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The Italian Road to Creating Worker Cooperatives from Worker Buyouts: Italy's Worker-Recuperated Enterprises and the Legge Marcora Framework

Marcelo Vieta*

Abstract

This paper highlights the first phase of a research program, completed in late 2014 and early 2015 that homes in on worker-recuperated enterprises (*imprese recuperate dai lavoratori*) in Italy. The paper specifically focuses on Italy's worker buyouts (WBOs) facilitated by its Legge Marcora (Marcora Law) framework—the form of worker-recuperated enterprises predominating in Italy. The paper first offers a definition of WBOs as a subset of worker-recuperate enterprises. It also reviews the most common scenarios from which WBOs emerge globally. It then overviews Italy's Legge Marcora's legal and financial framework, and situates the emergence of WBOs since the early 1980s as direct responses to market failure, business closures, rising unemployment, and, with the most recent WBOs, coinciding with the Great Recession and subsequent austerity measures that continue to negatively impact the country. The paper then discusses key findings from our research on WBO creation in Italy, touching on their most salient demographic and geographic particularities. Throughout the paper distinguishes Italy's WBOs as exemplar because of their resilience in times of crisis, and the inclusion of multiple stakeholders in its WBO framework, namely: *workers*, *the cooperative sector*, and *the state*.

Keywords

Worker buyouts; worker-recuperated enterprises; worker-recovered companies; business conversions; worker cooperatives; Legge Marcora; legal framework; enterprise entry and exit rates (birth and death rates); SMEs; Italy

JEL codes

J01; J52; J53; J54; K2

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1. Introduction

Since the early 1980s in Italy, worker-recuperated enterprises[1] have mostly emerged from worker buyouts (WBO), saving or creating around 9,300 jobs and 257 known labour-managed firms.[2] Almost all are transformed into worker cooperatives under employee management and ownership. While present throughout the national territory (Figure 1), worker-recuperated firms have particularly taken root in the Centre and the Northeast, in the "Made in Italy" regions where the majority of the country's speciality-based manufacturing industry consisting of intricately connected SMEs is located. Since the mid 1980s and the passing of Law 49/1985, known as Legge Marcora,[3] WBOs in the country have continued to emerge, especially surging again since 2008 with the lingering negative effects of the Great Recession and austerity on Italy's GDP and labour markets, and its shrinking SME-based manufacturing sectors (Sforzi, 2007; Triglia & Burroni, 2009; Tridico, 2012). Italy's Legge Marcora national legislation for WBOs has been an especially promising mechanism during times of crisis for saving a community's jobs and businesses.

This paper highlights key findings from the completed first phase of a broader research program at Euricse on worker-recuperated firms, business conversions to cooperatives, and worker buyouts (Vieta, Depedri, & Carrano, 2015).[4] Section 2 of the paper offers a definition of worker buyouts and reviews the most common scenarios out of which WBOs emerge. Section 3 discusses the details of what we believe to be an exemplar legal, financial, and policy approach for WBO creation—Italy's Legge Marcora framework. Section 4 reviews the most salient macro-economic, geographic, and demographic trends for these worker-recuperated firms in Italy. Section 5 discusses the resilience of Italy's WBOs and their five main characteristics. Throughout the paper, we distinguish Italy's WBOs as exemplar because of their resilience in times of crisis, and the inclusion of multiple stakeholders in its WBO framework, namely: *workers*, *the cooperative sector*, and *the state*.

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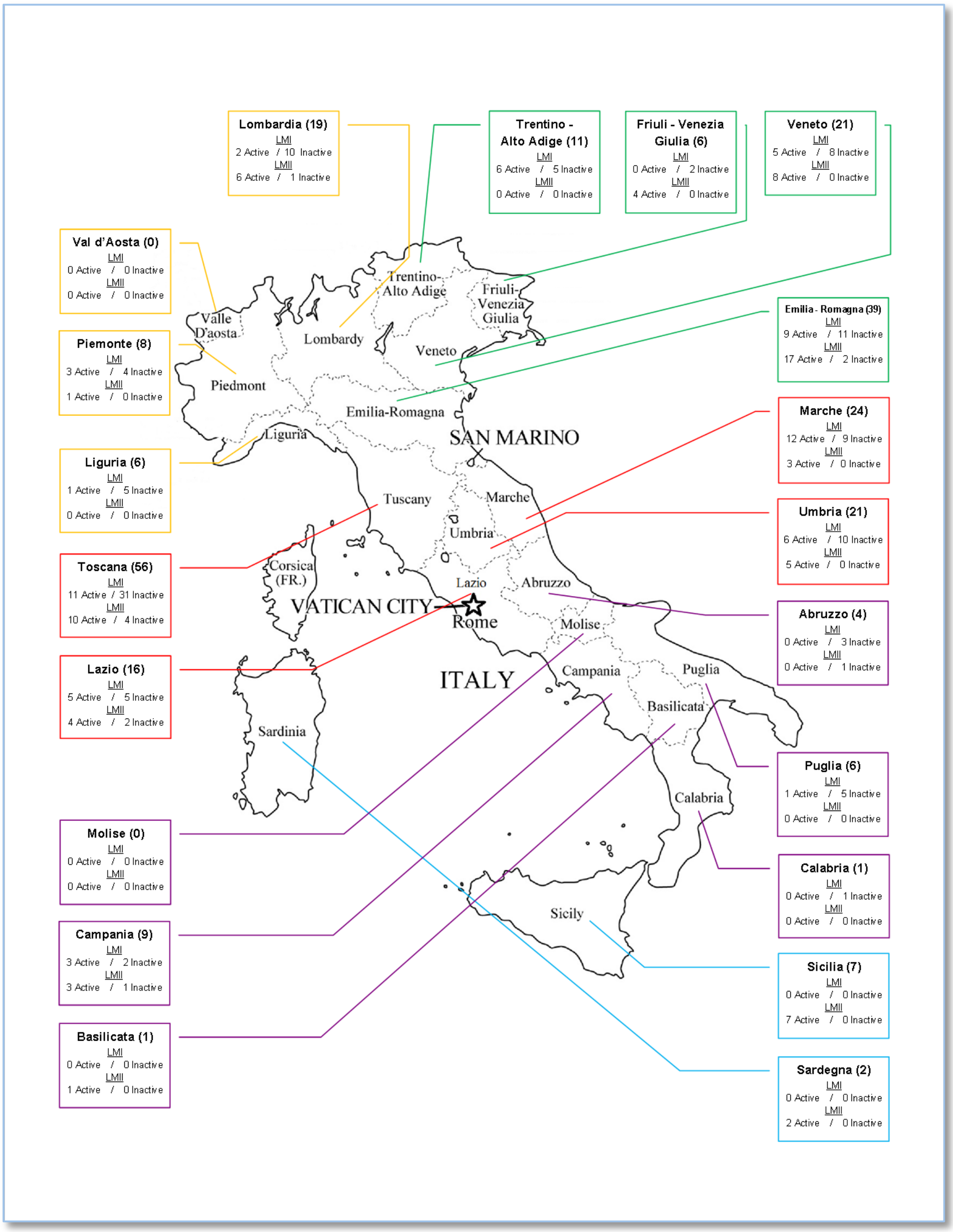
1 Workplaces in trouble or experiencing successions issues that are taken over and converted to labour-managed firms by employees

2 Our research to date, in a collaborative project between Euricse and Cooperazione Finanza Impresa (CFI), has identified 257 worker-recuperated enterprises in Italy (and an additional 8 failed WBO attempts), mostly emerging from the Legge Marcora framework. Much of this is based on CFI's historical database of WBOs in Italy, which they have kindly shared with us for this study. We have also found other WBOs and worker-recuperations that were not financed or in contact with CFI via journalistic and other cooperative movement sources, verifying all WBO cooperatives in our dataset with the Italian Chamber of Commerce's data. Detailed in our forthcoming report (Vieta, Depedri, & Carrano, 2015), our WBO database is emergent and, as such, we have no doubt that there have been more WBOs in Italy. Our database, however, captures most of the country's known worker-recuperated firms to date and is representative of the universe of WBOs and worker-recuperated firms that have existed in the country since the early 1980s.

3 Named after the Italian Minister of Industry who sponsored it.

4 For details of the research, the methodology used for gathering data on Italy's worker-recuperated firms and worker buyouts, and the full database of Italian WBOs, see the full report: Vieta, Depedri, & Carrano, (2015).

Figure 1: Mapping Italy's WBOs by region and Legge Marcora periods[5] [6]



[5] **Legend:** "LMI" = WBOs founded during Legge Marcora I (Law 49/1985) period (1985-2002) or before (during or before 1984). "LMII" = WBOs founded during Legge Marcora II (Law 57/2001) period (2003-today). Yellow boxes = Northwest geographic area. Green boxes = Northeast geographic area. Red boxes = Centre geographic area. Purple boxes = South geographic area. Blue boxes = Islands geographic area. N = 257 (as of 31 Dec. 2014).

[6] Note: This includes one pre-LM I WBO founded in Toscana 1952 and still active. Eight known but failed WBO attempts (of which there are undoubtedly many others which are difficult to locate or identify) were left out of the N=257 count of all WBOs. Legge Marcora I period WBOs also encompass a small group of WBOs created before the passing of the L. 49/1985 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. For more on our WBO sample and the specifics of active and inactive and Pre-Legge Marcora and Legge Marcora I and II WBOs, see Vieta et al. (2015, Chapter 4).

