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COOPERATION IN ITALY IN 2008

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Abstract

Despite a growing interest in cooperatives, the knowledge of real economic, occupational and social dimensions of the cooperative enterprises is still little and fragmentary, at both a national and an international level.

This is also the case of Italy, a country with one of the most widespread cooperative system.

Many Italian Institutes (e.g. *Istat*, *Confcooperative*, *Legacoop* and *Unioncamere*) have been studying cooperatives for a long time. The majority of their studies refer to specific contexts, to specific types of cooperative or to restricted samples. There is still a lack of updated analyses of the overall dimensions of this phenomenon, able to follow its evolution and quantify – with reasonable precision – the ability to manage business and create jobs.

Starting from these preliminary remarks, the present study intends to offer a reliable analysis of the 2008 Italian cooperative system, by highlighting the economic and occupational dimensions and impact of the phenomenon.

This analysis is only part of the widest research programme carried out by the European Research Institute on Cooperative and Social Enterprises (Euricse, www.euricse.eu), which has developed an observatory on cooperation for a constant analysis of the role of cooperation in Italy.

Keywords

cooperation, Italy, regional development, employment, economic performance

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1. Introduction⁶

The new century has witnessed a progressive and renewed interest in the cooperative universe. Two important acknowledgments have been in 2002 the Promotion of Cooperatives Recommendation of the International Labour Organisation (ILO, 2002) and the 2004 Communication on the promotion of cooperative societies adopted by the European Commission. More recently, other acknowledgments came from several economists and connoisseurs of economic policy. Both the International Monetary Fund and a few chairmen of the Central Banks – Mario Draghi among them, at the time Governor of the Bank of Italy (Draghi, 2009) - have recognized the role and the importance of the cooperative banks, both before and during the financial crisis of 2008. Renowned economist J. Stiglitz admitted that in the past too much importance had been given to the model of the enterprise exclusively aiming at maximizing profits (Stiglitz, 2009). He acknowledged that this model was not successful and that other models of enterprise are necessary, cooperative and nonprofit enterprises in particular. Very similar is the opinion of Elinor Ostrom, Nobel Prize winner for Economics in 2009. The latest acknowledgment has been the launch of the International Year of Cooperatives 2012 (IYC) by the United Nations on 31st October 2011.

In spite of all these acknowledgments, the real economic, occupational and social situation, at both the international and national level, is still scanty and fragmentary. It is a gap that inevitably leads to a slackening of the acknowledgment process, which – as for other economic phenomena – would come out strengthened if upheld by a more defined awareness of how cooperative enterprises actually contribute to an economic and social welfare of many countries. The President of the International Cooperative Alliance, Pauline Green, has recently reminded that in order to take a massive step forward and lead the growth of the cooperative movement in all parts of the globe, there is the need “to massively increase the knowledge and visibility of the size and sustainability of our business model, and of its reach into virtually every community across the world”. This is also the case of Italy, a country with one of the most widespread cooperative system.

Studies and researches on the Italian cooperation system are not missing or underdeveloped; however a broader understanding is needed. Numerous works have indeed studied its origin, its evolution (Legacoop, 2004), its characteristics (Unioncamere, 2011), its levels of efficiency and its impact on economic and social development (Fontanari and Borzaga, 2010). However, these studies are not always updated or they simply refer to specific contexts, to particular types (Istat, 2008; Spinicci, 2011) or to restricted samples of enterprise. In particular, there is a lack of analyses of the overall dimensions of this phenomenon, able to quantify with reasonable precision the ability of managing businesses and jobs.

It is possible to attribute this informative gap to specific causes. In particular official statistics usually do not deem the juridical form of organised economic activities worth considering; instead they dwell upon results and favour the activity sector. Information about the different types of enterprise (often restricted to number of enterprises and people employed) are gathered and made available only – and not always – in the occasion of censuses.

⁶ The present work is part of a research area wanted and promoted by Euricse, with the aim of monitoring the Italian cooperative system. The complete results can be found in the research report “Co-operation in Italy – First Research Report Euricse” (Euricse, 2011).

