level (including mergers between small cooperatives and significant investments in management) and among firms with the creation of consortia; (b) the formation of cooperative groups, i.e. groups of cooperative and capitalist firms that could operate on a larger scale and have access to the stock and bond markets; (c) the impressive growth of social cooperatives engaged in the production of health, education and social services, which created a whole new sector within the cooperative movement. These strategies were complemented by a set of changes in the legislation that favoured the economic and patrimonial growth of cooperatives, and the creation of workers cooperatives by workers of traditional firms that suffered from inadequacies in their management.

3. The Organization of the Cooperative Movement

One of the factors that accompanied the development of the cooperative movement in every country where it took hold was its ability to create organizational structures of representation, development support and assistance, often organized in several levels by sector and by geography. The Italian cooperation employed this strategy as well, but with some peculiarities that still characterize it today.

In 1886, the Italian cooperative movement united for the first time, giving rise to the National Cooperative Federation, which in 1893 became the National League of Italian Cooperatives. The number of participating cooperatives grew quickly from a few hundred to 1.508 in 1908. Despite the fact that the majority of participating cooperatives were of socialist inspiration and that only a few Catholic cooperatives were included (rural banks in particular), the League remained politically neutral, and for several decades was the only representative body for the Italian cooperative movement. However, starting in 1906, the League took on an increasingly marked socialist identity, in synchrony with the rise of the union movement. This first caused some cooperatives and their leadership to leave, and later, in 1921, the birth of a second representative organization, of Catholic inspiration, called the Italian Cooperatives Confederation. This separation also gave rise to other organizations with different ideologies, but generally weaker power of aggregation, as described below.

With the end of fascism, which, as mentioned above, eliminated and replaced the representative bodies of the cooperative movement, Italian cooperatives tried again to give themselves a unified representation, but they were not successful. In fact, the old division resurfaced: in 1945 both the Italian Confederation (of Catholic inspiration and close to the Christian Democratic party) and the National League of Cooperatives and Mutual Aid Associations (of socialist inspiration and close to the left-wing parties) were recreated. Along with these two major associations, Italian cooperatives gave rise to two other organizations, which were never able to aggregate more than a few thousand members. The two major organizations focused on different sectors (agricultural and credit cooperatives for the Confederation and consumption and worker cooperatives for the League) and different regions (as the League targeted

primarily the regions of central Italy, while the Confederation spread mainly in the Northern regions, and particularly in the Northeast.)

Despite this differentiation between associations and cooperative models, the representation provided by these two organizations facilitated the development of Italian cooperation both through the elaboration of common strategies and through the proposal of legislative changes. Over the years, and with the changes in the political landscape (and in particular the disappearance of the two parties of reference), the differences between the two organizations waned, and the collaboration among them increased. Even if a reunification process has not formally started and strategic differences remain, it is possible to say that the representation of the cooperative movement is more unified today than it has been in the past.

4. The Legal Framework and its Evolution

Even though in most countries cooperatives are held to the cooperative principles sanctioned by ICA, and in particular to the "one head one vote" principle and the obligation of operating exclusively or primarily with their members, national legislations often differ based on whether or not they assign a social purpose to cooperation. The Italian legislation is the one that stresses the social functions of cooperation the most. This social function is explicitly recognized by Article 45 of the Italian Constitution, which states: "The Republic recognises the social function of cooperation with mutual character and without private speculation purposes," and promotes and favours its growth. This general indication later resulted in much stricter impositions on profit distribution for cooperatives that sought public subsidies than in most other countries. Indeed, in 1946, Italian law established that cooperatives that wanted to be recognized as having a social purpose were subject to a double restriction:

- a) They could not distribute more than 80% of their overall profit (since 2003 this limit changed to 70%, and to 30% for cooperative banks)
- b) They should reward each share at a rate that could not exceed the rate of return of postal bonds (which are similar to treasury bonds) by more than two percentage points.

Given the low capitalization of most cooperatives, these limits imply that the profits that can actually be distributed are extremely low, making cooperative enterprises in effect not-for-profit organizations.