1.1 *Worker cooperatives, worker-recuperated enterprises, and resilience to economic downturns*

The historical literature on cooperatives and labour-managed firms shows that they are counter-cyclical, emerging in times of economic crises. Recent findings around the current and lingering economic crisis add to this evidence; cooperatives are showing resoluteness in our current situation of global economic crisis. While unemployment continues to rise throughout Europe (Labour Market Fact Sheet, 2012, 2014) and in much of the global South (ILO, 2014), while business closures stubbornly persist at elevated rates (ILO, 2012, 2014; Zanotti, 2011), and while recently proposed structural adjustment policies and other economic reforms reduce the security of workers, especially in Southern Europe (CECOP-CICOPA, 2013; EC, 2014),[7] cooperatives are growing in numbers throughout the regions most affected by the crisis (Birchall & Hammond Ketilson, 2009; Carini & Carpita, 2013; Fontanari & Borzaga, 2013; Smith & Rothbaum, 2014). In these critical economic times, the worker cooperative is particularly promising as a micro-economic counterweight to lost jobs and closed firms (Corcoran, 2009; Zevi, Zanotti, Soulage, & Zelaia, 2011).

The empirical evidence confirms that during economic downturns worker cooperatives, in particular, fail less than conventional investor-owned firms (Bentivogli & Viviano, 2012; Zanotti, 2011), experience much less job loss (Pérotin, 2006), and respond more resiliently to economic troughs (Zevi et al., 2011). The resilience of worker cooperatives is linked to the intrinsic motivations of self-management for worker-members, and the positive externalities they bring to local communities (Blasi, Kruse, & Berstein, 2003; Oakeshott, 2000; Theorell, 2003). Factors that contribute to their robustness as business models are often linked to the democratic decision-making responsibilities of members, in how worker-members take on flexible work hours and adjust salaries rather than reduce jobs during market downturns, how members will often decide to look for other business opportunities to redeploy the firm's capabilities for local needs or subcontracting, and in how they are businesses often committed to the wellbeing of members and other social objectives rather than the sole pursuit of profits (Artz & Kim, 2011; Burdín & Dean, 2009; CECOP-CICOPA, 2012, 2013; Pérotin, 2012; Zevi et al., 2011).

One source for the recent growth in worker cooperatives has been conversions of conventional capitalist businesses via worker buyouts (WBOs).[8] Spikes in new WBOs in recent years in jurisdictions hardest hit by the most recent economic crisis, then, is no coincidence; France, Spain, and Italy have witnessed in the last six years a growth in both cooperative start-ups and new worker cooperatives emanating from WBOs of troubled

[7] Consider Italy's expected reforms of Article 18 and similar recent labour flexibilization initiatives in Spain, Greece, the UK, and other European jurisdictions. Moreover, further changes to Italy's unemployment law and *ammortizzatori sociale* (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).

[8] Most simply, a WBO is an employee-led acquisition or rescue of a conventional company that has employed them (Brown & Quarter, 1992; Jensen, 2012).

companies (Jensen, 2011, 2012; Soulage, 2011; Vieta et al., 2015). While they are perhaps less well-known than their South American cousins, the *empresas recuperadas por sus trabajadores* (ERTs), in the current economic crisis, Southern Europe's WBOs are equally promising for saving jobs, businesses, and even local communities from further depletion.

The paths that employees take to convert troubled businesses into cooperatives or other labour-managed firms are varied. In Italy, these conversions take place as *negotiated* employee buyouts between workers, exiting owners, the cooperative sector, and local authorities and bankruptcy courts (Vieta, 2015). At other times, as in South America, they mostly unfold as more dramatic *workplace takeovers* by current or former employees of failing firms and during moments of high conflict on shop floors (Vieta, 2010, 2012, 2013, 2016). Workplace conversions and buyouts are, at the same time, influenced by a set of factors, including: national and regional contexts, local business norms, traditions of labour organizing, the presence of a cooperative movement, and existing legal frameworks.

2. Worker buyouts: definitions and scenarios

A worker buyout (WBO) is part of a business restructuring or conversion process whereby employees purchase an ownership stake in the entire business that employs them, or in a division or subsidiary of the business. A WBO often also includes workers' participation in the running of the firm.[9]

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 and purchasing requirements for buying all or part of the original business interest, which in turn is known as the "target company" (Bernstein and Hodge, 2008). In simpler WBO procedures, the newco can be a transitory employee association of some sort or employees can form a trust, whereby the target company is then most usually converted into a worker cooperative (Kruse, Freeman, & Blasi, 2010). The newco may either fuse with the target company or form a new company and dissolve the target company (Borsa Italiana, 2008; Mraz, 2012).

2.1 The three 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" (Vieta, 2015). These types of WBOs have been particularly visible recently in countries and communities hardest hit by market failure and economic crises. These WBOs emerge in situations with some degree of conflict between workers and owners, management, and/or local and regional authorities, as

[9] In most WBOs, employees both co-own all or part of the firm and are involved in its management, either directly or through the appointment of management (Brown & Quarter, 1992; Dow, 2003).

witnessed for instance in Latin America in the past 20 or so years[10] and with many new WBOs in Southern Europe today. Often, local unions, community activists, or social movement groups become involved in assisting workers in their struggle to save the firm and their jobs. Part of the resolution of these conflicts and the conversion of firms to workers' control includes transitioning them legally into worker cooperatives or other forms of employee ownership. In these scenarios, such as occurred in Argentina during the economic crisis of 2001-2002, and more recently in Greece, Turkey, and Italy, the WBO process happens after the employee collective's occupation of the business, which can sometimes last weeks or months. The newco is formed during this period of conflict. Part of resolving the conflict also involves the remaining workers' collective negotiating the control or purchase of the firm's assets with bankruptcy courts and/or local authorities (Vieta, 2016).

The "ESOP WBO" is based on the Employee Share Ownership Plan model. This 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, usually via an "ESOP trust," purchase shares of the target company. Retiring owners gain tax advantages for selling part or all of their company (Kruse, Freeman, and Blasi, 2010) and ownership of the target company is usually shared between employees and other types of more traditional shareholders (Vieta, Quarter, Spear, & Moskovskaya, 2016). Often the ESOP purchase is financed via the use of workers' pension plans, but can also be financed by employees' personal savings or via loans (Freeman, 2007). Today in the US, over 7,000 firms have ESOPs involving over 13.5 million employees (NCEO, 2014), including companies such as Publix Supermarkets, Price Chopper, W.L. Gore, and Austin Industries. While a minority of ESOPs have the structure of a worker cooperative, usually ESOPs do not include workers' direct control of the target company's assets or management rights. As such, the "ESOP WBO" is only a partial WBO.

In between the two extremes of the labour conflict and ESOP WBO is the "negotiated WBO." These are WBOs that are negotiated between owners and workers, at times with the mediation of local, regional, or national authorities. Most often in the negotiated WBO, workers have already established a newco with the intent of buying or even renting part of or all of the business that employs them. As with Italy's Legge Marcora framework, the negotiated WBO model is further facilitated by clear legislation for such buyouts and works with various figures.[11] In some instances, such as in Quebec's worker shareholder cooperatives, Spain's Sociedades Anónomas Laborales (SALs), or France's Société Coopérative Ouvrières de Production (SCOPs), employees of an existing company may form a worker cooperative and purchase a majority portion of the stock of the target company, entering into an agreement with the other shareholders (Jensen, 2011; Soulage, 2011; Vieta et al., 2016). In this scenario, the worker cooperative may or may not also participate in the management of the firm,

[10] Especially in Argentina, Uruguay, and Brazil.

[11] Community experts, lawyers, businesses, the cooperative sector, or unions, as well as with local, regional, or national authorities (Vieta, et al., 2015).

depending on the agreement reached with the target company's original owners and administrators. Other negotiated WBOs include business succession plans initiated by retiring owners, or converting conventional sole proprietorships or investor-owned firms into already-existing labour-managed company structures.[12]

3. Worker buyouts in Italy: A collaborative approach

The Italian method of creating WBOs is, in the main, a negotiated conversion and business restructuring mechanism with a unique set of supportive policies and a financing structure facilitated by a collaborative approach between workers, the cooperative sector, and the state. More broadly, and as I will show in the next sections, the Italian experience of WBOs serves to illustrate some of the most salient conditions undergirding the emergence of WBOs.

3.1 Italy's Legge Marcora Framework

Governments and other institutional actors, such as cooperative movements and unions, play an important part in the formation of WBOs. WBOs in Italy particularly took off after the passing of Law 49/1985 on 25 February 1985, known as Legge Marcora and named after the Minister of Industry who sponsored it, Giovanni Marcora. Since 1985, the Legge Marcora framework has promoted and assisted the conversion of at least 257 known firms that were in crisis or with succession issues into worker cooperatives (Figure 1 and Table 1).

3.1.1 Major stakeholders and processes

The "Italian road" to worker-recuperated enterprises under the Legge Marcora framework is a collaborative and negotiated WBO approach between the following stakeholders:

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, [13] and (d) after at least nine workers from the closing target company form a newco. During this initial process, employees will find out about the Legge Marcora WBO possibility most often after consulting with their local unions, the regional offices of one of Italy's cooperative federations, from local business experts, and/or from other contacts in their social networks. Once employees form into a worker cooperative they can begin the process of purchasing part or all of the target company via share capital[14] purchases financed by their personal savings,[15] or advances of up to three years of their cash transfer-based and employer

[12] Again, such as France's SCOPs or Spain's SALs (where at least 51% of share capital must be owned by employees), or, most usually, as worker cooperatives as with Italy's Legge Marcora-based WBOs.

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

[14] Capitale sociale.