In order to overcome these limits, it is necessary to use administrative statistical information, deriving from data enterprises have to communicate to specific Institutes. Sometimes figures are of great interest but, since they do not derive from official statistics, definitions, decomposition and aggregation of data differ a lot from those of official statistics.

In Italy there are plenty of "administrative sources": some of them are data gathered by associations of the cooperative movement and by the Ministry in occasion of biennial auditing, data of the *Albo nazionale delle cooperative* (Italian National Cooperatives Register) and data registered in the Business Register managed by the Chambers of Commerce.

Above-mentioned sources offer both pros and cons. Associations gather (exclusively for their members) more information than the other sources but data are classified with non-statistical purposes. The Cooperatives Register contains only little information and does not allow to clearly differentiate active and non-active cooperatives. For the time being, the most complete, accessible and user-friendly database is the Aida- Bureau Van Dijk database⁷, which gathers data communicated by enterprises to Chambers of Commerce. The database contains (for cooperatives that have submitted the balance sheet) information about: activity sectors; number of people employed with a subordinate employment contract (both members and non-members); turnover and the main balance sheet items. Yet, the database gives no information about: number of members; people employed with atypical employment contracts and the type of cooperative (workers' cooperative, consumers' cooperative or producers' cooperative). Since the database contains information about more than 950,000 enterprises, it allows comparing the economic and financial situation of cooperative enterprises with the situation of joint-stock companies.

In order to offer a reliable and disaggregated analysis of the economic and occupational situation, it would be necessary to progressively combine available statistical sources (both official and administrative). It is a complex work which requires time and has to be carried out step by step. The First Research Report on Italian cooperatives (Euricse, 2011) is the first step towards this direction.

Chief purpose of the report, whose main results are highlighted in the present paper, is to produce the first quantitative reference picture, which will make it possible to better quantify the cooperative phenomenon, to follow its evolution and to analyse thoroughly its characteristics, also by comparing the performances of cooperative enterprises with other businesses with different entrepreneurial profiles.

The present work has the following structure: the first part offers a brief general overview of the evolution of the Italian cooperative movement from the second half of 1800 to the end of 1900; the following section explains the method used in the gathering and analysis of data. The third section presents and explains the size of the cooperative sector in Italy in 2008, its regional distribution and the main activities. Finally, data about the number of people employed, profits and financial structures of cooperatives will be analysed.

⁷ Aida is a database developed by the company Bureau Van Dijk (<http://www.bvdinfo.com>), which gathers personal, commercial, financial and economic data of more than 950,000 Italian companies, as well as shareholding of the 20,000 Italian businesses with the highest turnover.

2. Historical evolution of the cooperative movement in Italy

The cooperative movement is an important component of the Italian economy which has alternated periods of rapid growth with phases of stagnation since its birth in the 19th century (Borzaga, Depedri and Bodini, 2010).

In 1854 the *Magazzino di Previdenza* in Turin was the first Italian cooperative to be set up (Ianes, 2010), thanks to the initiative of the *Società Generale degli Operai* (General Workers' Association). The aim of this consumers' cooperative was to allow its members to buy staple commodities at lower prices than market prices.

The second half of the 19th century witnessed the development of consumers' cooperatives in towns and rural areas, as well as the setting up of the first financial cooperatives (end of the 1870s): the *Banca Popolare* (Peoples Bank) and the Agricultural Credit Bank (hereafter called Rural Credit Banks and Cooperative Banks).

Towards the end of the century other forms of cooperatives started developing: farmers' cooperatives, whose aim was to contend with agricultural monopolistic systems and workers' cooperatives, mainly espoused by building workers and labourers.

In 1882 cooperatives obtained juridical recognition in the Mercantile Law and in 1885 registered Italian cooperatives were 4,896.

The first years of the 20th century (years between 1903 and 1914 in particular) were characterized by the growth both of Italian economy and of the cooperative movement. In 1910, thanks to government and to the catholic movements, there was a rise in number of organisations (7,400) and number of members (over one million). The growth of the cooperative movement was constant until the first semester of 1920: registered cooperatives were then 15,000.

