WORKERS BUYOUT

WHY EMPLOYEE-OWNED ENTERPRISES ARE MORE RESILIENT THAN CORPORATE BUSINESS IN TIME OF ECONOMIC AND FINANCIAL CRISIS?

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WBO Definition

• The WBO is a process though which the workers/employees of a private corporation (firm, enterprise) in crisis (at risk of failure/bankruptcy) relieve the ownership of that corporation and became the legal proprietors, usually adopting the cooperative legal status (form).
I

Normative foundation
The milestone: the Marcora Act

- Italian State support for WBOs ante litteram (1st case in Italy: 1978)
- 1st normative measure: “Marcora Act” no. 49 of the 27th February 1985 (24 Articles)
  a) a “rotating fund for the promotion and development of cooperation later called Foncooper” (Article 1), financed mainly by the Ministry of the Treasury (Article 2).
  b) a second fund “for interventions to safeguard employment levels” (Article 17, Clause 1) using this, “the Ministry of Industry, Commerce and Crafts participates in the share capital of specially established financial companies” (Article 17, Clause 2)
- Consequent foundation of two private societies: SOFICOOP (1985) and CFI (1986) by the Italian cooperative organizations
- Task: allowing new cooperatives of workers to access the fund and providing them technical assistance
Subsequent provisions

• **A normative reform** took place with the **Act no. 57** of the 5th March 2001
  a) Ministry of the Economic Development allowed to enter CFI and SOFICOOP “Institutional Investors”
  b) CFI and SOFICOOP allowed to support also **social cooperatives** and **already existing cooperatives**

• **Last normative provision**: the Ministerial Decree of 4th December 2014, called “**new Marcora**”

• Allowed the financement also to cooperatives that manage **enterprises confiscated** to organized crime

• **Latest news**: on 7th May 2019, CFI incorporated SOFICOOP

• Now **CFI** is the **only one** “Institutional Investor” acting on the basis of the Marcora Act
II
Quantitative dimensions
The WBO in numbers - 1

- So far no complete census of the WBOs in Italy carried out by the Italian Institute of Statistics (ISTAT)
- Partial data available: a valuable database by Vieta, Depedri and Carrano (EURICSE researchers)
- The “IRL database”, updated to the 31st December 2014
- 257 WBOs tracked, but not the definitive universe in Italy
- CFI data: 381 total cooperatives financed 221 WBO
- 140 cooperatives currently in CFI portfolio:
  a) 59 WBO
  b) 56 development
  c) 13 consolidation
  d) 12 Start-Up
The WBO in numbers - 2

• Processing CFI data on ‘its’ WBOs:

1. 26 on the total 59 WBOs (the 44%) are located in Northern Italy
2. 44 on the total 59 WBOs (the 74,6%) are industries
3. 20 on these 44 WBO industries (the 46%) are located in Northern Italy
4. 17 WBOs are located in Emilia-Romagna (the 65,5% of 26, the 28,8% of 59)
5. 13 WBOs industries are located in Emilia-Romagna (the 65% of 20, – the 29,5% of 44)

• Probably Emilia-Romagna is the most remarkable and “inviting” Italian Region for the WBO phenomenon
III

The institutional environment
Three main national cooperative Federations
CFI is an “Institutional Investor” from 1986. It supports production cooperatives and social cooperatives.
Cooperative movement **strongly supported** by the Region

The most recent and significant **normative provision**: Regional Act no. 6 of the 6th June **2006**, “Rules for the promotion and development of mutualist cooperation in Emilia-Romagna”

a) A Cooperation Council (Consulta della Cooperazione) established (Article 3) in order to provide **official advices** concerning cooperatives (Article 4).

b) the Region & Unioncamere **observers** of the phenomenon (Article 5).

c) Support to cooperation development both with **official agreements** (Article 7), and with **financial instruments** (Articles 8 and 9).