[15] At times from workers' *trattamento di fine rapporto* (TFR). The TFR is a kind of severance pay based on

portions of their unemployment insurance benefits.[16] [17] Workers can also pursue debt capital[18] 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 the WBO can be no less than €4,000. Moreover, most WBOs in Italy under the Legge Marcora provisions are limited liability worker 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 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, and from the proceeds of dissolved Italian cooperatives (Fici, 2010, 2013). The entities that control the *fondi mutualistici* are arms length agencies or corporations responsible to but independently managed from Italy's cooperative federations, such as Legacoop's Coopfond and Confcooperative's Fondosviluppo.

3. The state. Via funds from the Italian Treasury, and overseen by the Ministero di Sviluppo Economico (Ministry of Economic Development, MSE), the state has made available two funds for WBOs in order to promote and secure levels of employment in times of crisis and

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6.91% of deferred salary at source and managed by private sector employers by law on behalf of all employees. An employee with at least eight years of service with the same employer may request an advance of no more than 70% of the TFR, which he or she can claim in the event of termination of the employment relationship.

[16] Currently, employees seeking a WBO solution, besides using their personal savings and TFR, can contribute to the initial start-up capital of the new cooperative by tapping into their appropriate unemployment benefits, which as of this writing includes the *Indennità di mobilità* and CIGS. The *Indennità di mobilità* (mobility allowance) is an unemployment benefit that is given to workers who have lost their jobs as a result of dismissal, and whom are registered on national "mobility lists." The CIGS, *or Cassa integrazione guadagni straordinari* (extraordinary unemployment insurance) is one of the two types of "*Cassa integrazione*" that exist in Italy (the other being *Cassa integrazione guadagni ordinaria*). The *Cassa integrazione* can be defined as a cash transfer to workers by the Istituto Nazionale della Previdenza Sociale (INPS, National Institute of Social Security) in favour of workers suspended from work, unable to work, or for those workers forced to work part-time. In Italy's rather complex system of unemployment insurance, workers' unemployment benefits are dependent on the length of employment, economic sector, and type of employment contract (i.e., public sector, manufacturing sector, temporary contract, etc.). 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 (ASpI, Social Insurance for Employment). 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.

[17] Once workers tap into their unemployment insurance for financing a WBO, participating employees cannot then access their unemployment benefits again for up to three years after using the funds to capitalize the WBO.

[18] Capitale di debito.

for the conversion of businesses in crisis into cooperatives: (a) Foncooper, a rotating fund consisting of low interest loans controlled by the Banca Nazionale di Lavoro (BNL), and (b) the "*Fondo speciale per la salvaguardia dei livelli occupazionali*"[19] (from now on, the "Special Fund") for the development of new cooperatives, made available to the institutional investors that are mandated to manage the fund on behalf of the state (see point 4 below). These funds contribute to the capitalization of a new cooperative via share or debt capital financing on a 1:1 ratio with workers' initial start-up or capital investments (see point 1 and section 3.1.2) (Zevi, 2012).

4. Institutional investors. The Legge Marcora WBO process and the "Special Fund" is mainly managed in Italy by Cooperazione Finanza Imprese (CFI), a "limited liability" 2nd tier cooperative institutional investor formed in 1986 and mandated by the Italian state to coordinate and facilitate WBOs within the Legge Marcora framework. To date, CFI has intervened in 77.43% of the 257 Italian WBOs since 1986, often also partnering with Coopfond, Fondosviluppo, Italy's three major unions, local authorities, or other national and regional consortia that finance and support WBOs and new cooperatives. As a 2nd tier cooperative, CFI's members include the MSE, Invitalia SpA (a private sector business development agency), and 270 cooperatives (including many of the co-ops they have helped fund). CFI also collaborates with the three major national unions and the three largest Italian cooperative federations (Legacoop, Confcooperative, AGCI). Providing technical assistance, SWOT-type business analysis, business feasibility studies for assessing the viability of new worker coops, and participating with risk capital or debt capital financing of WBOs, CFI works closely with WBO employees, 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 a WBO project.[20] Often, especially when CFI is involved in debt capital investments, it will temporarily "participate" in the newco as a "financial member" ("*socio finanziatore*") of the worker coop as allowed, after reforms to cooperative law in 1992 and the Civil Code in 2003, by Italian legislation (see next section).

3.1.2 "Legge Marcora I" (L. 49/1985) and "Legge Marcora II" (L. 57/2001)

Controversially, and after the intervention of Italy's association of industrialists, Confindustria, the Legge Marcora framework for WBOs was suspended in the late 1990s due

[19] "Special Fund for Initiatives to Protect Occupational Levels."

[20] Institutional financing entities such as CFI are thus entrusted to carry out the objectives of Legge Marcora. The task of these institutions 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. After the reforms of Legge Marcora with L. 57/2001 (see section 3.1.2), CFI is now involved not only with WBOs but also all forms of cooperatives linked to employment generation, such as non-WBO start up projects for new worker cooperatives, work-integration social cooperatives (i.e., Type B social enterprises), cooperatives formed from property confiscated from the mafia, and established worker or social cooperatives in need of further development and consolidation of their business. Between 2011 and 2013, with the worsening of the crisis in Italy, CFI also decided to enhance its operational capabilities and interventions in order to provide a more effective response to the issue of generating employment. CFI did so by renewing and streamlining its internal procedures, introducing the possibility of financing share *and* debt capital related undertakings, and adopting a new organizational model (for more, see Vieta et al., 2015, Chapter 3).

to a ruling by the European Union shortly before Italy entered the Eurozone. The ruling stipulated that the Legge Marcora scheme was in contravention of EU competition rules because, the EU deemed, the Italian state was giving unfair advantage to WBO cooperatives since it could invest, under the original L. 49/1985 framework, a 3:1 ratio of capitalization and start-up funds in relation to workers' contributions to the buyout (Zevi, 2012). Because of this ruling, a reform of the Legge Marcora legislation, L. 57/2001, was passed on 5 March 2001 with two new major articles. Article 7 section 1 now limits the state's portion of Legge Marcora funds from the "Special Fund" to a 1:1 financing ratio with workers' contributions, which workers must now pay back over the span of 7-10 years.[21] Article 17 section 5 now permits WBO worker cooperatives to take on a "*socio finanziatore*" (financing member) that becomes a member of the cooperative for the duration of the investment. The *socio finanziatore* can be any legal person, cooperative, or other entity with "financial interests" in the cooperative, rather than with the "mutualistic interests" of the traditional Italian cooperative member. This alternative type of cooperative membership comes with some restrictions in order to preserve the mutualistic core of Italian coops; a *socio finanziatore*'s share of the vote in the assembly, for instance, cannot exceed 1/3 of the membership base. This form of investor-member status for Italian cooperatives was made possible in Italy after the 1992 cooperative law reforms (articles 4 and 5 of Law 59/1992) and the 2003 Civil Code reforms, and was originally known as a "*socio sovventore*" (subvention investment member).[22] The financing member status now permits entities such as CFI, Legacoop's Coopfond, or Confcooperative's Fondosviluppo to participate in some decision-making and administration of funded cooperatives (Ficci, 2010, 2013).

Between 2000 and 2006, while the Legge Marcora reforms of were being worked out and consolidated due to the EU ruling, there were only a handful of new WBOs (Figures 2, 7, and 8). During this period, CFI continued to provide technical consulting with already-existing WBOs but did not invest in new WBOs. Due to this gap in the emergence of WBOs in Italy, and the legal changes to the Legge Marcora framework of 2001, we can divide Italy's WBOs of the past 35 years into three periods: Pre-Legge Marcora (WBOs established before 1985), Legge Marcora I (WBOs established between 1985-2002), and Legge Marcora II (2003[23] - present) (see Table 1). (For our ensuing calculations, we will often group Pre- and Legge Marcora I WBOs together.)

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[21] Before the 2001 reforms, the "Special Fund" was a grants-based financing scheme, that is, financing that did not have to be paid back by workers (such grants are known evocatively as *fondi perduti*, or "lost funds," in Italian).

[22] Both types of financial investors, *socio sovventore* and *socio finanziatore*, now exist in Italian cooperative legislation. The *socio sovventore* (subvention investment member), originally established by L. 59/1992, now constitutes a particular type of *socio finanziatore* (financing member), the latter introduced in 2003 with the reform to the Civil Code (Fici, 2013, p. 482). Both designations may be granted to an internal cooperative member or external person (physical persons) or to external agencies, firms, or their consortia (legal persons). In a nutshell and most generally, a *socio sovventore* usually contributes funds or know-how for the technological development, restructuring, or consolidation of a cooperative, while a *socio finanziatore* contributes funds towards share capital. We expand on their complementarities, differences, and current usage as they pertain to Legge Marcora WBOs in Vieta et al (2015, Chapter 3).

[23] 2003 was technically the first year that new WBOs could tap into L. 59/2001 provisions.

4. The emergence and characteristics of Italy's worker buyouts

4.1 Macroeconomic conjunctures

Worker-led occupations and recuperations of firms had already been known Italy since the early part of the 20th century (i.e., the Bienno Rosso of 1919-1920), re-emerging again during Italy's reconstruction after WWII and during the years of social and labour strife in the 1960s and 1970s.[24] As with most cases of WBOs around the world, Italy's WBOs of the past 35 years have a pattern of development following closely the country's macro- and micro-economic ebbs and flows (Figures 2 and 3), such as the rate of unemployment (Figure 2), the GDP rate, and increases in closures of conventional businesses (Figure 3). WBOs began to re-emerge in Italy by the early 1980s as workers' responses to the rise in unemployment caused by the business downsizings, restructurings, and closures of large parts of its industrial sector during the 1970s and 1980s, paralleling the rise of the SME-based "Made in Italy" industrial districts of that era (Bagnasco, 1977; Becattini & Ottati, 2006; Piore & Sabel, 1984; Triglia, 1990). Much of this economic upheaval and restructuring was also due to the recessions caused by the oil shocks of 1970s and 1980s, as well as the increased competition that Italy's traditional manufacturing 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). As such, worker-recuperated firms in Italy were subsequently created by employees as responses to escalating unemployment, industrial restructuring, and failing businesses. These persistent unemployment rates and the recessions of the late '70s and early '80s would ultimately lead to the passing of the Legge Marcora (L. 49/1985), promoted by the Italian Minister of Industry Giovanni Marcora in the early 1980s as a way to stimulate local economic revival, prevent further business closures, and promote workers' sense of entrepreneurialism.

