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Italy's Worker Buyout Mapping. An Historical Review

Worker buyouts (WBO), or worker-recuperated companies, involve the acquisition or salvaging of a company, or part thereof, by its existing workers. This phenomenon is widespread throughout the world, and in Italy, as in many parts of Europe, occurs in the form of a cooperative. In the Italian legal system, WBO operations were officially recognized in 1985 under Law n.49 of 27 February 1985 (the “Marcora Law”, “Provisions for credit to cooperatives and urgent measures to safeguard employment levels”), which sanctioned their social and economic importance, and laid down the conditions relevant to their development through the setting up of a revolving fund to finance buyout projects by workers. From 1985 until today, the Italian legislator has intervened on numerous occasions to foster the startup of these acquisitions, modifying the regulatory framework and the tools for promoting them (Cataudella, 2016). However, the setting up of WBOs can be separated into two different historical periods, characterized by two main legislative frameworks (Vieta, Depedri, 2015) - the Marcora I Law (1985-2002), and its following reform in 2001, the Marcora II Law (2003¹ - today).

In light of the singular socio-economic context Italy is having to deal with today, worker buyouts could clearly be, for the near future, an important opportunity to counter the risks of a further industrial decline resulting from the effects of the crisis. *In this paper, a mapping of the worker-recuperated companies in Italy from 1985 until today has been carried out. The research has led to establishing a sample, wider than any previously done in Italy.* It results from the analyses and elaboration of data kindly provided by the main operators in the promotion and financing of WBOs (CFI, COOPFOND, SOFICOOP, Federazione Trentina della Cooperazione, which we here offer our thanks), and the data collection available on the portals of Banca Etica² and the Rete Italiana Imprese Recuperate³. The sources were then further integrated with the data on balances, on the company legal status and employment from the Aida Bureau van Dijk/Area Studi Legacoop databank. Following a description based on the sector, region, employment and association of WBOs set up in Italy, the failure rate and average lifespan of the WBOs were analyzed, then the main success factors were identified and, finally, the balance results of the still active companies were evaluated. From the Marcora Law entering into force until today, 323 worker-recuperated companies (Tab.1) in cooperative form have been individuated. These acquisitions have involved 10,408 workers⁴ and a company survival rate of 35%.

¹ 2003 is the first year WBO operations were subject to the reform (Law n.57 of 5 March 2001) – Marcora II Law.

² <https://www.bancaetica.it/blog/storie-realta-finanziare/workers-buyout-miracoli-italiani-dai-lavoratori>

³ <https://impreserecuperate.it/>

⁴ The data on employees in WBOs regarding active companies (109), and the 2018 balance data come from the Aida Bureau van Dijk databank. Where inactive companies are concerned, the highest value of the Aida Bureau van Dijk data of the last available year was considered, as well as the data available in the year declared in the databanks of the main operators in WBO promotion and financing.

Approximately 75% of these buyouts set up since 2003 (introduction of the Marcora II Law reform) are still active today.

Tab. 1 WBOs set up in Italy into two main legislative frameworks

Legislative framework	Total				Active				Inactive			
	Number of enterprises		Employees		Number of enterprises		Employees		Number of enterprises		Employees	
	N.	%	N.	%	N.	%	N.	%	N.	%	N.	%
I Marcora Law	218	67,5%	7.648	73,5%	35	16%	2.078	27,2%	183	84%	5.570	72,8%
II Marcora Law	105	32,5%	2.760	26,5%	78	74%	2.060	74,6%	27	26%	700	25,4%
Total	323	100%	10.408	100,0%	113	35,0%	4.138	39,8%	210	65,0%	6.270	60,2%

