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## Italy's Emilia Romagna

# Clustering Co-op Development

BY DAVID J. THOMPSON

Recent cooperative development in the northern Italian region of Emilia Romagna can be broken down into three time periods. First, the postwar era (1945-1965) of rebuilding cooperative structures and clustering cooperative development. Second, the growing interaction of the cooperatives with the regional economic policy. In the 1970s the national government of Italy empowered the regions of Italy with greater economic autonomy. The cooperative sector responded by adopting substantial infrastructure changes. As a result, cooperatives were better prepared than any other sector to take advantage of new regional initiatives. Third, the massive entry of cooperatives into the social sector. In the 1990s legislation was passed in Italy to allow cooperatives to provide social services. As a result, many social services have now been turned over to cooperatives instead of government agencies.



The solidarity principle at work. Parmesan cheese (produced by over 700 farmer cooperatives in Emilia Romagna) on display in an IperCoop store (part of the LegaCoop, a consumer cooperative with over a million members).

## Background

The first cooperatives in Emilia Romagna began in the 1860s. By the beginning of the 20th century, cooperatives were present in every economic sector; consumer, production, agriculture, housing, banking, and insurance. By 1921 there were 3,600 consumer cooperatives and 2,700 production cooperatives in the region.

Beginning in 1921, fascist gangs of thugs began systematically attacking the trade union and cooperative movements. In 1926 the fascist movement closed down all opposition parties and newspapers. That same year the National Fascist Board of Cooperation took over all the cooperatives and removed their autonomy. For two decades cooperatives and cooperators struggled to retain whatever vestige of cooperation and independence they could. Many cooperators were killed or imprisoned for resisting fascist control of their cooperatives.

## 1944: a region in ruins

In 1944 the cooperators of Bologna and Emilia Romagna had little time to reflect and even less to celebrate in their German-occupied region. The year 1944 was the 100th anniversary of the founding of the Rochdale Society of Equitable Pioneers and the birth of the modern cooperative movement. The BBC broadcast a somber anniversary program from one of the Rochdale Co-op's stores to a world much still in darkness. The

broadcast was blacked out in German-occupied Italy and heard by only a few on clandestine radios.

At the end of the Second World War the region of Emilia Romagna lay in economic ruin. Many of the region's cooperative leaders had died fighting in the partisan movement. Beginning in the 1920s through 1945, all the cooperatives had been taken over by the Fascists and were ghosts of their former social and economic strength. Amidst the rubble of bombed factories, closed shops and broken dreams a new generation of cooperative leaders arose to rebuild the cooperative sector in Emilia Romagna.

On August 25, 1945, the Federation of Cooperatives held its first congress since Liberation. During the same month in Rome, the National League of Cooperatives held its first congress following the end of the war. In 1947, the Italian Parliament voted in Article 45 of the Italian Constitution, which gave state recognition to the role of cooperatives. Cooperatives began planning for the post-war era.

### **Clustering businesses for success**

The devastation to the regional economy of Emilia Romagna was too large to be tackled cooperative by cooperative. Cooperators needed to accomplish the composite tasks of generating employment, building housing, reviving small business, and rebuilding agriculture cooperatives.

During the next several decades the cooperative sector in Emilia Romagna worked with the political and commercial sectors of the region.

Since WWII, the region has been continuously governed by a coalition of leftist parties. The latter created policies and programs that nurtured both cooperatives and small and medium sized enterprises. Rebuilding Emilia Romagna meant rebuilding small, locally owned enterprises and creating high value jobs for a region known for its high quality artisan production.

It is important to keep in mind there are three Italian national cooperative movements operating, always competing and at the same time occasionally cooperating with each other. The "Lega" group represents the political left, "Confcoop," represents the Catholic center-right, and the "Associazione" represent the center-left and is the smallest grouping. However, a large number of unaffiliated cooperatives also operate outside of these three groupings.

Within the Emilia Romagna region the three movements have the following statistics. The "Lega" family of cooperatives has 1,000,000 members providing employment for 40,000 people and an annual turnover of almost \$8 billion. The "Confcoop" is made up of 1,858 cooperatives with 285,000 members, 40,000 employees, and an annual turnover of \$13.5 billion. The "Associazione" numbers 75,000 members in 470 cooperatives and has an annual turnover of \$2.2 billion. In addition, non-affiliated cooperatives, which tend to be much smaller, number another 3,000+ businesses.

### **The Emilia model**

The Emilia Romagna region is home to a population of 3.9 million people (seven percent of the national population). Italy is divided into 103 provinces which make up 20 regions. The regional capital of Bologna is both a city and a province and has a population of 380,000.

By 2003 the dreams of cooperators had created an impressive reality. There are thousands of cooperatives of all types in Emilia Romagna.