Graphically highlighted by more recent socio-economic indicators in Figure 3, WBOs would see a new resurgence in the early-to-mid 1990s (also see Figures 7 and 8) with the new wave of business restructurings and privatizations of the era, lingering structural unemployment, neoliberal reforms of labour legislation, the overall shrinking of its SME-based manufacturing sector (Sforzi, 2007; Triglia & Burroni, 2009; Tridico, 2012), negative rates of business openings, and the concurrent erratic ebbs and flows of Italy's GDP. The resurgence of WBOs in more recent years, as Figure 3 further shows, has paralleled the latest rise in unemployment, the fall of Italy's GDP, and the continued decline of its manufacturing base.[25]

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[24] For more on this history, see Vieta et al., (2015).

[25] Similar patterns of surges in worker-recuperated firms are in evidence in other jurisdictions, such as Argentina (see Ruggeri & Vieta, 2015).

Figure 2: The emergence of WBOs in Italy compared to unemployment rates

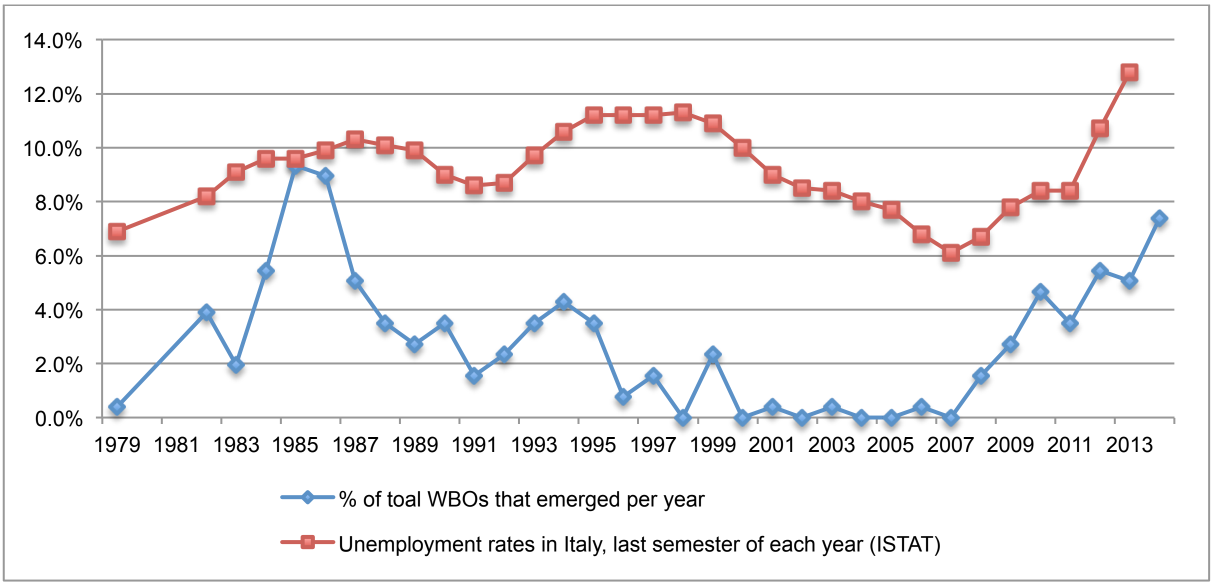
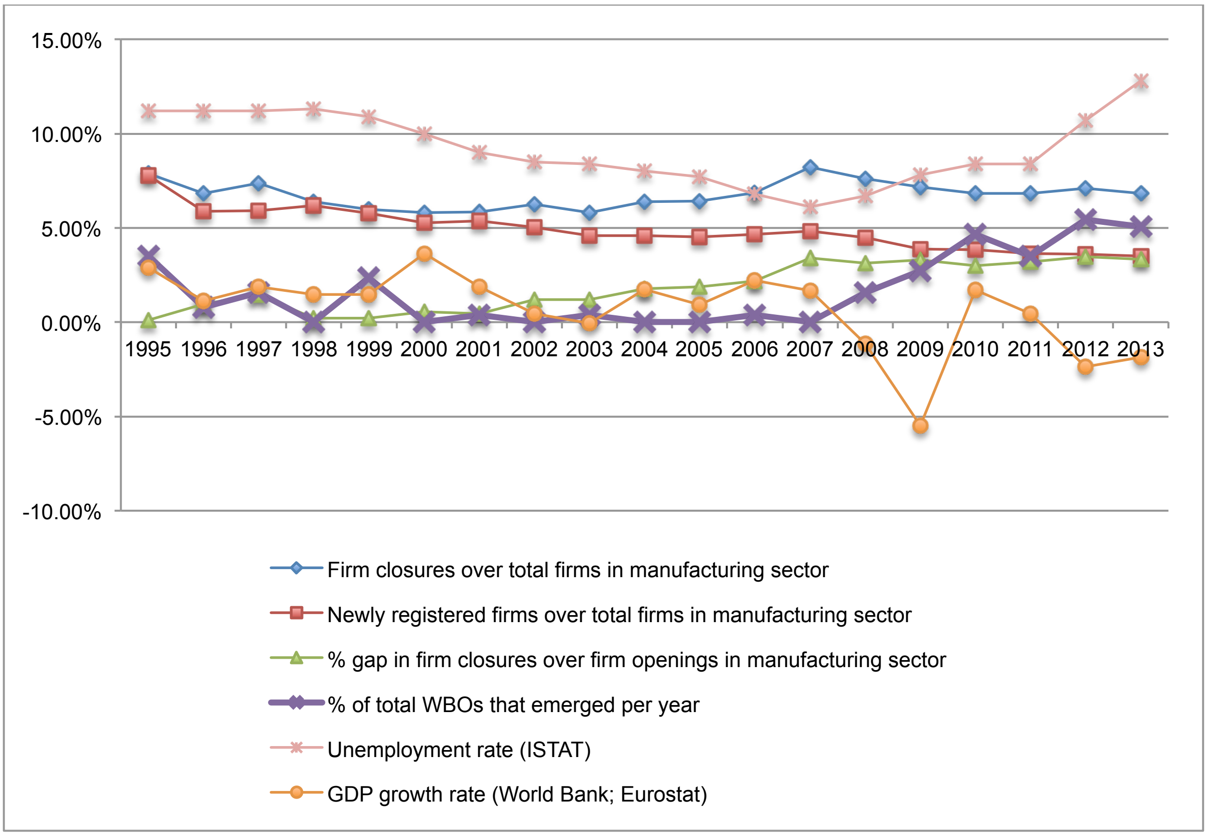


Figure 3: Various socio-economic indicators and the emergence of WBOs in Italy (1995-2013)[26]



[26] Sources: Firm closures, Newly registered firms, Total active firms (InfoCamere-Movimprese, 2014, Jul.). GDP growth rate (World Bank, 2014, Nov.; Eurostat, 2014, Nov.). Unemployment rates (ISTAT, 2014, Aug.). % of total WBOs emerging per year (Vieta et al., 2015, Chapter 2).

Figure 3 particularly shows three negative trends in the Italian manufacturing sector that has, in no small way, re-stimulated the rise of WBOs in the last six years: a new and sharp rise in unemployment after 2007-2008, the widening gap between firm closures versus start-ups since the mid 1990s (represented by the growing gap between the blue and red lines in Figure 3), and the concomitant shrinking of the manufacturing sector (represented by the rising green line in Figure 3[27]).[28]

This general decline of economic circumstances, together with the country's long history of cooperativism and its Legge Marcora support mechanism, has made Italy ripe for WBOs, reducing the barriers and opportunity costs for workers in particularly conducive areas of Italy, such as the Made in Italy regions, to attempt to start new labour-managed firms.

Moreover, the creation of new worker cooperatives from failing capitalist ones were further stimulated by the interest in WBOs taken by local chapters of Italy's "red" trade unions and affiliated cooperative sectors, as well as by Christian Democratic ("white") cooperative sectors, in the industrial centres of the Northeast and Centre regions. In particular, Legacoop and, to a lesser extent, Confcooperative, for instance, have taken a close interest in the WBO solution in recent years, reflected in the fact that almost 60% of Italy's new worker cooperatives emerging from WBOs are affiliated with Legacoop and around 19% with Confcooperative..[29]

Summing up the discussion thus far, 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; (3) the militant position of some of its local trade union chapters and the long-standing Italian tradition of bottom-up shop floor organizing (Piore & Sabel, 1984); (4) workers' links to tight social networks, local associations, and even municipal governments that preserve connections to local and regional chapters of the country's trade unions and cooperative federations; (5) well-established federal cooperative and WBO legislation and financial support mechanisms; (6) and a long-standing tradition of cooperativism for local economic development (Salvatori, 2012; Menzani & Zamagni, 2010; Zamagni & Zamagni, 2010).

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[27] The green line in Figure 3 is the percentage derived from dividing the difference between total business closures ("cessate") and total start-ups ("inscrite") by total active firms ("attive") for the particular year.

