

The logo consists of the letters 'UN' in white, bold, sans-serif font, centered within a solid blue square.

Inter-Agency Task Force on
Social and Solidarity Economy

**Why we need cooperatives to make the business world more
people-centered.**

The Emilia-Romagna experience

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Implementing the Sustainable Development Goals: What Role for Social and Solidarity Economy?

We live in a world where capitalist enterprises are producing too many negative externalities, among which:

- scant attention to territories and local cultures (their plants can be easily displaced);
- moderate interest in people (only high ranking managers are well payed);
- destructive use of competition (they tend to abuse of dominant positions every time they can);
- scarce regard for democracy, both internal and external.
- but above all, an exclusive concentration on to their profits (maximization of shareholder value), which produces a tendency to minimize the legitimate interests of all other stakeholders including the states where they are active, to which they try to pay the lowest possible taxes.

This paper offers an example of how another form of enterprise – the cooperative enterprise – can produce a better society, helping to achieve a number of the 17 SDG goals.

Of the 17 SDGs, cooperatives address mostly:

- 1-2 (no poverty, no hunger), because they promote grass-root entrepreneurship by pooling modest amounts of capital into productive businesses;
- 8 (good jobs), being coops focused on defending employment;
- 10 (reduced inequalities), because coops redistribute profits across all their members and pay their managers less than capitalist enterprises;
- 11 (sustainable cities and communities), as coops tend to be formed also in small villages and peripheral districts.

But the other SDGs as well are indirectly addressed by coops, being their mission that of catering for the needs of people.

Concentrating here my argument on **cooperatives**, these are companies open to membership of not well to do people, as they normally require only a limited amount of share capital from their members, so they are inclusive businesses and help strengthening responsibility and civicism.

Cooperatives are run democratically and tend to reward members and dependent workers in a more equitable way, avoiding major gaps in remuneration between the high ranking employees and the unskilled ones.

A substantial presence of cooperatives has a positive impact on the market at large, because they increase the number of firms operating with sound principles of fairness and correctness and competition is not interpreted as a race to the bottom.

While cooperative enterprises can be created in almost any sector, in the following sectors they have shown a comparative advantage:

- **Users Cooperatives.** This type of coop is created by people who use the products/services of their cooperative and can be found in retail trade, utilities, credit, insurance, housing, distribution of electricity and other public utilities. Members appoint managers to organize the business on their behalf, using dependent workers
- **Users cooperatives.** This type of coop is formed by members who produce in a private company of their own commodities which are conferred to a coop (or a consortium of coops) in charge of buying inputs, marketing and often processing the output. The best example is given by farmers coops, which increase the market power of farmers by contrasting monopsonies, and internalize the profits produced by the processing of the produce in dairy plants, wineries, oil mills, canneries etc. owned or controlled by coops.

- **Workers cooperatives.** These are self managed coops by those who work in them, advancing the capital which is needed. This type of coop has received a very large attention by the economic literature, starting with John Stuart Mill, because they are democratically run and contrast directly the capitalist form of enterprise. Workers coops are however today not so diffused in industry, but in services: transportation (taxis, lorries, buses), catering, facility management, logistics, management of cultural resorts and theatres, media, tourism, professional firms, social services.
- **Social cooperatives (or community coops).** It has taken a long time for this type of coop which delivers personal services to external clients to be officially recognized by ICA. Only in 1995 ICA added a 7th principle of external mutuality to the already existing 6 cooperative principles. They remain a special type of coop, combining workers and users of social services in a multistakeholder board and availing themselves also of part time voluntary workers.

I will now proceed to highlight the Emilia-Romagna case.

But before doing this, I need to remind that cooperatives have in Italy a quite substantial presence, in all sectors of the economy and enjoy a “**constitutional**” status, being mentioned specifically in article 45 of the Italian 1948 Constitution. One of the distinctive features of Italian coops is their wide presence in the whole economy, with a share of employment (Public Administration excluded) around 8% at the national level, but around 13% in Emilia Romagna (without taking into considerations the employment in joint stock companies controlled by cooperatives).

Emilia-Romagna is one of the 20 Italian regions belonging to the North-East of the country. After a slow beginning, since the 1960s industrialization became widespread and it rapidly raised the level of wellbeing of the region to the highest in Italy (and in Europe). The model of the North-East, and particularly of the Emilia-Romagna, industrialization differs markedly from the North-West one and is based on SMEs, highly specialized in niche products (mostly metal-engineering, agro-food and beverages industry, chemicals, pharmaceuticals, and artificial materials), where they are often among the world leaders. In the texture of Emilia Romagna’s SMEs, cooperatives are excellently placed, as it can be seen in the following table.

Emilia-Romagna cooperatives, 2008-2017

sd	2008			2017		
	No.	employment	Turnover Million euros	No.	employment	Turnover Million euros
Agro-food and beverages	924	28172	7826	854	25669	8982
Manufacturing	321	10291	2524	264	9524	2397
Construction	602	10284	7378	521	4931	3844
Retail and wholesale trade	485	24700	11162	476	27037	13192
Logistics	712	27773	1852	717	27868	1891
Credit/insurance	158	5511	41	120	5160	747
Other services	2132	61777	4098	2113	68152	4724
Total	5334	168508	34880	5065	168341	35778

These positive results have been achieved through successful instruments.