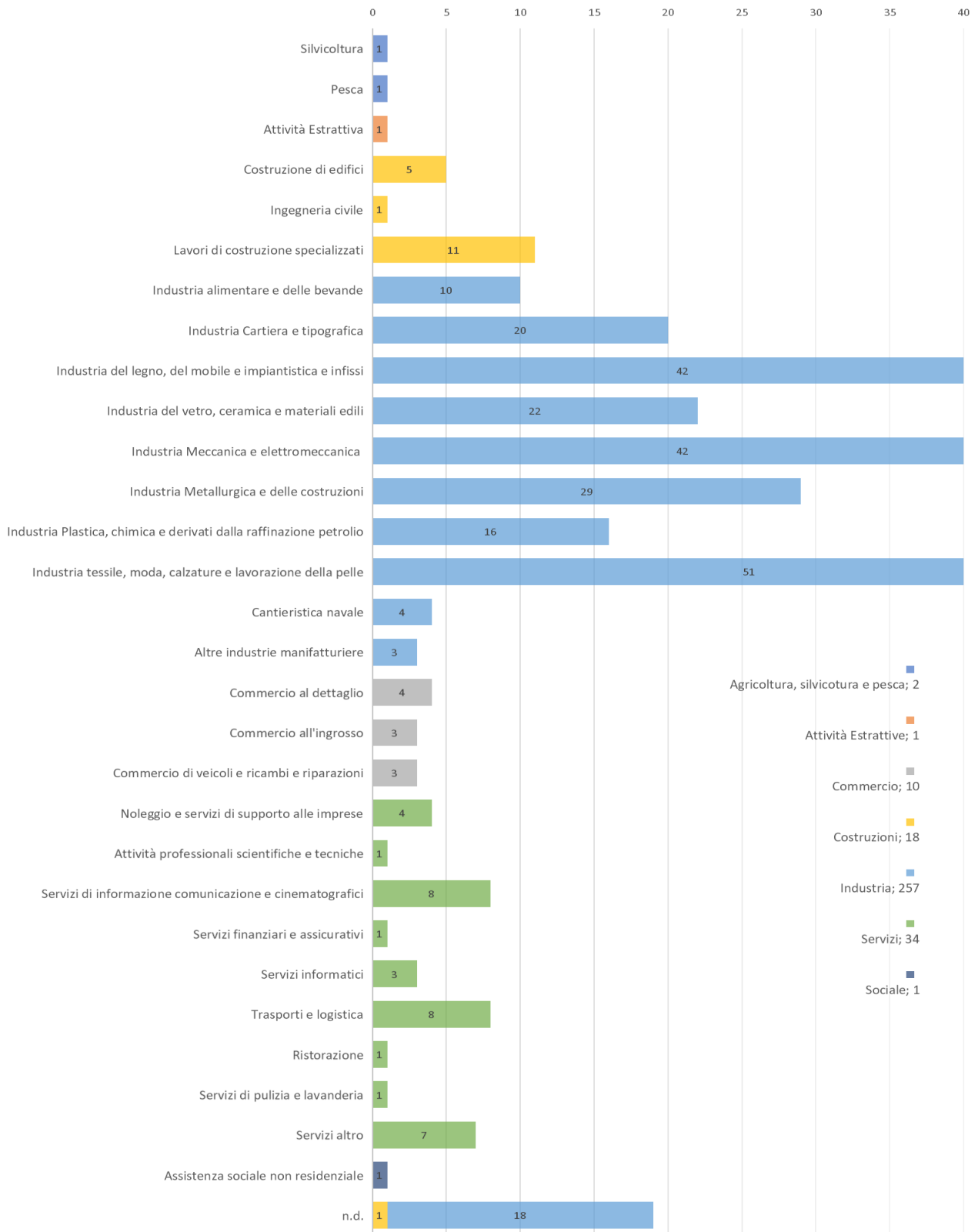
More than 54% of the sample (176 companies) include cooperatives which are, or were previously, members of Legacoop (Tab.2). Out of those still active, 74% belong to Legacoop. The analysis on operational status, reveals that the member companies register an overall survival rate of 47.2%, clearly much higher than the 20.4% of non-members.

Tab. 2 - I Workers buyout in Italia dal 1987 al 2019

Associazione	WBO 1989-2019			di cui Attive				di cui Inattive			
	N.	%	Dip.	N.	% sulle attive	%sul totale	Dip.	N.	% sulle inattive	%sul totale	Dip.
Non Aderenti	147	45,5%	4.542	30	26,5%	9,3%	1.261	117	55,7%	36,2%	3.281
Aderenti a Legacoop	176	54,5%	5.866	83	73,5%	25,7%	2.877	93	44,3%	28,8%	2.989
Totale	323	100%	10.408	113	100%	35%	4.138	210	100%	65%	6.270

About 70% of the WBOs originated in the regions of the Center and North-East of the country (Tab.3), most in the central regions (46%). Only 11%, instead, can be found in the Southern and Island regions.