[28] For instance, according to the Italian Chamber of Commerce's InfoCamere-Movimprese database (2014) and based on our own calculations of the raw data, in December 1995 there were 639,100 manufacturing firms in Italy. By December 2013 there were roughly 596,200, a drop of 42,900 firms in almost 20 years. Most alarming, the InfoCamere- Movimprese database shows, there has been a widening gap between business closures and start-ups in the manufacturing sector since 1995, represented by the incrementally rising green line and increasingly widening blue and light red lines of Figure 3. While in 1995 there were almost 50,400 closures manufacturing firms and 49,700 openings—a difference of only around 700 firms—by 2013 there were more than 35,100 business closings and only 18,000 openings, a difference of more than 17,000 firms.

[29] As of 31 December 2014, 58.37% of all Italian WBOs were affiliated with Legacoop, 18.39% with Confcooperative, 4.67% with AGCI, 4.48% with the Federazione Trentina della Cooperazione, 1.17% with UNIT, and 13.23% having no direct affiliation with a federation (Vieta et al., 2015, Chapter 3).

4.2 Some common characteristics of Italy's worker buyouts

As Table 1 illustrates, Italy's WBOs have particularly taken off in the regions of the Centre—particularly in Tuscany (the region with the most WBOs), Umbria, and Le Marche, but also in Lazio—and the Northeast—especially in Emilia Romagna (the region with the second-most number of WBOs) and Veneto, but also to lesser degrees in Friuli-Venezia Giulia and in the Province of Trento in Trentino-Alto Adige. These are the regions where the majority of Italy's specialty "Made in Italy" manufacturing industry is located.[30] Indeed, 75.5% of all of Italy's WBOs have emerged in the Made in Italy geographic area of the Centre and the Northeast, explaining in part why 65.4% of Italy's WBOs consist of manufacturing firms and most of the remaining WBOs are in business support services (i.e., transport, logistics, etc.) and wholesale and retail (Figure 4).

What we also see from Table 1 when comparing the Legge Marcora II period (2003-present) from earlier WBOs is: a marked reduction in new WBOs in the Centre and Northeast regions, a new phenomenon in the Legge Marcora II period of WBOs in Sicily and Sardinia (the Island regions), and a proportionally larger number of new WBOs in the Northwest and the South. These findings are related to the increased use of the Legge Marcora framework for funding the development of Italy's South at the expense, to some degree, of the traditional regions where worker cooperatives have historically been strong (i.e., Emilia Romagna and Toscana), and its new use for ceding businesses confiscated from the proceeds of mafia crime to workers. Moreover, the use of the Legge Marcora framework for supporting development in the Mezziogiorno parallels the more general policy by the Italian state to use cooperatives to spur development in Italy's more economically challenged regions.[31]

Table 1: Regional distribution of all known WBOs by Legge Marcora period (1979-2014) [32]

Region	Pre-L. Marcora and L. Marcora I WBOs (1979-2002)		L. Marcora II WBOs (2003-2014)		Toal WBOs in Italy	
	n.	% of total WBOs	n.	% of total WBOs	n.	% of total WBOs
Nord-Est						
Emilia-Romagna	20	7.78%	19	7.39%	39	15.18%
Friulia-Venezia Giulia	2	0.78%	4	1.56%	6	2.33%
Trentino-Alto Adige	11	4.28%	0	0.00%	11	4.28%
Veneto	13	5.06%	8	3.11%	21	8.17%
Nord-Ovest						
Liguria	6	2.33%	0	0.00%	6	2.33%
Lombardia	12	4.67%	7	2.72%	19	7.39%

[30] 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 of familial, social, and associational bonds (Bagnasco, 1977; Becattini, Bellandi, & De Propis, 2009).

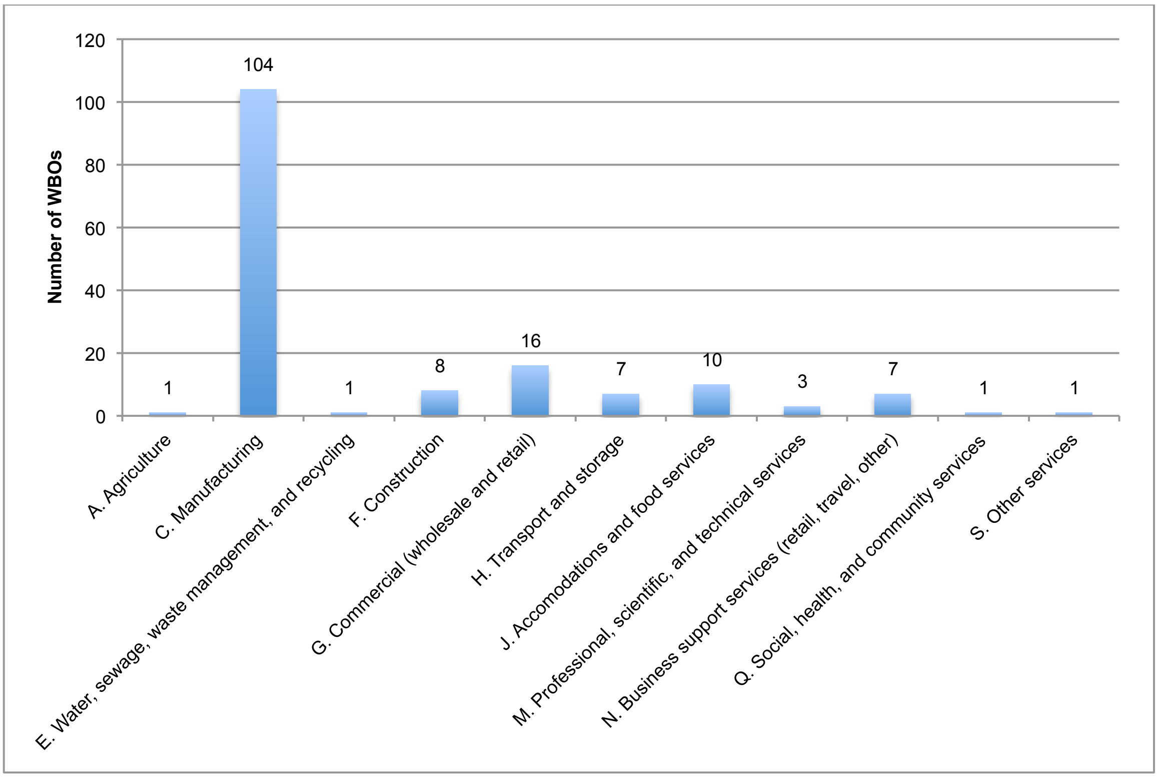
[31] For more on this, see Vieta et al. (2015, Chapter 3).

[32] Geographic categorization follows Euricse's reports on Italy's cooperatives (Euricse, 2011, 2013). Nord-Est = Northeast; Nord-Ovest = Northwest; Centro = Centre; Sud = South; Isole = Islands.

Piemonte	7	2.72%	1	0.39%	8	3.11%
Val d'Aosta	0	0.00%	0	0.00%	0	0.00%
Centro						
Lazio	10	3.89%	6	2.33%	16	6.23%
Marche	21	8.17%	3	1.17%	24	9.34%
Toscana	42	16.34%	14	5.45%	56	21.79%
Umbria	16	6.23%	5	1.95%	21	8.17%
Sud						
Abruzzo	3	1.17%	1	0.39%	4	1.56%
Basilicata	0	0.00%	1	0.39%	1	0.39%
Calabria	1	0.39%	0	0.00%	1	0.39%
Campania	5	1.95%	4	1.56%	9	3.50%
Molise	0	0.00%	0	0.00%	0	0.00%
Puglia	0	0.00%	6	2.33%	6	2.33%
Isole						
Sardegna	0	0.00%	2	0.78%	2	0.78%
Sicilia	0	0.00%	7	2.72%	7	2.72%
Totals	**169**	**69.05%**	**88**	**34.24%**	**257**	**100.00%**

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

Figure 4: Economic sector breakdown of Italy's WBOs



n=159 WBOs with available ATECO2007 economic activity data as of 31 Dec. 2014.

Combining the column totals in Table 2, we see that WBOs in Italy have been almost entirely SMEs, consisting mostly of small enterprises of 10 to 49 employees (68.42%), 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. The average size of WBOs in Italy is, at 41 workers, technically a small enterprise (Amatori, Bugamelli, & Colli, 2011). While much larger than the average Italian firm—which is predominantly a micro-enterprise averaging four employees (Lazerson & Lorenzoni, 1999; Morone & Testa, 2008)—the average size of Italy's WBOs are not uncommon for firms in the Made in Italy regions (Unioncamera-Tagliacarne, 2010).[33] These firm sizes also typical for negotiated or conflict-based WBOs worldwide (Dow, 2003; Jensen, 2012; Novaes, 2009; Ruggeri, 2014; Ruggeri & Vieta, 2015).

Table 2: Size of Italy's WBOs by number of workers (members and hired workers) (1979-2014) [34]

Size of firm	Pre-L. Marcora and L. Marcora I WBOs (1979-2002)		L. Marcora II WBOs (2003-2014)	
	n.	%	n	%
<10 employees	8	4.79%	12	19.67%
10 to 49 employees	117	70.06%	39	63.93%
50 to 249 employees	40	23.95%	10	16.39%
> 250 employees	2	1.20%	0	0.00%
Totals	**167**	**100.00%**	**61**	**100.00%**

n=228 WBOs with known employee data, which include members and non-members of the cooperative.

What we also notice from Table 2 is that the number of WBOs in the "10 to 49 employees" category has gone down slightly percentage-wise for those emerging in the Legge Marcora II period, from just over 70% of all WBOs in the Legge Marcora I period to almost 64% of newer WBOs in the Legge Marcora II period. The percentage of WBOs in the "50 to 249 employees" category has also gone down from Legge Marcora I to Legge Marcora II, from almost 24% to just over 16% of WBOs respectively. However, this has been offset by the percentage increase of very small WBOs in the "less-than 10 employees" category from almost 5% to almost 20% of all WBOs in the Legge Marcora II period. As we explore further in our full report (Vieta et al., 2015), this change of focus in new WBO entry might be indicative that the WBO model is becoming a growing option among very small firms in recent years and, more indirectly, that the most recent economic crisis has particularly affected hard micro-enterprises in Italy.