In the first place, much of the capital of Italian cooperatives is made up of “**indivisible reserves**”, which are not depreciated by fluctuations in the stock exchange and can partly be used in situations of emergency to face temporary budget deficits.

In the second place, while in normal times members and dependent workers of Italian cooperatives are paid according to national contracts negotiated by trade unions for each sector, in emergency situations the Italian legislation allows cooperatives **more flexibility in the use of workers time** and in their remuneration, with the aim of protecting jobs.

A third instrument has been that of creating **start ups** in neighboring sectors, so as to give new jobs to surplus workers. Also, the coops umbrella organizations have used their solidarity funds to help restructuring cooperatives in crisis as part of the mutuality within coops, particularly in the building sector.

It must also be mentioned that the wide presence of cooperatives in many sectors of the economy has allowed cooperatives to reap substantial “**economies of networking**”, enhanced by a tight umbrella organizations support.

Some examples of substantial cooperatives active in Emilia Romagna can be clarifying. The largest is *Alleanza 3.0*, (3.7 billion euro of turnover in 2017), with 400 shops in 12 Italian regions, 2.3 million members, and is major part of the 94 Italian consumer coops, which together are in Italy market leader in organized retail distribution. Bologna hosts also the two connected companies *Centrale Adriatica* (which manages the warehouses of the *Coop* system, 3.2 billion euros of turnover) and *Coop Italia* (which manages the wholesale of the *Coop* system, 0.8 billion). In Bologna there are also the headquarters of *CONAD* (1.3 billion), the retailers coop created in 1963, which is today active through eight groups and has recently bought up the AUCHAN Italian branch. *COOP*, *CONAD* and some smaller cooperative groups cover 1/3 of the Italian organized retail distribution.

Bologna is the home of largest coops in other sectors: *CAMST* (0.6 billion euros), the largest Italian coop in catering, created in 1946 (which is also the largest Italian company in catering tout court); *Granarolo* (1 billion), a large dairy joint stock company controlled by the coop *Granlatte*; *Sacmi* (0.9 billion), a substantial manufacturing coop producing machinery for tiles and for the confection of glass bottles; *Re-keep* (0.7 billion), a large facility management joint stock company controlled by the coop *Manutencoop*. It also hosts three important cooperative consortia: *Conserve Italia* (0.6 billion), a group of agro-food and beverages coops, *CNS* (0.8 billion), a group of facility management coops and *Integra* (0.7 billion), which organizes what remains of the construction coops.

The insurance company *Unipol* (17 billion), created in 1963 by Emilia-Romagna coops as a joint stock company and still controlled by cooperatives, is a unique case, because it has become the second largest insurance company in Italy and is listed in the stock exchange. But Emilia Romagna is the home of other large cooperatives in wine, cheese, fruits, salami making, taxi and lorries driving, manufacturing, credit and social services.

Social cooperatives are very creative, not only in inventing new assistance programs, but in creating jobs for disadvantaged people (handicapped, prisoners getting out of prison, formerly drugged people, migrants, abandoned and raped women, beggars) and in helping local authorities in the maintenance of greens. Also to be mentioned is the process of conversion of capitalist firms in difficulty into cooperatives: **workers buy outs**, helped by a law of 1985 and by an ad hoc agency created jointly by the three umbrella organizations, have allowed in the years 2008-2017 the rescuing of about 500 jobs.

10 out of the 20 largest companies in Bologna are cooperatives.

Conclusions

Cooperativism is in Italy strong as a result of a long lived historical tradition and of a post World War II legislation which supports coops, starting from article 45 of the Constitution.

Among the causes of the particularly successful performance of Emilia-Romagna coops, the most important one is a **culture of the work place as a place of collaboration and shared responsibility**. This has led to a refusal by the people of the region to be recruited in anonymous big corporations, producing standardized goods and services.

Not being able to reap economies of scale as a result of the limited size of companies, the Emilia-Romagna enterprises had to resort to other advantages: **developing high quality products and services**, becoming skilled in customizing products and in servicing clients, **building tight networks** of companies servicing each other, activating associations and common services at various levels. These are the very reasons why cooperatives are among the largest companies in the region: to work for a large cooperative is not the same as working for a large capitalist enterprise.

It is also true that cooperatives in this region did not have to confront themselves with established big capitalist businesses and had a better chance of success than in places where capitalist enterprises were prime movers.

The relatively comparable size between coops and capitalist enterprises in Emilia-Romagna has eased the collaboration among the two types of business, up to the point in which the national legislation allowing coops to control joint stock companies was put in place in 1984 as a result of lobbying from the region's coops.

The Emilia-Romagna model of cooperative enterprises is a very peculiar one, because it avoids separation and marginalization of coops, allowing them to hybridize the capitalist context in which they are active by making it more social, but also to absorb the principles of efficiency from it, making coops capable to compete and even internationalize.