The same law also prescribes that any remaining profits should flow into a reserve that cannot be divided among the members ("asset lock") either during the life of the company or in case of its dissolution. In practice, this means that even if the cooperative is sold or transformed into a different type of company, the members cannot reap the profits. Until 1993 these profits were donated to charity; since then they flow into dedicated funds aimed at the development of cooperation which are managed by its representative bodies. This has created a strong disincentive to sell and transform cooperatives, and thus has hampered the demutualization processes that have affected the cooperative systems in many countries over the past two decades.

Despite the fact that this law applied only to cooperatives that wanted to benefit from public subsidies, almost all Italian cooperatives, including the large ones, abide by it.

In 2003, the law was changed in two respects:

- a) The legislators added a new criterion (in addition to the profit distribution restriction) identifying the social function of a cooperative: the obligation of conducting at least half of its business with members.
- b) The law now explicitly states that cooperatives can choose between two regimens: a regimen with the limitation to distribute their profits and mutual obligation (so called "predominant mutuality") or a regimen characterized by the same obligations, but in a lighter form (or "non-predominant mutuality").

To date, very few cooperatives have taken advantage of the possibility of changing or taking the non-predominant mutuality form. On the contrary, they have preferred to continue the consolidation policies with respect both to their assets and to their trading and production activities, and to maintain the profit distribution restriction.

5. Recent Evolution and Current State of the Italian Cooperative Movement

The evolution of Italian cooperatives after 2001 can be tracked using the data provided by the Registers of Enterprises (*Anagrafe camerale*), collected by the Chamber of Commerce for all private Italian enterprises which are obliged to have a public balance sheet.

In 2007, the national registers of the Chamber of Commerce listed 148.916 Italian cooperatives. Only half of these organizations presented a balance sheet and were definitely active in that year,¹ while more than 36.000 were not identifiable in a specific sector. As a consequence, these are not included in the following tables.

A general analysis of cooperatives by sector of activity shows that most of these organizations were concentrated in four main sectors: construction, agriculture, business services, and transportation. However, the number of cooperatives active in other sectors was also quite significant.

The distribution of cooperatives by macro-regions illustrates that almost half of cooperatives were located in the South of Italy, less than 20% in the Centre and the rest in the North (21.9% in the North West and 19.1% in the North East). The average age of cooperatives was 17 years, which is higher than the average for other organizational types (13.5).

The data shows a significantly higher presence of agricultural and construction cooperatives in the South, while in the North services and transportation cooperatives were more developed. In the Centre the distribution of cooperatives across sectors was close to the national average.

Compared to other private, for-profit (or capitalistic) enterprises, the distribution of cooperatives by sector of activity diverged from the national average mainly due to the higher presence of cooperatives in construction, transportation, business services, and especially in the social and healthcare sectors.

¹ The data of active cooperatives is derived from the number of cooperative enterprises officially registered in the National bulletin-board at the Office of the Productive Activities, which amounted in 2007 at 85.472 units.

TABLE 2: Number of Italian cooperatives by sector of activity (absolute values), 2007

| Sector | Northwest | Northeast | Centre | South | Italy |
|----------------------|---------------|---------------|---------------|---------------|----------------|
| Agriculture | 1.463 | 1.842 | 2.109 | 9.203 | 14.617 |
| Food processing | 359 | 703 | 381 | 1.686 | 3.129 |
| Other manufacturing | 1.428 | 1.078 | 1.517 | 3.255 | 7.278 |
| Construction | 4.678 | 1.470 | 4.255 | 15.081 | 25.484 |
| Retail | 1.652 | 1.117 | 1.295 | 3.092 | 7.156 |
| Catering and canteen | 696 | 332 | 565 | 1.370 | 2.963 |
| Transportation | 2.951 | 1.675 | 2.200 | 3.496 | 10.322 |
| Computer | 1.744 | 1.198 | 1.661 | 3.178 | 7.781 |
| Financial services | 226 | 340 | 316 | 677 | 1.559 |
| Business services | 4.702 | 1.961 | 3.228 | 4.493 | 14.384 |
| Education | 374 | 329 | 338 | 857 | 1.898 |
| Social services | 1.862 | 1.131 | 1.211 | 3.475 | 7.679 |
| Other services | 1.375 | 1.105 | 1.803 | 3.267 | 7.550 |
| Total | 23.510 | 14.281 | 20.879 | 53.130 | 111.800 |