In addition to the Legge Marcora-based WBO enabling policy, then, relevant conditions for WBO formation in Italy include: (1) firm size, specifically in manufacturing sectors where SMEs predominate, (2) territorial contexts whereby strong inter-firm networks of production

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[33] As Morone & Testa 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" (2008, p. 311).

[34] Note that definitive employee data for firms is difficult to calculate due to fluctuating employee numbers over time. Figures here are calculated based on the latest AIDA-Bureau Van Dijk, Italian Chamber of Commerce, and CFI employee numbers available as of 31 Dec. 2014.

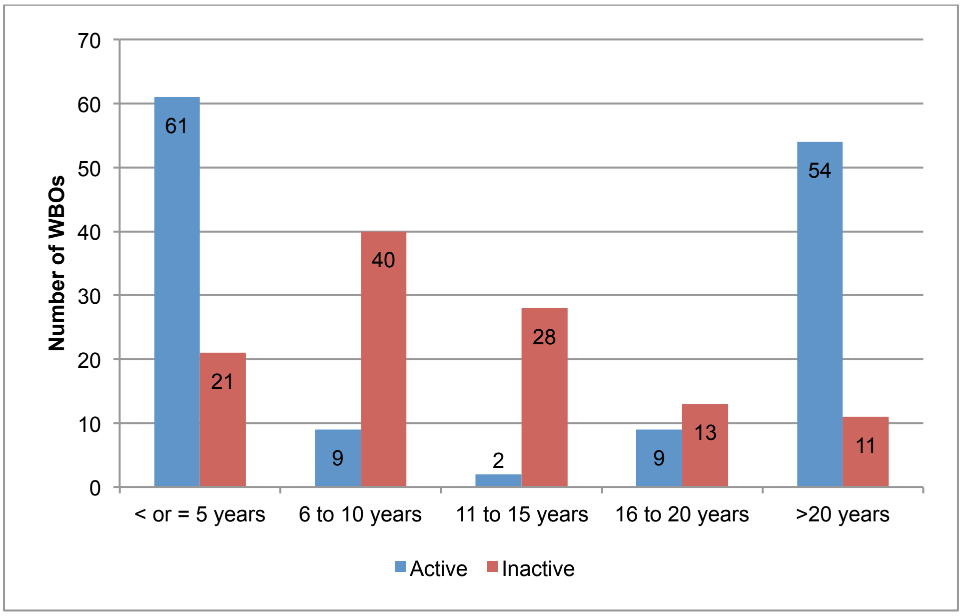
integration and strong intra-firm social relations are present, and (3) conjunctures of economic downturn. We expand on these conditions and trace out five specific characteristics of WBOs in Italy in section 5, serving to also highlight some of the most common contextual features undergirding the emergence of WBOs more broadly as suggested by the literature.

4.3. Age specifics and birth, death, and growth rates of Italy's worker buyouts

Our research has also found that Italian WBOs are quite resilient (Vieta et al., 2015). In this section we evidence this via their average ages, their distribution in comparative lifespan cohorts, and in their birth, death, and growth rates.

We have found in our research that the average age of currently existing (i.e., still active) WBOs in Italy is 14.3 years, and that the average age of closed (i.e., inactive) WBOs is 11.1 years. Moreover, the average age of still-active Pre-Legge Marcora and Legge Marcora I WBOs that emerged between 1979-2002 is 25.65 years, while the average age for Legge Marcora II WBOs (most of them emerging after 2008) is 4.75 years. When taking into account all still-active and inactive WBOs that have existed in Italy (as of 31 December 2014), their average lifespan is 13.12 years. While this overall average age falls short of the average age of all Italian cooperatives at slightly over 17 years, it is almost equal to the average lifespan of all Italian firms at 13.5 years (Euricse, 2011; Unioncamera-Tagliacarne, 2010). Moreover, a good number of Italian WBOs, as Figure 6 and Table 3 show, have been in existence for far longer than this average lifespan.

Figure 6: Lifespans of WBOs in Italy (1979-2014)



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

As Figure 6 and Table 3 evidence, Italian WBOs have either been young firms—33% of all WBOs that have existed for 5 years or less—or older, established worker cooperatives—

26.2% of WBOs have existed for over 20 years. Looked at from another angle, almost 25% of all WBOs (61 cooperatives, or just over 45% of still-active WBOs) have existed for five years or less, while almost 22% of all WBOs (54 cooperatives, or 40% of still-active WBOs) have existed for over 20 years. Perhaps surprisingly initially, only two still-active WBOs fall into the 11 to 15 years cohort, and only 18 are in the "6 to 10 years" and "16 to 20 years" cohorts (nine cooperatives in each). The small number of active WBOs that entered between 20 years ago and six years ago is indicative of the small number of new WBOs emerging between 1996 and up to the mid-to-late 2000s before the beginnings of the Great Recession (see Figures 7 and 8). We discuss the relevance of these lifespan distributions in section 5.

Table 3: Percentage of total WBOs in Italy which are active or inactive within each lifespan cohort (1979-2014)

Lifespan Cohorts	Active		Inactive		Total	
	n	%	n	%	n	%
< or = 5 years	61	24.60%	21	8.47%	82	33.06%
6 to 10 years	9	3.63%	40	16.13%	49	19.76%
11 to 15 years	2	0.81%	28	11.29%	30	12.10%
16 to 20 years	9	3.63%	13	5.24%	22	8.87%
>20 years	54	21.77%	11	4.44%	65	26.21%
Totals	**135**	**54.44%**	**113**	**45.38%**	**248**	**100.00%**

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

As Figure 6 and Tables 3 and 4 also clarify, a good number of Italian WBOs have been in existence for far longer than the average WBO lifespan of 13.12 years. For instance, Table 3 also shows that *46.7% of Italy's still-active WBOs have existed for over 16 years*, totalling 25.4% of all of Italy's WBOs that have existed since 1979.

From Table 4 we see that 36.57% of Pre-Legge Marcora and Legge Marcora I period WBOs (64 cooperatives) were still active as of 31 December 2014, equalling 25% of the 257 WBOs in our database. In other words, 64 currently existing WBOs (or 47.41% of the 135 WBOs still active as of December 2014, see Table 3 and Figure 7) emerged during the Pre-Legge Marcora or the first Legge Marcora period, and many of these did so over 25 years ago. Indeed, it is worth highlighting that there are 13 WBOs still in existence today that pre-date the introduction of the Legge Marcora framework that took effect in the mid 1980s.[35] Moreover, the potential resilience of Italy's WBOs is further underscored when we consider that almost 86.6% of WBOs emerging during the Legge Marcora II period were still active as of 31 December 2014 (71 out of 82 cooperatives).

[35] Such as Tuscany's Industria Vetraria Valdarnese (the oldest WBO in our database, founded in the post WWII years of 1952), Lombardia's Scalvenzi Società Cooperativa (founded in 1983), Rome's Area AG Società Cooperative (founded in 1984), the Province of Trento's Anita Confezione (founded in 1984), and Emilia-Romagna's Samea (founded in 1984).

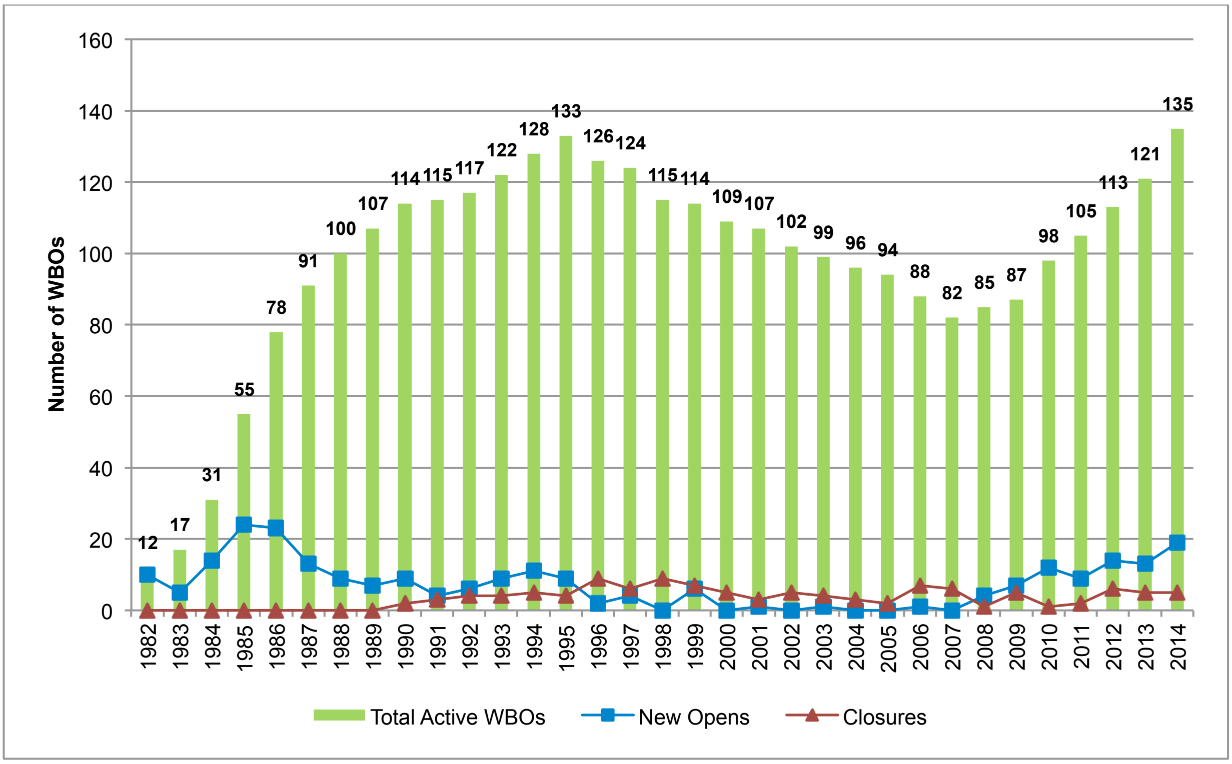
These are quite remarkable lifespan numbers that underscore the resiliency of Italy's WBOs over time, especially considering that most of them emerged from firms in crisis.