Fig.1 WBOs by sector set up in Italy from 1987-today



Tab. 3 WBOs by region set up in Italy from 1987-today

Region/Area	Total				Active				Inactive			
	Number of enterprises		Employees		N.	% of total active enterprises	% of active enterprises per region	N. of employees	N.	% of total inactive enterprises	% of inactive enterprises per region	N. of employees
	N.	%	N.	%								
Valle d'Aosta	-	-	-	-	-	-	-	-	-	-	-	-
Piemonte	11	3,4%	385	3,7%	5	4,4%	45,5%	178	6	2,9%	54,5%	207
Liguria	7	2,2%	267	2,6%	1	0,9%	14,3%	87	6	2,9%	85,7%	180
Lombardia	40	12,4%	1.232	11,8%	5	4,4%	12,5%	85	35	16,7%	87,5%	1.147
North-West	58	18%	1.884	18,1%	11	9,7%	19%	350	47	22,4%	81%	1.534
Trentino-Alto Adige	1	-	155	1,5%	-	-	-	-	1	0,5%	100%	155
Veneto	23	7,1%	696	6,7%	12	10,6%	52,2%	290	11	5,2%	47,8%	406
Friuli-Venezia Giulia	3	0,9%	70	0,7%	-	-	-	-	3	1,4%	100%	70
Emilia-Romagna	54	16,7%	2.711	26,0%	28	24,8%	51,9%	1.856	26	12,4%	48,1%	855
North-East	81	24,8%	3.632	34,9%	40	35,4%	49,4%	2.146	41	19,5%	51%	1.486
Toscana	65	20,1%	1.753	16,8%	12	10,6%	18,5%	299	53	25,2%	81,5%	1.454
Umbria	32	9,9%	942	9,1%	14	12,4%	43,8%	411	18	8,6%	56,3%	531
Marche	32	9,9%	859	8,3%	15	13,3%	46,9%	477	17	8,1%	53,1%	382
Lazio	19	5,9%	413	4%	5	4,4%	26,3%	106	14	6,7%	73,7%	307
Center	148	45,8%	3.967	38,1%	46	40,7%	31,1%	1.293	102	48,6%	68,9%	2.674
Abruzzo	4	1,2%	179	2%	1	0,9%	25%	33	3	1,4%	75%	146
Molise	1	-	22	0,2%	-	-	-	-	1	0,5%	100%	22
Campania	8	2,5%	220	2,1%	4	3,5%	50,0%	98	4	1,9%	50%	122
Basilicata	-	-	-	-	-	-	-	-	-	-	-	-
Calabria	2	0,6%	67	0,6%	-	-	-	-	2	1%	100%	67
Puglia	13	4%	266	2,6%	3	2,7%	23,1%	47	10	4,8%	76,9%	219
South	28	8,4%	754	7,2%	8	7,1%	28,6%	178	20	9,5%	71%	576
Sardegna	1	0,3%	26	0,2%	1	0,9%	100%	26	-	-	-	-
Sicilia	7	2,2%	145	1,4%	7	6,2%	100%	145	-	-	-	-
Islands	8	2,5%	171	1,6%	8	7,1%	100%	171	-	-	-	-
Total	323	100%	10.408	100%	113	100%	35%	4.138	210	100%	65%	6.270

However, WBOs set up in the Islands and the North-East register an above average survival rate, while Lombardy, Liguria and Tuscany are the regions revealing the highest failure rates. From a sector perspective (Fig. 1 and Tab. 4), most of the worker-recuperated companies (79.6%) can be found in the manufacturing sector. This is compatible with the results in the database from the work of Vieta and Monni (Vieta et al., 2015; Monni et al., 2017), and is probably due to the peculiar composition of the Italian manufacturing sector, mainly made up of SMEs. These companies are highly labor-intensive but of low capital intensity and entry costs (Ben-Ner, 1988), which foster the setting up of WBOs (Vieta et al., 2015). Within the manufacturing sector, WBOs tend to be more concentrated in the more traditional categories and those favoring Made in Italy production - that is, goods in textiles and, therefore, fashion, leather, design and graphics, glass and ceramics. Amongst the other sectors where numbers are higher, we can find services, mainly concentrated in logistics and transport and services linked to the cinematographic or information and communications industries.

Tab. 4 WBOs by sector set up in Italy from 1987-today

Sector	Total				Active				Inactive			
	Number of enterprises		Association		Number of enterprises		Association		Number of enterprises		Association	
	N.	%	Members of Legacoop	%	N.	% of active enterprise per sector	Members of Legacoop	%	N.	% of inactive enterprise per sector	Members of Legacoop	%
Agriculture, forestry and fishing	2	0,6%	2	100%	1	50%	1	100%	1	50%	1	100%
Mining activities	1	0,3%	1	100%	1	100%	1	100%	-	-	-	-
Wholesale/retail sale	10	3,1%	8	80%	7	70%	6	85,7%	3	30%	2	67%
Construction	18	5,6%	9	50%	8	44%	5	62,5%	10	56%	4	40%
Manufacturing	257	79,6%	140	54,5%	76	30%	61	80,3%	181	70%	79	44%
Service	34	10,5%	16	47,1%	19	56%	9	47,4%	15	44%	7	47%
Health care and social services	1	0,3%	-	-	1	100%	-	-	-	-	-	-
Total	323	100%	176	54,5%	113	35,0%	83	73,5%	210	65,0%	93	44,3%

In looking at company recoveries aimed above all at maintaining employment levels and productive system, the lifespan of these acquisitions (Tab.5) should be studied rather than simply their success rate. Where this is concerned, for the WBOs set up before 2003 (introduction of the Marcora Law reform, L. 57/2001), the average lifespan of the 202 recovered companies which involved a total of 7,363 workers is 15.2 years. Instead, for obvious reasons, the same analysis would not be very indicative if conducted on more recent companies. Yet, it should be highlighted that the companies set up from 2003 register a success rate today of 74% and presently employ 2,060 workers (Tab.1).

