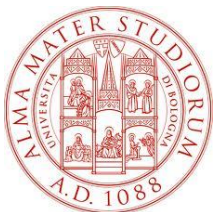


WORKERS BUYOUT

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



Andrea Bassi **and** Alessandro Fabbri



INDEX

1. Normative foundation;
2. Quantitative dimensions;
3. Institutional environment;
4. The case study;
5. Final Remarks.

WBO Definition

- The WBO is a process through 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 cooperative s 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



Ministero dello Sviluppo Economico

- Società costituita ai sensi dell'art. 17 comma 2 della **Legge 49/1985 (Legge Marcora)** e s.m.i., **partecipata e vigilata dal Ministero dello Sviluppo Economico**, che detiene il 98,33% del capitale ed è presente negli organi amministrativi e di controllo.



- Oltre al **Ministero dello Sviluppo Economico**, ha come **Soci 317 Cooperative, Invitalia** e i **Fondi Mutualistici** di Agci, Confcooperative e Legacoop.



- Aderisce alle 3 principali **Ass.ni Cooperative** (Agci, Confcooperative, Legacoop), collabora con **Cooperfidi Italia** e, in ambito Europeo, con **Soficatra**, finanziaria per l'economia sociale.



- Ha ora in dotazione un **Capitale Sociale di 98 €/mln**, più **12€/mln** di riserve, un **Patrimonio Netto di 110 €/mln**, ha effettuato impieghi per oltre **223 €/mln** e finanziato **381 imprese**.

Emilia-Romagna Region

- 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:

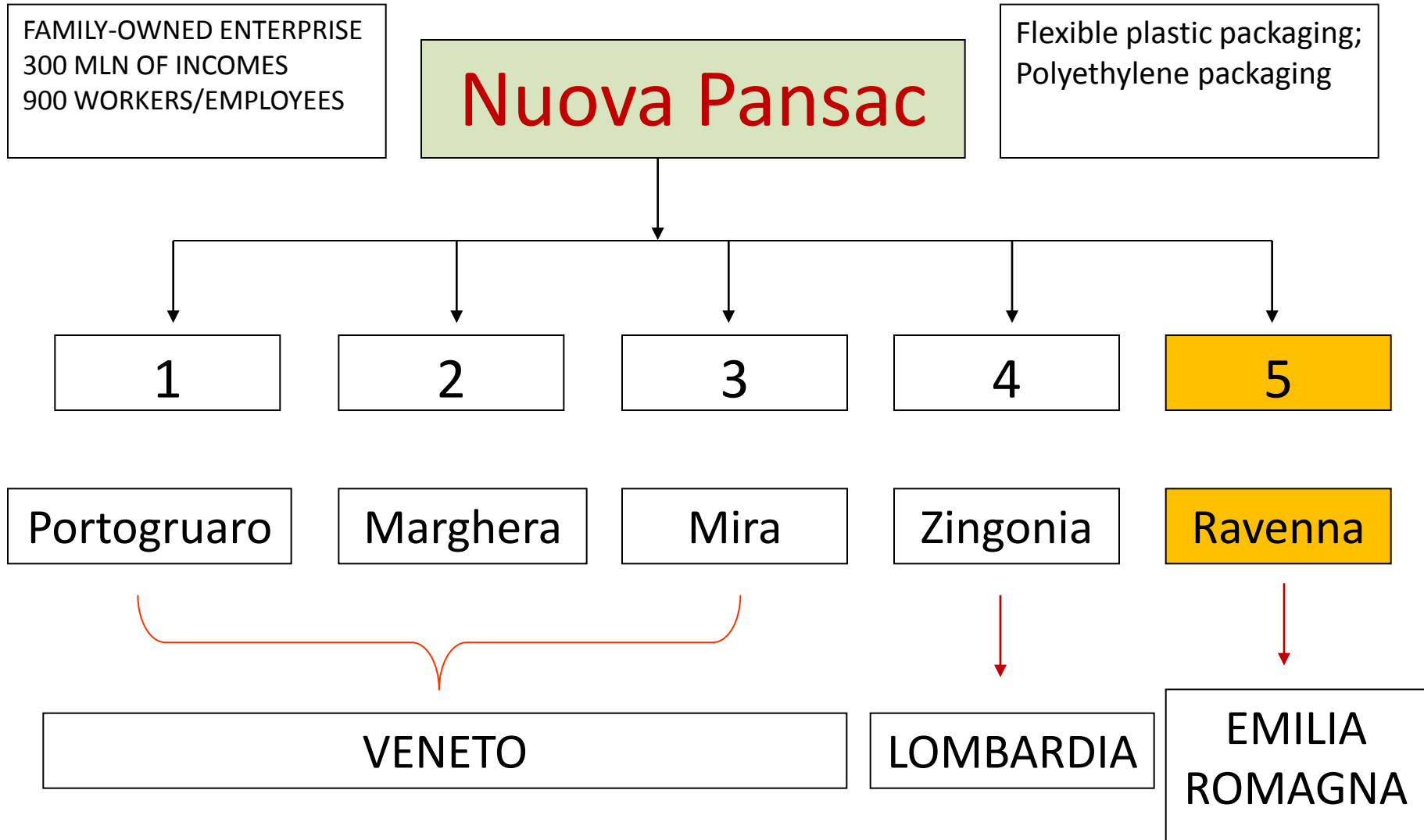
From “Nuova Pansac” to “RaviPlast” Coop.