Table 4: Geographic distribution of all active and inactive WBOs in Italy by Legge Marcora period (1979-2014)

Geographic Distribution	Pre-L. Marcora I and L. Marcora I WBOs (1979-2002)				L. Marcora II WBOs (co-ops emerging between 2003-2014)			
	Inactive		Active		Inactive		Active	
	n.	%	n.	%	n.	%	n.	%
Nord-Est	26	23.42%	20	31.25%	2	18.18%	29	40.85%
Nord-Ovest	19	17.12%	6	9.38%	1	9.09%	7	9.86%
Centro	55	49.55%	34	53.13%	6	54.55%	22	30.99%
Sud	11	9.91%	4	6.25%	2	18.18%	4	5.63%
Isole	0	0.00%	0	0.00%	0	0.00%	9	12.68%
Totals	**111**	**100.00%**	**64**	**100.00%**	**11**	**100.00%**	**71**	**100.00%**
	Total in period		**175**		**Total in period**		**82**	

N=257 WBOs.

Figure 7: Active WBOs per year compared to WBO openings and closings per year (1979-2014)

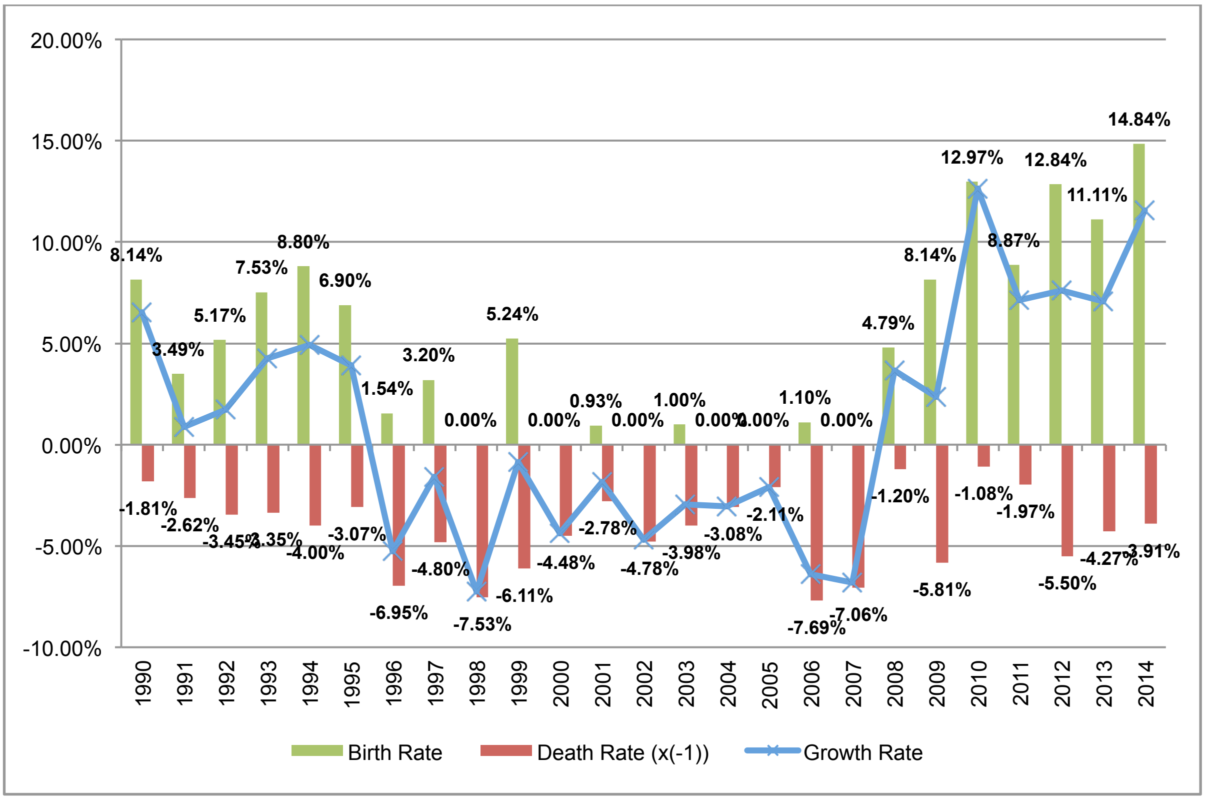


n = 248 WBOs with known opening and closing dates as of 31 Dec. 2014, inclusive of two WBOs that emerged in 1979 and 1952 already accounted for in 1982 total active WBO figure..

As Figure 7 and 8 evidence, WBOs emerged with some regularity between 1982 and 1995, during the key Legge Marcora I years. WBOs began to witness a net loss of entries vs. exits between 1996-2008, and have seen a sharp resurgence in the post 2008 years with the latest economic crisis.

From Figures 7 and 8, we see that a total of 153 WBOs entered during the 13 period between 1982-1995, averaging almost 12 WBO openings per year. The 13 years spanning 1996 and 2008, which, the reader will recall from our discussion in section 3, include the years when the Legge Marcora framework was being disputed and a period of time with relative stability in the Italian political economy, would see a net loss of WBOs. During these years WBO closures consistently exceeded openings; there were 19 WBO openings during this period and 67 closures, averaging just over 16 WBO closures per year. Hence the negative WBO growth rates during this period (Figure 8). However, the closures and general drops in active WBOs over these 13 years must be looked at also by the overall high survival rates of Legge Marcora I WBOs (even during this period), plus the fact that the Legge Marcora framework was being disputed in the first six years of this period and, thus, not being actively pursued by institutional investors such as CFI.[36]

Figure 8: Birth, death, and growth rates of WBOs in Italy, beginning with first year of known WBO closings (1990-2014)



n=248 WBOs with known opening and closing dates as of 31 Dec. 2014. There were no WBO closures before 1990; pre-1990 data excluded due to scale (e.g. the birth rate from 1982 to 1986 ranged from 34.5% to 142.9%).

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[36] See Vieta et al. (2015, Chapters 2 and 4).

The most recent period of WBO emergence, on the other hand, between 2009 and today, shows a consistent and sharp rise of new WBOs, again paralleling the presence of persistent economic crisis in Italy since the start of the Great Recession. In total, 78 new WBOs emerged since 2009, with only 25 closures, most of which were older Legge Marcora I WBOs closing in recent years. From our database, in fact, we noticed that out of the 78 new WBOs that have emerged since 2009, only 10 closed during this period.

These numbers allude 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, 2012, 2013; Zevi et al., 2011).

Another way of measuring the relevance of WBOs and the Legge Marcora framework during periods of recurring economic crises, persistent unemployment, and business closure, is to gauge for the rate of creation vs. dissolution (or births over deaths) of worker-owned firms. This is calculated by taking "the total number of [organizational] formations [or dissolutions, whichever the case may be] 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). Figure 8 maps the overall birth, death, and growth rates of Italian WBOs between 1990 (the first year of WBO closures[37]) and 2014: the average birth or entry rate of Italian WBOs during this 25 year period was 5.1%, the average death or closure rate was 4.14%, an the average growth rate was +1.1%.

But leaving our birth-to-death rate assessment with this raw calculation is skewed, given that only two 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 and also due to a more positive economic outlook in Italy during those years when compared to the 1990s and the post 2008 periods (Figures 7 and 8). 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, 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 7.3% compared to an average death rate of 4%, with an average growth rate of +3.5%. While this is almost identical to the average birth rate of all Italian manufacturing firms in recent years at around 7.5%, this death rate is much less than the average death rate of all Italian firms at roughly 6.5% (OECD, 2010). Moreover, this low death rate during years of crisis among WBOs is historically significant since it is also much less than the combined mean death rates of all worker-owned firms (including *de novo* and former capitalist firms converted into worker-owned firms) during another period of deep economic crisis between the mid 1970s and early 1980s in Italy, France, and the UK, calculated by Ben Ner (1988) to be 9.3% in Italy, 6.9% in France, and 6.3% in the UK (p. 14). And taking only into account the five years between the beginning of 2010 and the end of 2014 (when the latest economic

[37] This is itself a remarkable finding worth noting: None of the 107 WBOs that existed as of December 1989 had closed since they began to emerge in 1979; a 100% survival rate. The first closures of WBOs from the 1980s occured in 1990 with two WBO exits.

crisis was in full effect), we see a very high rate for WBO firm creation—12.13% on average—and very low rates of firm dissolution for WBOs—3.35%, with an average growth rate of +9.21%. Furthermore, when taking into account all existing WBOs during the five-year period of peak economic crisis between 2010-2014, WBO creation outpaced the net creation of new firms in manufacturing sector "employer enterprises" in the OECD countries by several percentage points, while also falling well under the average dissolution rates of manufacturing firms in OECD countries (OECD, 2010). Tellingly, these figures also compare very favourably to the robust birth and low death rates of worker-recuperated enterprises in Argentina (Ruggeri, 2010; Vieta, 2016).