The accession to power of the Fascist regime (1919 – 1921) seriously hit – also with violent actions – democratic cooperation of Socialist, catholic and republican inspiration and sharply interrupted the rapid development of the cooperative movement. The Fascist party dissolved the League in 1925 and the Confederation in 1927, forced the heads of the cooperative movement to leave their activities and restructured the cooperative sector: in 1926 the *Ente Nazionale Fascista per la Cooperazione* (National Fascist Cooperation Authority) was created and cooperatives were organised into the corporative system.

Nonetheless, by the end of the Second World War the number of cooperatives was higher than it was at the beginning of the thirties. The policy of the Fascist regime did not cause the disappearance of the cooperative movement, but it led to a slower growth and a different evolution of the various sectors of cooperation and to an important development of farmers' cooperatives.

In the post-war period, the Italian government and national vital forces devoted themselves to the relaunching of the cooperative movement (Sapelli, 1998), as clearly shown by Article no. 45 of the Italian Constitution.

The evolution of cooperation over the second half of the 20th century can be examined through the results of the Census of Industry and Services conducted every ten years by the Italian National Institute of Statistics (Istat).

Table 1 contains information for years 1951 to 2001 about the evolution of number of cooperatives and the number of their employees.

The census is the most significant source of data on cooperatives from the 50 to 90 years, although they present different problems related to data collection. Several researchers (Zamagni, 2006) believe therefore that the number of cooperatives censused is actually an underestimate of the real number of cooperatives.

Table 1 – Evolution of number of cooperatives and their employees - Years 1951 to 2001

<i>year</i>	<i>cooperatives</i>	<i>employees</i>	<i>average number of employees</i>	<i>cooperatives/total enterprises</i>	<i>employees in cooperatives/ enterprises</i>
1951	10,782	137,885	12.8	0.7	2.0
1961	12,229	192,008	15.7	0.6	2.0
1971	10,744	207,477	19.3	0.5	1.9
1981	19,900	352,435	18.2	0.7	2.8
1991	35,646	584,322	16.4	1.1	4.0
2001	53,393	935,239	17.5	1.2	5.8

Source: Centro Studi Legacoop (2004)

The census of 1951 reported the existence of almost 11,000 cooperatives: most of them operated in the construction sector and were committed to the reconstruction of buildings destroyed during the War; employees were more than 137,000, equal to 2% of the total number of employees in Italy.

Between years 1951 and 1971 Italy witnessed its strongest economic growth, determined mainly by the development of the manufacturing sector. The growth was characterised by the “migration” of the workforce from the agriculture sector to factories, with plenty of people moving from rural areas to towns.

According to the census results, cooperatives contributed only to a limited extent to this development and the economic importance of cooperation remained at a standstill: in 1971 cooperatives were 10,744, about the same number of 1951, but 12.1% less if compared with the number of cooperatives in 1961. Yet, dimensions of these organisations over the two decades increased considerably: the average number of employees rose from 12.8 in 1951 to 19.3 in 1971. The growth in number of employees in cooperatives reflected the growth of Italian economy: about 2% of Italian working people were employed – for the two decades – in the cooperative sector.

The following ten years, characterised by the oil crisis, a slower growth of the GDP and the hyperinflation, and years between 1981 and 2001, witnessed a remarkable increase in number of active cooperatives (increased of 85.2% between 1971 and 1981 and of 168.3% between 1981 and 2001) and of employees in this sector (respectively an increase of 69.9% and 165.4%): the growth was noticeably higher than the average growth of Italian economy. The employment rate in cooperatives kept pace with the growth: in 1991 about 4% of Italian working people were employed in the cooperative sector, and they became 5.8% in 2001.

3. Methodological remarks

While waiting for the official results of the ninth Census of Industry and Services (year 2011), it is possible to depict the situation of Italian cooperatives in 2008.

Data used for this study were extracted from the Aida database on 30th September 2010 and refer to cooperatives and cooperative consortia active at the 31st December 2008.

The data available are administrative one: they have undergone those checks necessary to prove their quality and correctness. Initially, data extracted from the database have been cross-examined with data of other databases. If anomalies were found in economic and financial data, the balance sheet of the involved enterprises – submitted to the competent Chamber of Commerce and available in the online Companies Register database “Telemaco” – were downloaded and analysed.