TABLE 3: Distribution of cooperatives by sector compared to average for all enterprises (%), 2007

| Sector | Cooperatives | All enterprises |
|----------------------|--------------|-----------------|
| Agriculture | 13,1 | 16,4 |
| Food processing | 2,8 | 2,0 |
| Other manufacturing | 6,5 | 11,1 |
| Construction | 22,8 | 15,0 |
| Retail | 6,4 | 27,9 |
| Catering and canteen | 2,7 | 5,6 |
| Transportation | 9,2 | 3,3 |
| Computer | 7,0 | 4,4 |
| Financial services | 1,4 | 2,0 |
| Business services | 12,9 | 7,2 |
| Education | 1,7 | 0,4 |
| Social services | 6,9 | 0,4 |
| Other services | 6,8 | 4,3 |
| Total | 100,0 | 100,0 |

Based on the incidence of cooperatives on the total number of private enterprises in the same sector of activity, it emerges that the percentage of economic activity generated by cooperatives relative to private firms was low (2%), but nonetheless quite significant. Furthermore, in 2007 cooperatives represented more than one third of the private enterprises providing social and healthcare services, and their incidence in education and transportation was also above average (9.1% and 5.6% respectively), without significant differences among macro-regions.

The number of cooperatives and their incidence in the retail sector is not very high. However, it is important to consider that this sector includes a variety of activities. If one were to focus only on firms providing first-necessity goods, and specifically groceries and household goods, the percentage of businesses and activity controlled by cooperatives increases to a 30% share of the market.

TABLE 4: Incidence of cooperatives in each sector of activity (%), 2007

| Sector | Northwest | Northeast | Centre | South | Italy |
|----------------------|-----------|-----------|--------|-------|------------|
| Agriculture | 1,0 | 0,9 | 1,4 | 2,2 | 1,6 |
| Food processing | 1,5 | 3,3 | 1,9 | 3,4 | 2,7 |
| Other manufacturing | 0,7 | 0,7 | 1,1 | 2,1 | 1,2 |
| Construction | 1,9 | 0,8 | 2,4 | 6,2 | 3,0 |
| Retail | 0,4 | 0,4 | 0,4 | 0,5 | 0,5 |
| Catering and canteen | 0,8 | 0,4 | 0,8 | 1,5 | 0,9 |
| Transportation | 5,6 | 4,0 | 5,8 | 6,6 | 5,6 |
| Computer | 1,9 | 2,3 | 3,3 | 5,3 | 3,1 |
| Financial services | 0,6 | 1,6 | 1,2 | 2,3 | 1,4 |
| Business services | 2,8 | 2,0 | 4,1 | 7,5 | 3,5 |

| | | | | | |
|-----------------|------------|------------|------------|------------|-------------|
| Education | 7,5 | 9,2 | 8,5 | 10,4 | 9,1 |
| Social services | 38,3 | 38,4 | 31,0 | 38,8 | 37,2 |
| Other services | 2,0 | 2,3 | 3,3 | 4,3 | 3,1 |
| Total | 1,6 | 1,2 | 1,9 | 2,8 | 2,0 |

Financial data on Italian cooperatives, unlike data on their numbers, is only available through 2006. The analysis of this data shows that, as of 2006, the total turnover of the cooperative sector was very high (112.691 million Euros), and especially high for cooperatives in the Northeast (close to 48,5 million Euros for the entire sector). The highest turnover levels were in the sectors of retail, construction and agriculture.

Cooperatives account for about 62,4% of the total turnover in the agricultural sector, and their share of the total value production is particularly high in the education and business services sectors as well.