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Tab. 5 Average lifespan (by sector) of the WBOs set up in Italy until 2003

Sector	Total			Active			Inactive		
	N.	Employees	Average lifespan (years)	N.	Employees	Average lifespan (years)	N.	Employees	Average lifespan (years)
Agriculture, forestry and fishing	1	14	18	-	-	-	1	14	18,0
Wholesale/retail sale	1	15	24	-	-	-	1	15	24,0
Construction	9	239	17,3	1	39	27	8	200	16,1
Manufacturing	173	5.675	14,6	26	834	27,2	147	4.841	12,4
Service	17	1.397	19,5	7	1.182	27,3	10	215	14,0
Health care and social services	1	23	21	1	23	21	-	-	-
Total	202	7.363	15,2	35	2.078	27	167	5.285	12,8

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⁵ Out of the 218 WBOs set up before 2003 under the Marcora I Law, data was found on the winding up of 202 companies. Where it was not available in the databanks of the main WBO promotion and financing operators, in the first analysis, the last year of lodging a balance was used, and, in the second analysis, the publication date in the Official Gazette of company liquidations and windings ups was found through a manual search on taxation codes.

The differences among the various sectors does not allow for drawing any definite conclusions on the different average lifespans, however, as far as the associative aspect is concerned, Legacoop members (Tab.6) have guaranteed their more than 7,000 employees a more constant employment compared to non-member companies.

Tab. 6 Average lifespan (by sector and association) of the WBOs set up in Italy until 2003

Sector	Legacoop members			Legacoop non-members		
	N.	Employees	Average lifespan (years)	N.	Employees	Average lifespan (years)
Agriculture, forestry and fishing	1	14	18	-	-	-
Wholesale/retail sale	1	15	24	-	-	-
Construction	4	143	20,5	5	96	14,8
Manufacturing	79	3.012	15,4	94	2.663	14
Service	9	537	19,2	8	860	19,8
Health care and social services	-	-	-	1	23	21
Total	94	7.363	16,1	108	3.642	14,5

Today, worker-recuperated companies register a company capital of € 63 million and a net worth of €113 million with a total turnover of € 490 million, generating €1.7 million in profits. 75% of active WBOs registering balances in 2018 belong to Legacoop and generate 87% of the turnover and 91% of total profits.

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Tab. 7 Active WBOs in Italy _ balance performance (Euros)

Association	Number of enterprises		Employees			Balance sheet data							
	N.	%	N.	%	personnel cost	total turnover	%	profits	%	capital	%	net worth	%
Non-members	27	25%	1.219	30%	33.181.575	62.556.580	13%	147.788	9%	7.330.924	12%	11.139.637	10%
Legacoop members	82	75%	2.863	70%	93.211.030	427.382.854	87%	1.571.385	91%	55.735.666	88%	102.181.484	90%
Total	109	100%	4.082	100%	126.392.605	489.939.434	100%	1.719.173	100%	63.066.590	100%	113.321.121	100%

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Summing up, this work has allowed for tracing in Italy, from 1985 until today, 323 cooperatives set up through worker-recuperated company acquisitions. Hence, it has been possible to closely study the effectiveness and features of the phenomenon based on the widest sample of Italian recovered companies carried out to date. The sectoral and geographic analysis confirms the conclusions of the previous studies

⁶ *Ut supra.*

⁷ Out of the 113, balance figures for 2018 are available for 109 companies. The 4 missing companies are in the startup phase and have still to register their first balances with the Chamber of Commerce.

(Vieta et al., 2015; Monni et al., 2017) highlighting a clear concentration of WBOs in the Central and North-Eastern regions of Italy and in the manufacturing sector. Moreover, the average lifespan of the cooperatives set up before 2003 (more than 15 years), as well as the survival rate (about 74%) for WBOs founded beginning from the same year, are witness to the economic and social success of this opportunity to manage and respond to company crises. The active recovered companies today employ more than 4,000 workers and generate a total turnover of about € 490 million.

Conclusion

In conclusion, the associative aspect, which has still not been studied in detail, appears to have played a key role in the evolution of the WBOs and their success. The recovered companies that belong to, or belonged to, Legacoop during their years of activity make up more than 54% of the total sample and 75% of the active companies. As regards the balance performance and the survival rate and average lifespan, the study actually shows how the member companies, over the years, have recorded much higher results than non-members. In the light of these results, a further more detailed study on this aspect, also considering the data available from other Italian cooperative associations, should be carried out.

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