Emilia-Romagna Region

Population at 30 November 2018 = 4.460.580



The “Nuova Pansac” Failure



Time Line – Ravenna factory

2007

Economic Crisis

2007-2011

Progressive reduction of production

2011

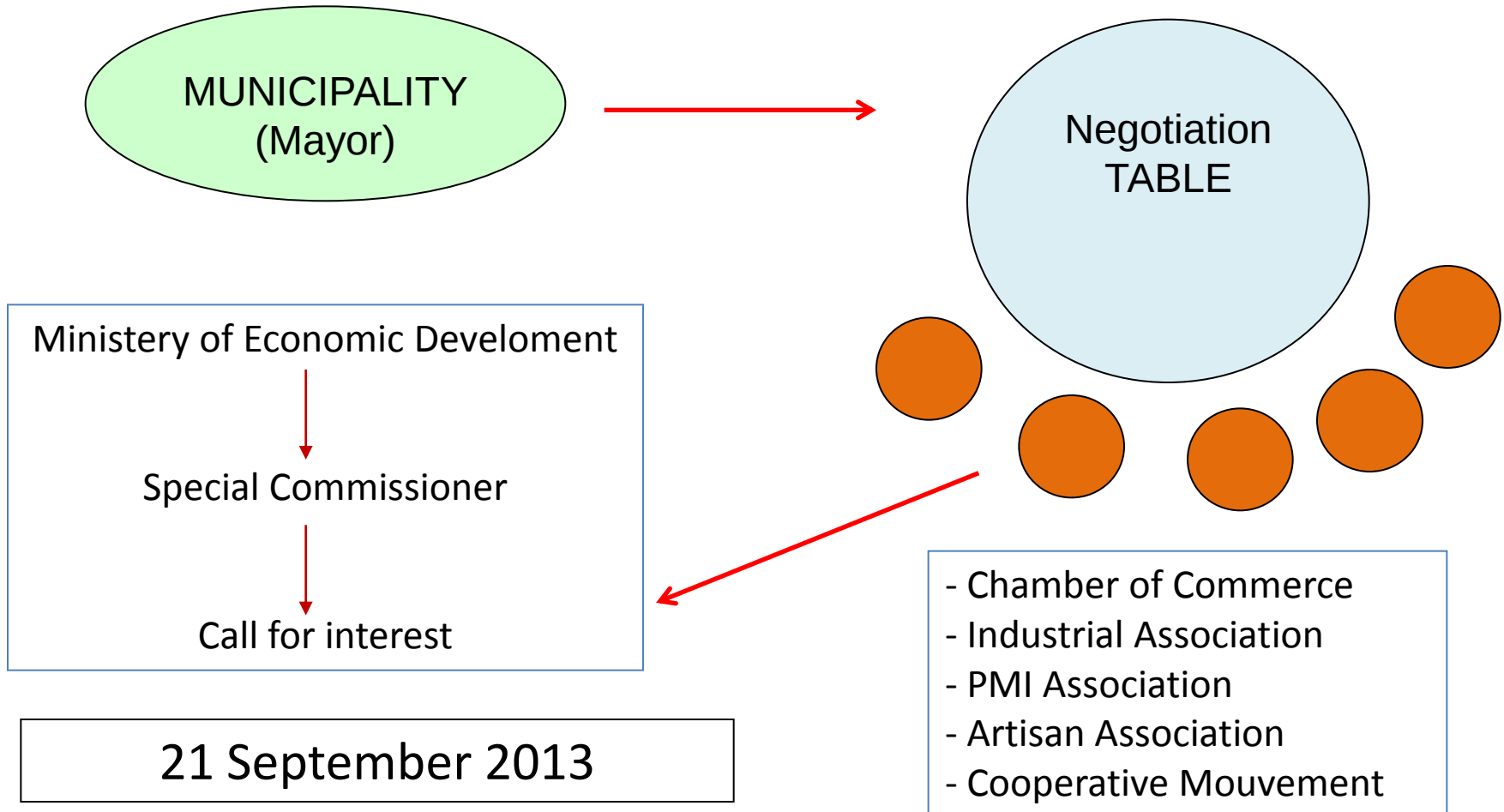
Protests, strikes and two months occupation of the factory/plant by the workers