TABLE 5: Average turnover of cooperatives by sector of activity, 2006

| | Registered budgets | | | Value of productions | | |
|----------------------|--------------------|----------------|-------------|----------------------|----------------|-------------|
| | Val. | % distribution | Incidence % | Val. | % distribution | Incidence % |
| Agriculture | 6.556 | 11,7 | 52,3 | 13.060.406 | 11,6 | 62,4 |
| Food processing | 1.808 | 3,2 | 16,3 | 8.155.228 | 7,2 | 9,6 |
| Other manufacturing | 3.318 | 5,9 | 2,8 | 5.927.654 | 5,3 | 0,6 |
| Construction | 8.201 | 14,6 | 9,2 | 13.964.889 | 12,4 | 8,8 |
| Retail | 3.915 | 7,0 | 2,8 | 34.723.802 | 30,8 | 5,6 |
| Catering and canteen | 1.575 | 2,8 | 4,7 | 1.420.519 | 1,3 | 3,9 |
| Transportation | 5.111 | 9,1 | 23,3 | 10.501.298 | 9,3 | 8,7 |
| Computer | 8.393 | 15,0 | 9,5 | 7.609.941 | 6,8 | 3,5 |
| Financial services | 5.225 | 9,3 | 4,9 | 8.469.876 | 7,5 | 8,0 |
| Business services | 1.555 | 2,8 | 32,6 | 721.681 | 0,6 | 26,2 |
| Education | 4.634 | 8,3 | 84,9 | 4.601.464 | 4,1 | 81,9 |
| Social services | 4.741 | 8,5 | 20,5 | 3.176.281 | 2,8 | 7,2 |
| Other services | 1.036 | 1,8 | 8,6 | 358.504 | 0,3 | 6,7 |
| | | | | | | |
| Northwest | 12.313 | 22,0 | 5,9 | 24.385.211 | 21,6 | 2,4 |
| Northeast | 10.607 | 18,9 | 7,2 | 48.469.578 | 43,0 | 9,2 |
| Centre | 12.388 | 22,1 | 7,4 | 24.266.544 | 21,5 | 3,9 |
| South | 20.760 | 37,0 | 14,2 | 15.570.211 | 13,8 | 6,0 |
| Total | 56.068 | 100 | 8,4 | 112.691.544 | 100 | 4,7 |

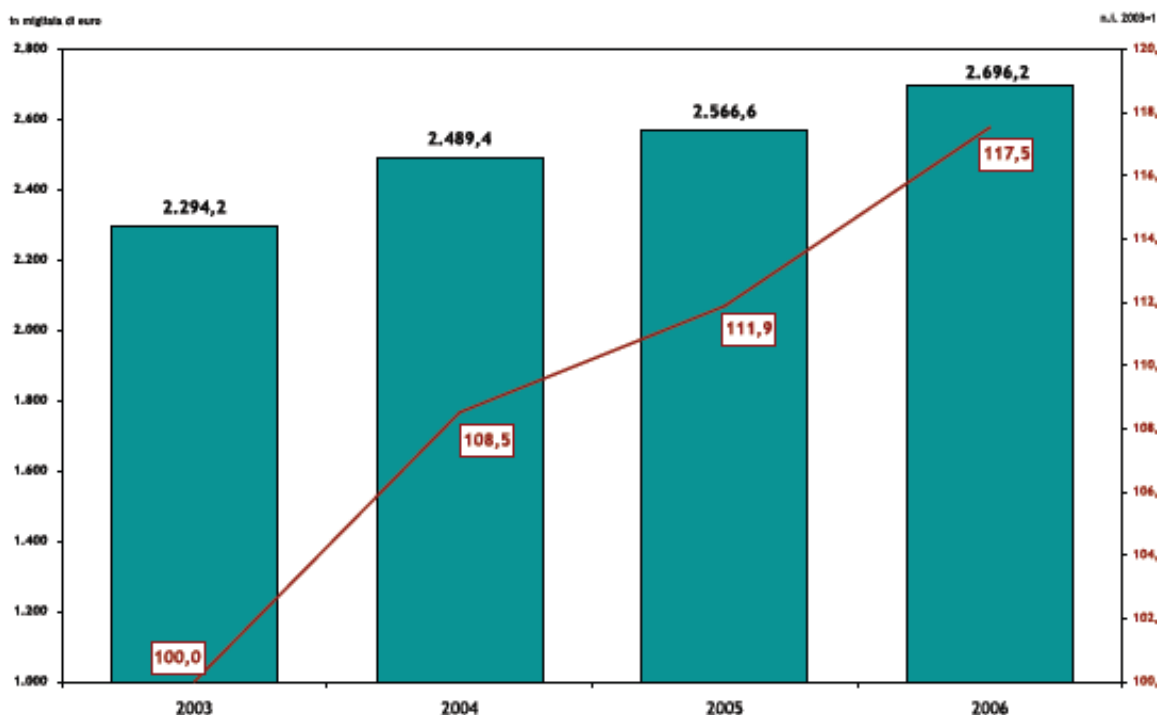
By classifying cooperatives based on their turnover, it emerges that, as of 2006, the great majority of cooperatives had a turnover lower than 2 million Euros. However, the percentage of cooperatives in this class was a little lower in 2006 than it was in 2003.