- Cooperatives make up over 40% of the GDP of the ER region
- In Bologna two out of three citizens are members of a cooperative
- In Bologna over 85% of the city's social services are provided by social co-ops
- Per capita income in ER has risen from 17th to second among Italy's 20 regions
- Per capital income is 50% higher than the national average
- Of the European regions, ER is number 11 of 122 regions in terms of GNP per

inhabitant

- Bologna has the highest disposable income of any of Italy's 103 provinces
- Bologna has the highest per capita expenditure on the arts of any city in Italy
- The unemployment rate of 4% is virtually full employment
- 70% of Bologna's households have home ownership

The key operating mechanisms that have evolved in the Emilia Romagna region are:

**Clustering.** Actively bringing together cooperatives to work together in every way possible by both type and locality. Cooperatives are expected to cluster together to derive the highest return on what they consider to be their competitive advantage.

**Structure** (organizational, developmental, financial). Creating developmental and financing structures that improve development opportunities, access to financing, direct participation, planning, and communication among the groups of cooperatives.

**Solidarity.** Developing both a formal and informal infrastructure of support for achieving the goals of existing and new cooperatives, based upon **solidarity that builds** a stronger cooperative sector. Solidarity requires a strong ongoing **commitment to purchasing goods and services from within the cooperative sector and within the region.**



The Lega and many of its member cooperatives of Emilia Romagna are headquartered together in an office tower in Bologna.

**Reciprocity.** This

terminology, espoused by Professor Stefano Zamagni at the University of Bologna, focuses on the reciprocity relationship between cooperatives and between the members of cooperatives. Reciprocity allows each member or each cooperative to know that their investment or contribution will be valued and repaid. Reciprocity anticipates continuing long-term relationships rather than singular conclusive transactions.

The breadth of clustering programs put in place in the region from 1945 to today covers a broad range of efforts. The region encouraged the creation of special industrial districts which focused on specific skills and products. Within these districts the regional government developed centers which performed tasks such as marketing, product development, and training.

The region provided primary support to small and medium enterprises (including co-ops).

Within the region, the cooperatives formed two types of secondary cooperatives: provincial and sector-based (agriculture, housing, consumer, and worker). Within many of the sectors, the cooperatives further developed specific secondary

cooperatives, such as the over 700 cooperatives that produce Parmegiano cheese or worker cooperatives involved in the ceramics industry. Many of the cooperatives in specific sectors formed consortiums to bid on larger projects and then share the work out among the members of the consortium. This was particularly evident in public works, multi-family housing, and construction projects.

Within the region, both specific industries and groups of cooperatives established financial institutions and financing



Signs of some of the different Lega member co-ops in the office building they share in Bologna.



List of names of Lega member co-ops in the lobby of their office building.

pools to supply the growing firms with equity and debt capital. Many secondary cooperatives formed lending circles guaranteeing each others loans. There is even a cooperative bank for non-profits.



The Center for Cooperatives is a special unit of the University of Bologna.

The consumer cooperatives provide their over one million members with an ability to have a savings account with the co-op. The savings accounts pay higher interest rate than the local banks, and the co-ops use the capital to grow their organization. You can add to your account right at the cash register. This access to member capital has spurred the Lega Consumer Cooperatives to become the single largest food retailer in Italy.

Under Italian cooperative law each cooperative must pay 3% of its annual surplus into a national fund for cooperative development. This contribution is not taxed. The cooperative sector plays a role in directing funds back into the region to finance cooperative development.

Most of the cooperatives also tithe part of their profits towards equity and capital pools that are available to other cooperatives in their region or other cooperatives in their trade group.

In the growing globalization of the marketplace there are new challenges to the Emilia model. In the consumer economy there are definite threats to the solidarity model. However, the region has changed much since the end of the Second World War, and the cooperatives of Emilia Romagna have continued to find ways to grow and prosper. It will be interesting to see what forms of clustering will occur in the changing marketplace and how the cooperatives of Emilia Romagna **meet the challenges of tomorrow.**

David J. Thompson made his third visit to Italian cooperatives this summer. He is the author of **Weavers of Dreams**, co-author of **Cooperation Works** and **Cooperative Business in the USA** and President of Twin Pines Cooperative Foundation.

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Ivan Barberinni, president of the International Cooperative Alliance, being presented by David Thompson with a copy of "Cooperation Works" during his visit to Bologna.

## Comments

**From:** [Chris Clamp](#)

On: Sun 25th Apr 14:31

This is the **only** article that I ~~could find on the web~~ **that introduces readers to the Emilio Romagna cooperatives. It also does not show up in a google search. I am just glad I finally located it. Thanks!**

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