5. Discussion

5.1 The resilience of Italy's worker buyouts

The more-than respectable firm lifespans and birth, death, and growth rates for Italian WBOs are perhaps surprising given that most WBOs—including those in Italy—emerge from troubled or failing firms. As our case study and interview work has shown (Vieta et al., 2015, Chapter 5), a WBO firm's new worker-owners 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 firm's relatively long lifespans and their surge during crisis periods begin to suggest that workers' entrepreneurial acumen and commitment to their business is alive and well in Italy, and has been so for some time.

One of the findings that stands out from our analysis is that Italian WBOs are either young firms or older, established worker cooperatives in existence for over 20 years. We can make several hypotheses for this from out data.[38]

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 Figure 6 and Table 3 might be related to the fact that these are the years most usually when institutional investors such as CFI (i.e., as *socio finanziatore*) usually end their participation with the worker cooperative, thus perhaps putting at increased risk the ongoing capitalization and administrative oversight of some of the most vulnerable WBOs.[39] Our ongoing survey and interview work with Italian WBOs will have more to say about this possible explanation.

[38] Explaining further the hypotheses we introduce here, we have engaged in survey research, interviews, and case study work with Italian WBOs which has gauged for some of the below-the-surface qualitative and quantitative dimensions of the organizational structures and workplace dynamics of these firms. This research sheds further light on and evidence for the hypotheses we propose here (Vieta & Depedri, 2015; Vieta et al., 2015).

[39] As we outlined above and detail elsewhere (Vieta et al., 2015), institutional investors such as CFI and Legacoop do not extend their participation in Italian WBO beyond 10 years.

A second factor might be that WBO protagonists are, as in Argentina, Uruguay, and Brazil's worker-recuperated firms, older workers that are either mid-career or close to retirement (Vieta et al., 2015; Zevi, 2012). Within years 6 to 15 of the WBO project, therefore, many of these workers will have or will be nearing retirement and might not have established, or might not have desired to establish, a succession plan, or might not have found the next generation of worker-owners for the firm.

Third, the WBO firm might have gone through the difficulties most young firms go through in their early years where chances of closure are highest—the so-called "liability of newness" (Ben Ner, 1988, p. 18; also see Audretsch et al., 1999; Pérotin, 1986). Here, data we are uncovering 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 (see Vieta et al., 2015, Chapter 5). Almost a quarter of active WBOs that we analysed 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. Both scenarios could limit budgetary flexibility for these WBO-generated cooperative firms should they incur unexpected costs, market downturns, or financial difficulties. Moreover, our econometric analysis also indicated that long and short-term loans were being relied on extensively to cover production costs and capitalization among some of these WBO firms. These debt-reliant scenarios could be further risking these cooperatives' long-term security and thus offer another plausible explanation to the relative rise in closures between years 6 and 15. 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 WBO-based cooperatives.[40]

These robust Legge Marcora-facilitated supports might be contributing to the longer survivability of Italian WBOs when compared to worker-owned firms and WBOs in other jurisdiction and to overall SMEs in the Italian manufacturing sector. For instance, while firm exits during the early years of WBOs is generally similar to findings for French (Pérotin, 1986) and UK (Ben Ner, 1988) WBOs, and with SMEs in the Italian manufacturing sector generally (Audretsch et al., 1999), the crucial years of exit for Italian WBOs are between 6 to 10 years (Figure 6), while for French and UK WBOs and Italian manufacturing sector SMEs the crucial period is earlier, in their first two-to-five years. Italian WBOs seem to be doing better here by living longer in 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 11.1 years.

Lastly, we also cannot discount the importance of the fact that this broader general dip in the WBOs that have been in existence for 6 to 15 years is in part due to the drop in WBO formation between the late 1990s and 2008 that was due to a combination of three factors. First, we must recall that these years encapsulated better economic circumstances in Italy that

[40] See Vieta et al. (2015, Chapter 3).

saw a drop in incentives for workers to engage in new WBO projects when work was more readily available elsewhere. Second, there was a lull in the use and promotion of the Legge Marcora framework by the key institutional investors such as CFI when the law was under dispute at the time with the EU (see section 3.1.2). And, third and concomitantly with the second point, there was a focus by Italian legislators and WBO institutional investors at the time in re-writing the Legge Marcora in response to the concerns of the EU, which again was at the expense of promoting the WBO solution (Zevi, 2012).

We must also underscore here that our findings do not, on the whole, show that these firms 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 acumen of workers if given the chance to run their firms. Our survey, interview, and case study research further explores the overwhelming preponderance of democratic practices in these worker-recuperated firms, and organizational restructuring practices post-recuperation of the firm that sees most managers emerging from the cooperative membership. These findings, which we expand on elsewhere, shed light on the managerial competence and strategies of Italy's WBO's self-managed workers (Vieta et al., 2015, Chapter 5). Especially given the sustained levels of support offered by Legge Marcora provisions and its institutional investors not available to purely capitalist firms in Italy, we further hypothesize that WBO profiles for those falling within the "6 to 10" and "11 to 15 years" cohorts in Figure 6 and Table 3 are more probably due to the generational or succession issues we previously mentioned.

5.2 Five characteristics highlighting the emergence of Italy's worker buyouts

We can summarize the overall discussion and analysis of this paper in five main "Italian characteristics" for WBO formation that both help to crystalize the emergence of WBOs in Italy and complement and contribute to the literature on the emergence of labour-managed firms. Of course, they are foremost undergirded by the fact that Italy has a robust policy, financing, and general enabling environment for supporting business conversions of troubled firms to cooperatives in its Legge Marcora framework. Without such an enabling environment the record shows that there will be much less propensity for the widespread take up of the WBO solution.

First, *macro-economic downturns or market difficulties* open up the possibilities for WBO cases. As we have already outlined, the Italian manufacturing sector over the past 20 or so years has witnessed a steady decline, negatively affecting, in particular, smaller, more volatile and lighter industrial and craft-based firms in the Made in Italy manufacturing regions (Gallino, 2003; Tridico, 2013). Here, relative worker geographic and sectoral immobility, which we will detail shortly, has also been compounded by the negative impacts on workers' rights and job security in Italy 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, 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 (for similar findings in the literature, also see Ben Ner, 1988; Paton, 1989; Ruggeri & Vieta, 2009).

Second, and 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 social networks have done so, which has also been noted of the *empresas recuperadas* in Argentina and Brazil, and WBOs in Canada, which also tend to cluster (Brown & Quarter, 1992; Novaes, 2007; Ruggeri, 2010). WBO clusters in Italy can be found, for instance, in the provinces of Ancona, Florence, Modena, Reggio Emilia, Rome, and Perugia.[41]

Third, 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 Made in Italy 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). 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 (Dow, 2003). Indeed, this size factor might enable them to be nimble enough to quickly alter production decisions should the need arise. Case study evidence from our work thus far begins to point to this characteristic.[42]

Fourth, WBOs will tend to form with within 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 consisting of 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, Ottati, & Sforzi, 2003). Thus, workers in WBO firms in Italy tend to have low-mobility propensities and strong commitments to their localities and existing social networks, making workers more receptive to the idea of a WBO (Amatori, Bugamelli, & Colli, 2013; Lazerson & Lorenzoni, 1999; Piore & Sabel, 1984). 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, factors that, again, outweigh the risks for engaging in a WBO. Again, our on-going case study work is evidencing this.

Fifth, 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

[41] See Vieta et al. (2015, Chapter 4).
[42] See Vieta et al. (2015, Chapter 5).

crisis moments together (Vieta, 2014, 2016). The strong take-up of democratic governance structures at Italy's WBOs underscores this .[43]

Taken together, these five characteristics, together with the strong Legge Marcora 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.

6. By way of conclusion

Conversions of capitalist business to labour-managed firms were rehearsed in earlier periods of Italy's history and perfected as WBOs in the last three decades especially in the "Made in Italy" regions. And today in Italy, in the thick of lingering economic and financial crisis, new cases of WBOs are on the rise. WBOs that become worker cooperatives tend to follow the trend of cooperatives more broadly: employment in cooperatives grows in periods of economic crisis, and they tend to emerge counter-cyclically during economic downturns (Birchall and Hammond Ketilson, 2009; Euricse, 2013; Estrin, 1985; Pérotin, 2012). Indeed, where labour-managed firms emerge jobs are saved and the productive capacities of communities are preserved or enhanced, factors connected to the positive externalities of workers' control and ownership. Moreover, these firms contribute to the prevention of the "desertification" of regions and act as "shock-absorbers" for the socio-economic needs of communities (CECOP-CICOPA, 2012, 2013). Together with the favourable enabling environment created by the Legge Marcora framework in Italy, these factors help explain the sharp rise in WBOs since 2008 and the resilience of the WBO solution in Italy for over three decades.

In part due to how lingering crisis and subsequent austerity measures continue to saddle Italy with steady business closures and stagnantly high unemployment rates, and based on the evidence of the potential of WBOs to save business and jobs made possible by the Legge Marcora framework, Italy's national government passed Decree 145 on Dec. 24, 2013, stipulating that employees now have a "right of first refusal" in "rent[ing] or purchas[ing]…companies subject to bankruptcy…by a cooperative made up of employees of the company subject to the procedure" (D.L. 145 "Destinazione Italia," 2013, Article 11, paragraphs 2 and 3). This increased attention in Italy's centres of power to the possibilities of WBOs for saving jobs, productive entities, and communities, as well as increased interest with business conversions amont EU policy makers (Vieta et al., 2015), underscores the importance of getting to know better the intricacies of this form of business restructuring, the goal of this paper and our broader research program.

[43] See Vieta et al. (2015, Chapter 5).

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