TABLE 6: Classes of cooperatives by economic size, 2003 and 2006

| | Year 2003 | | Year 2006 | | Change 2003-2006 | |
|--------------|---------------|---------------|---------------|---------------|------------------|------------|
| | Number | % | Number | % | Absolute | % |
| <2mil. | 48.408 | 90,6% | 49.104 | 87,6% | 696 | 1,4% |
| 2-10mil | 4.077 | 7,6% | 5.852 | 10,4% | 1.775 | 43,5% |
| 10-50mil | 730 | 1,4% | 878 | 1,6% | 148 | 20,3% |
| >50mil | 192 | 0,4% | 234 | 0,4% | 42 | 21,9% |
| Total | 53.407 | 100,0% | 56.068 | 100,0% | 2.661 | 5,0 |

As illustrated in the graph below, it follows that the average turnover of cooperatives increased between 2003 and 2006.

GRAPH 1: Trend in the turnover of cooperatives (in thousands of Euros), 2003-2006



Note: The bars in the chart indicate average turnover; the trend line is an index (base value = 100) measuring percentage change from 2003.

Finally, the increase in revenues was particularly high for social cooperatives (producing health and educational services), for cooperatives engaged in the production of business services, as well as for cooperatives in the transportation and computer sectors.

TABLE 7: Trend in turnover of cooperatives by sector of activity, 2003-2006

| Sectors | Average revenues of cooperatives in 2006 | Variation 2003/06 | Average revenues of for-profit firms in 2006 | Variation 2003-06 |
|----------------------|--|-------------------|--|-------------------|
| Food processing | 2.504.359 | 7,9% | 1.466.904 | 16,2% |
| Other manufacturing | 5.254.550 | 0,4% | 10.810.933 | 11,2% |
| Construction | 1.824.257 | 17,2% | 10.273.222 | 28,8% |
| Retail | 2.552.847 | 23,5% | 2.285.460 | 27,2% |
| Catering and canteen | 11.810.623 | 15,9% | 5.254.022 | 25,7% |
| Transportation | 1.113.454 | 25,9% | 1.491.541 | 19,7% |
| Computer | 2.253.487 | 22,5% | 8.178.418 | 27,6% |
| Financial services | 992.531 | 10,7% | 3.322.650 | 47,2% |
| Business services | 2.161.667 | 38,8% | 1.074.272 | 38,2% |
| Education | 405.700 | 6,8% | 732.800 | 9,7% |
| Social services | 1.283.963 | 37,9% | 1.494.313 | 45,1% |
| Other services | 769.789 | 58,5% | 2.604.192 | 44,9% |
| Total | 2.696.195 | 17,5% | 4.962.062 | 28,9% |

The significant impact of cooperatives on the national economy was also attested by the high number of people they employed, which in 2006² was over 1 million. Considering that in 2006 there were only approximately 55.000 cooperatives, it is possible to conclude that in the last years the increase in the number of cooperatives has been accompanied by a growth in their size (as measured in terms of average number of employees). The majority of employees were employed in the social and health services, in business services, and in the transportation sector.

² Data on employees and on the financial situation of cooperatives were available only for 2006.