2011-2013

The owner try to sell the factory, but without success

Institutional Actors

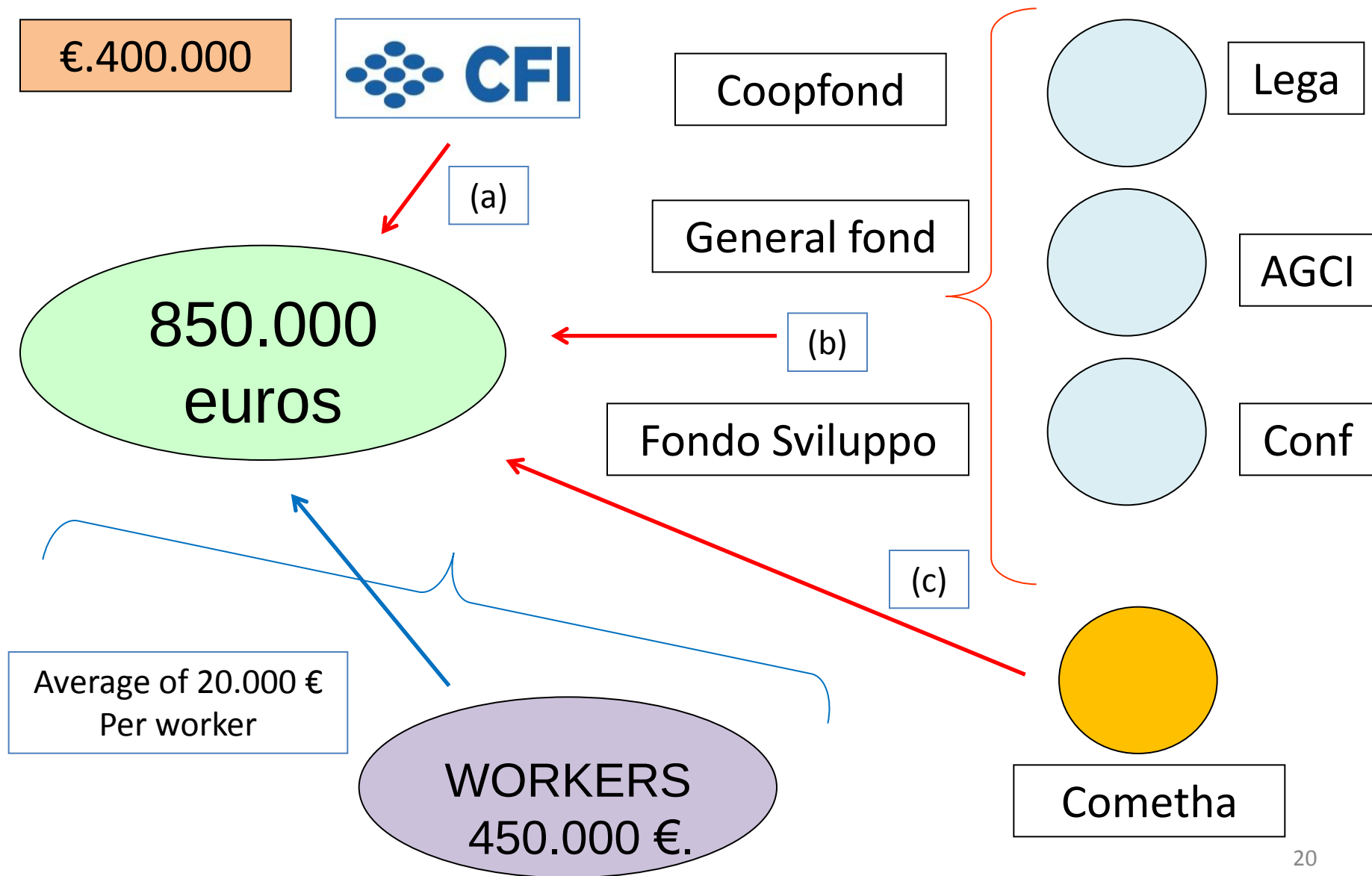
July 2013



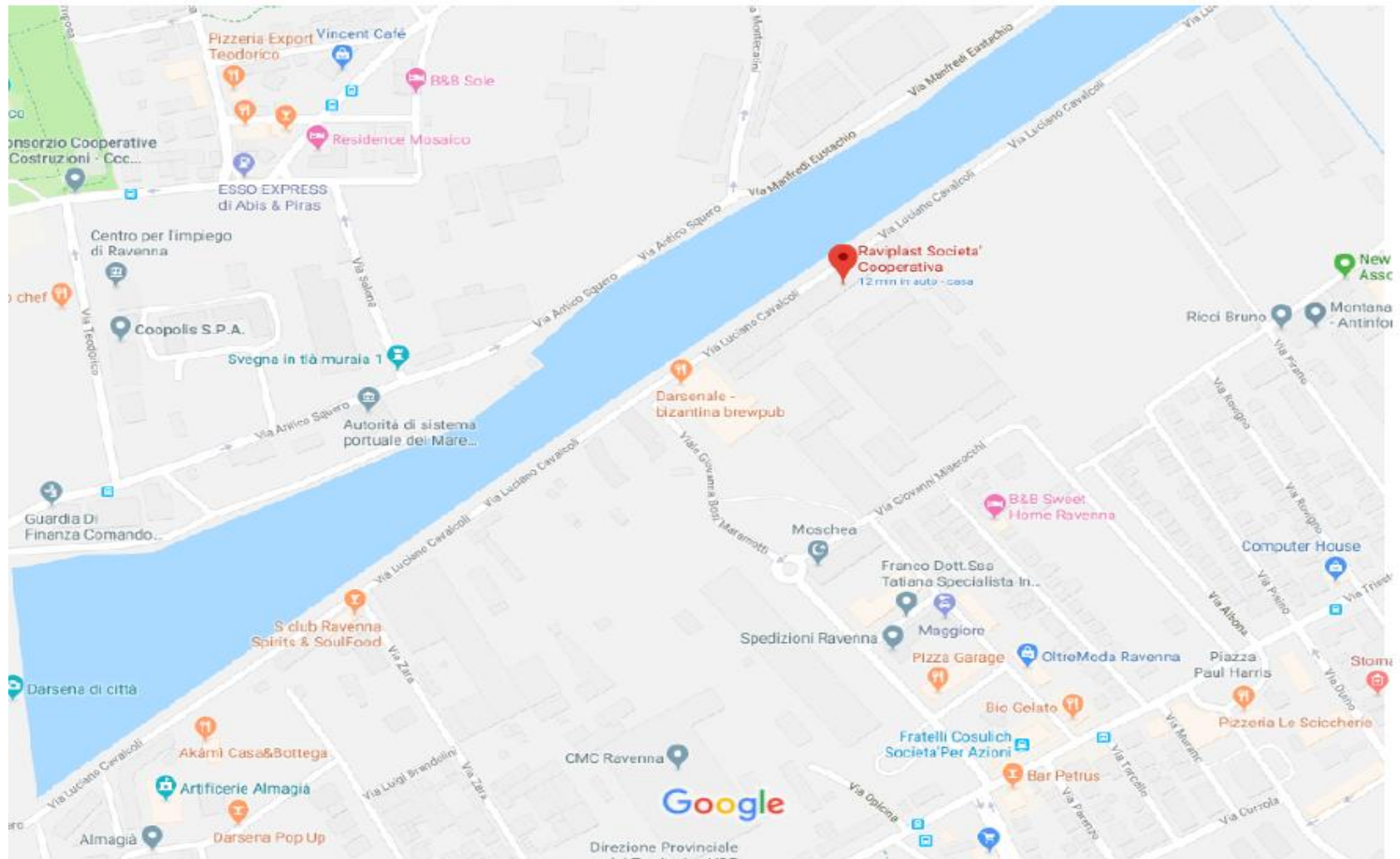
Workers involvement



Cooperative Capital - Asset



Area: 30.000 squared meters



RAVIPLAST