- Regione&Unioncamere **census 2016**: 56 new cooperatives born with the path of the **WBO, 60% industries**

- Regione **partial census 2018**: other 46 WBOs started, with a **total** sum of **105**, and a total amount of **1.581 saved jobs**
IV

The Case Study:
From “Nuova Pansac” to “RaviPlast “Coop.
Emilia-Romagna Region

Population at 30 November 2018 = 4,460,580
The “Nuova Pansac” Failure

FAMILY-OWNED ENTERPRISE
300 MLN OF INCOMES
900 WORKERS/EMPLOYEES

Flexible plastic packaging;
Polyethylene packaging

Nuova Pansac

Portogruaro
Marghera
Mira
Zingonia
Ravenna

VENETO

LOMBARDIA

EMILIA ROMAGNA
Time Line – Ravenna factory

2007
- Economic Crisis

2007-2011
- Progressive reduction of production

2011
- Protests, strikes and two months occupation of the factory/plant by the workers

2011-2013
- The owner try to sell the factory, but without success
Institutional Actors

July 2013

MUNICIPALITY (Mayor)

Ministry of Economic Development
- Special Commissioner
- Call for interest

Negotiation TABLE
- Chamber of Commerce
- Industrial Association
- PMI Association
- Artisan Association
- Cooperative Mouvement

21 September 2013
Workers involvement

90 Workers

2011-2013

49 Workers

July 2013

Are available (accept) to enter in the cooperative

35 Workers

August 2013

Are selected to became founders of the cooperative

24 Workers

September 2013

Remain in the corporation
Cooperative Capital - Asset

€.400.000

Coopfond

General fond

Fondo Sviluppo

Lega

AGCI

Conf

Cometha

850.000 euros

Average of 20.000 € Per worker

WORKERS 450.000 €.

(a)

(b)

(c)
Area: 30.000 squared meters
Governance Structure

Membership quota: 11,000 €

GENERAL ASSEMBLY
(24 WORKERS)

30 WORKERS:
24 MEMBERS
6 NON MEMBERS

Chair of the Board

Board of Directors
(7 workers)

CEO
Interview with CeO

• “Within a cooperative enterprise there are all the general economic obligations of a normal company, plus there is one more that is the management of social aspects. Then this must become the assets of managers.

• A cooperative manager is a business manager plus a cooperative manager, meaning he must know that he works in an environment that is different, that has different values and he must share this thing in his professional experience.

• If you do you are a good "cooperative manager" if you do not, you are, perhaps, a good "manager“, but from this point of view you have a gap with respect to your job because you do a job in a company that is different from a business enterprise”.

The role of labor (trade) unions

- Cautious / prudent towards WBO;
- Often contrary;
- It is afraid of workers loosing their social safety nets;
- Looking at the sustainability of the business plan;
- “Second level” collective bargaining (above the contractual conditions).
- It is a “risk assumption” initiative (for the workers).
- If you fail, you fail twice (you lose everything).
V

Final Remarks
Four successful factors

• “(...) the first is economic sustainability. So, that is, the project must hold up: there are no possible mediations from this point of view;
• second: the quality of the management. This is also fundamental, that is, a company does not stand only if there are workers;
• the third one is the territorial context, that is, the support both of public and private institutions of the territory (in Raviplast case, the Ravenna Municipality, the commissioner and the cooperative movement);
• the fourth is finance (credit access). I put it last, even if not hierarchically, but because, from this point of view, I think that, if the project is there, finance arrives. Then [...] there is a need for finance that I – not just me – call ‘patient’ ” [CeO].
## Endogenous and exogenous factors

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<th>Endogenous factors</th>
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<tr>
<td>Efficient machinery</td>
<td>An affordable market share</td>
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<td>Skillful and determined workers</td>
<td>The support of the public institutions</td>
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<td>Quality and skills of cooperative management</td>
<td>The support of the Cooperative Movement</td>
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<td>Quality of the product</td>
<td>The relationship with the credit system (banks, etc.)</td>
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REFERENCES


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