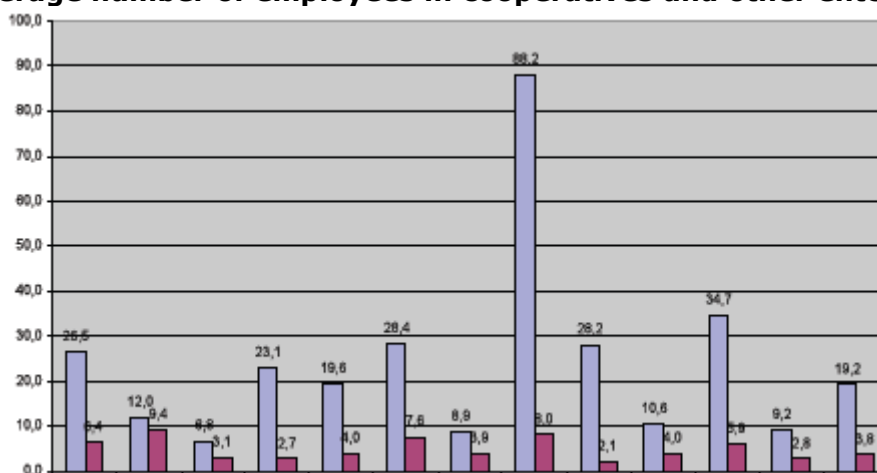
Furthermore, in these same sectors, cooperative employees represented a high percentage of all private sector employees. Surprisingly, 51,3% of employees in the private health services sector and 22,7% of employees in the educational services sector were employed in cooperatives, reaffirming the increasing role played by cooperatives in the social services sector.

TABLE 8: Cooperative enterprises and their employees, 2006

| Sectors | Cooperatives | | | Employees | | |
|----------------------|---------------|----------------|--------------------------|------------------|----------------|--------------------------|
| | Number | % distribution | Incidence on economy (%) | Number | % distribution | Incidence on economy (%) |
| Food processing | 1.471 | 2,7 | 2,0 | 39.022 | 3,7 | 8,4 |
| Other manufacturing | 3.591 | 6,5 | 0,8 | 42.457 | 4,0 | 1,0 |
| Construction | 9.650 | 17,6 | 1,6 | 65.213 | 6,2 | 3,5 |
| Retail | 3.816 | 6,9 | 0,3 | 88.115 | 8,3 | 2,6 |
| Catering and canteen | 2.066 | 3,8 | 0,7 | 40.576 | 3,8 | 3,5 |
| Transportation | 6.470 | 11,8 | 4,5 | 184.037 | 17,4 | 16,9 |
| Computer | 7.614 | 13,9 | 2,3 | 67.634 | 6,4 | 5,2 |
| Financial services | 930 | 1,7 | 1,3 | 82.005 | 7,8 | 14,2 |
| Business services | 6.607 | 12,0 | 0,7 | 186.480 | 17,7 | 9,9 |
| Education | 1.585 | 2,9 | 8,5 | 16.753 | 1,6 | 22,7 |
| Social services | 5.540 | 10,1 | 8,8 | 192.049 | 18,2 | 51,3 |
| Other services | 5.618 | 10,2 | 2,3 | 51.767 | 4,9 | 7,5 |
| Northwest | 12.731 | 23,2 | 1,0 | 300.060 | 28,4 | 5,1 |
| Northeast | 9.604 | 17,5 | 1,0 | 329.032 | 31,2 | 8,2 |
| Centre | 11.963 | 21,8 | 1,3 | 217.139 | 20,6 | 5,8 |
| South | 20.660 | 37,6 | 1,6 | 209.876 | 19,9 | 5,9 |
| Total | 54.958 | 100,0 | 1,2 | 1.056.108 | 100,0 | 6,2 |

With respect to the size of cooperative enterprises, it is worth noting that they are much larger than other Italian enterprises: as of 2006, the average number of employees per cooperative was 19,2, compared to just 3,8 in other enterprises. As shown in the graph below, which displays the average number of employees in cooperatives compared to other private enterprises for each sector of activity, this was true in every industry. The difference was extraordinarily high in the financial services sector, where financial cooperatives employed on average 88,2 people per organization, compared to just 8 for traditional firms.