Flexible plastic packaging



RAVIPLAST

Flexible plastic packaging



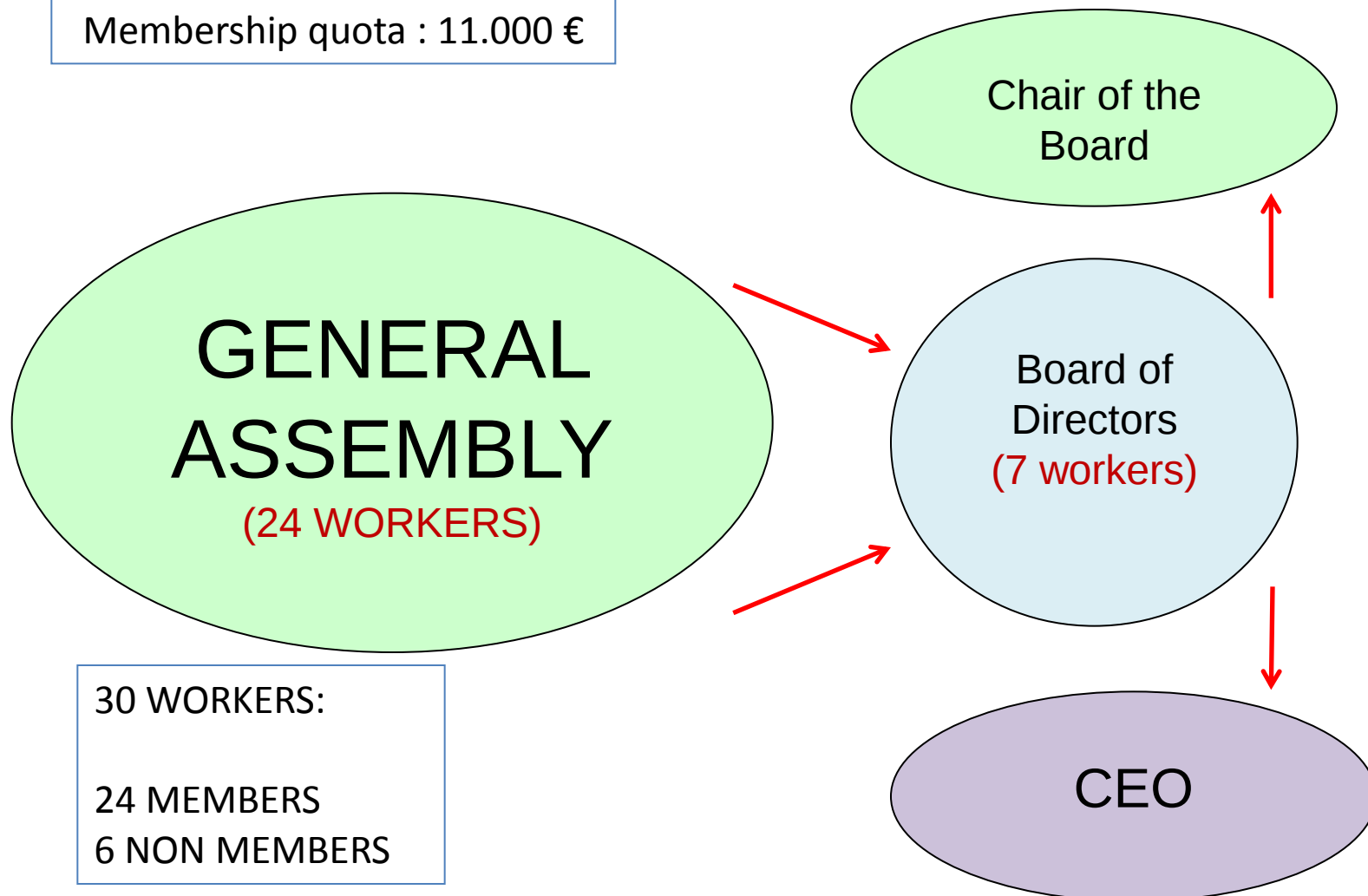
RAVIPLAST

Flexible plastic packaging



Governance Structure

Membership quota : 11.000 €



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 losing 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

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

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<https://www.youtube.com/channel/UCjg85zy0vNEwXzXSCRsxy8g/videos>



Thank you for your attention!



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