GRAPH 2: Average number of employees in cooperatives and other enterprises, 2006



Note: Bars in violet represent cooperatives; bars in purple, other private enterprises. The sectors of activity are reported in the same order as in the previous Table. The last bars on the right indicate the national average across all sectors.

Interesting observations also emerge when comparing the data over time. Between 2003 and 2006, the number of cooperatives increased by 1,7%. Looking to most recent data, the number of registered cooperatives further increased in the last year. This trend was accompanied by an even more significant increase in the number of employees: from less than 950.000 in 2003 to more than one million in 2006 – an increase of 11,7%. The increase in the number of cooperatives was higher in the Centre of Italy (3,5%) than in the North, but the increase in people employed by cooperatives was quite similar across the two regions.

TABLE 9: Variation in the number of cooperatives and their employees between 2003 and 2006

| | Cooperatives | | | Employees | | |
|--------------|---------------|---------------|------------|----------------|------------------|-------------|
| | 2003 | 2006 | Δ % | 2003 | 2006 | Δ % |
| Northwest | 12.691 | 12.731 | 0,3 | 264.957 | 300.060 | 13,2 |
| Northeast | 9.477 | 9.604 | 1,3 | 292.309 | 329.032 | 12,6 |
| Centre | 11.556 | 11.966 | 3,5 | 192.856 | 217.152 | 12,6 |
| South | 20.327 | 20.662 | 1,6 | 196.190 | 210.459 | 7,3 |
| Italy | 54.051 | 54.963 | 1,7 | 946.313 | 1.056.713 | 11,7 |

The sector of activity that registered the most significant positive trend was the social services sector (especially cooperatives supplying social, education and health services). Consumer cooperatives and retail cooperatives in general decreased in number, maybe due to competition from other organizational types, but the evolution was less negative than the average for other enterprises. The situation in the food processing industry is similar, while the opposite was true for cooperatives providing business services. Other sectors revealed high increases in the number of for profit enterprises, but a lower increase in cooperatives.

TABLE 10: Difference in the distribution of number and employment size of cooperatives by sector, 2003-2006

| Sector | Cooperatives | All enterprises |
|----------------------|--------------|-----------------|
| Food processing | -0,5 | 1,5 |
| Other manufacturing | -6,4 | -7,4 |
| Construction | 4,5 | -0,7 |
| Retail | -3,2 | 9,7 |
| Catering and canteen | 3,6 | 10,1 |
| Transportation | 3,7 | 16,4 |
| Computer | 2,4 | 26,0 |
| Financial services | 2,8 | 22,9 |
| Business services | 4,6 | -1,7 |
| Education | 8,3 | 19,5 |
| Social services | 27,6 | 35,8 |
| Other services | -18,0 | -5,6 |
| Total | 1,7 | 11,7 |

6. Conclusion

The analysis of the Italian cooperative movement yields useful insights. First and foremost, the Italian case shows that cooperatives are not destined to be marginalized as a country develops. Rather, the Italian cooperative movement grew stronger with economic development, reaching its highest level yet in recent years. Italian cooperatives went through their most difficult phase during the years in which economic growth was driven primarily by the expansion of manufacturing (during the 1950s and 1960s). With the rise of the service sector, though, cooperatives started to grow again.

Second, the cooperative form is particularly well suited to the production of services that have a public interest component, as evidenced by the success of social cooperatives starting in the 1980s. Today, social cooperatives are one of the most active sectors of the entire cooperative movement.

Finally, legislation regulating the characteristics of the cooperative enterprise form has a very strong influence over the development and resilience of the cooperative system. In Italy, for example, the profit distribution restriction effectively made cooperative enterprises impossible to sell, thus hindering the demutualization process. At the same time, this restriction enabled the accumulation of capital, which strengthened the cooperative movement in the long run.

Overall, the Italian experience casts serious doubts on the predominant theories on cooperative enterprises, which are at odds with the empirical evidence on the evolution of these organizations, and suggests the need for the development of new paradigms that can account for and explain the specificities of cooperatives relative to other forms of enterprise.