The choice of working with data aged almost three years and not properly taking into consideration the present crisis does not seem very reasonable and needs to be justified.

2008 is the year with the largest availability of data so far and can therefore be chosen as a key year for the study of the future evolution of the cooperative enterprise system.

According to the Aida database, an active cooperative is the cooperative registered in the Companies Register that pursues an economic activity and – to the date of reference – is not subject to ongoing insolvency proceedings.

The analysis does not take into consideration cooperatives that have ceased their activity and have been therefore removed from the Companies Register, and inactive cooperatives that, although registered in the Companies Register, do not pursue any economic activity.

Activity sectors are based on the prevailing activity code of the Ateco 2007⁸ classification (i.e. characteristics of goods and production processes), declared by cooperatives to the competent Chamber of Commerce and hereafter grouped as follows:

- agriculture: includes economic activities of section A;
- industry excluding construction: includes economic activities of sections B, C, D and E;
- construction: includes economic activities of section F;
- trade, accommodation and food service activities: include economic activities of sections G and I;
- services: includes economic activities of sections H and T.

Since the construction sector also comprises housing cooperatives, a cautious evaluation of the state of cooperation in this sector is required. Unfortunately, it is impossible to single housing cooperatives out and analyse them separately: the only available datum is the Ateco 2007 activity code.

Available data allow the distinction between cooperatives and social cooperatives. Social cooperatives are a particular type of cooperatives introduced into Italian legal order by the Law 381/1991. They provide social, welfare and educational services and

⁸ ATECO classification of economic activities is the classification used by Istat (Italian National Institute of Statistics) for its national economic statistical surveys. It is the Italian translation of the Statistical Classification of Economic Activities in the European Community (NACE), adapted by Istat to the specific characteristics of the Italian economic system. Further details on <http://www.istat.it/strumenti/definizioni/ateco/>.

carry out different activities for the purposes of providing employment for disadvantaged people (Galera and Borzaga, 2009).

The group of social cooperatives includes: cooperative enterprises registered as "social cooperative" in the Companies Register; cooperatives that, although not registered as "social cooperative" in the Companies Register, are registered in the *Albo Regionale delle Cooperative Sociali* (Regional Register of Social Cooperatives)⁹; cooperatives that, although not registered as "social cooperative" in the Companies Register, have the words "social cooperative" in their company name.

The group of consortia includes: cooperative enterprises registered as "consortium cooperative" by the Chamber of Commerce; consortia that, although not registered as "consortium cooperative" in the Companies Register, have the words "cooperative consortium", "consortium of cooperatives" and similar expressions in their company title.

The report also includes data regarding cooperative banks, which are not available in the utilised database. These data come from different sources, in particular the website of the Bank of Italy¹⁰ and Federcasse¹¹, kindly thanked for the cooperation. The municipality in which cooperatives have their registered office has also been taken into account in order to identify cooperative territorial distribution. Territorial distributions are the following:

- Northwest: Piedmont, Aosta Valley, Lombardy, Liguria;
- Northeast: Trentino Alto-Adige, Veneto, Friuli Venezia Giulia, Emilia-Romagna;
- Centre: Tuscany, Umbria, Marche, Lazio;
- South: Abruzzi, Molise, Campania, Puglia, Basilicata, Calabria;
- Islands: Sicily, Sardinia.

When figures about employees were not available (35% of total cooperatives), an estimate was carried out with the use of a statistical procedure prepared by Euricse: it provides a random allocation by cooperative compounds similar in personnel expenses, territorial distribution and cooperative type (social cooperative, non-social cooperative and cooperative consortium).

Obtained results have both pros and cons. On the one hand, results surely guarantee a wide coverage of the cooperative universe and present reliable economic and financial data: they allow therefore a first evaluation of the economic relevance of the whole sector, as well as an estimate of its economic and financial situation.

On the other hand, analysed figures were not up-to-date, were incomplete about the number of people employed and non-existing about the number of members, etc. When trying to quantify a phenomenon, a big limit and implicit condition is the fact of not being able to present the situation in all its complexity, especially because of the lack of any information about the social impact of cooperation.

In this phase, however, pros are more than cons and it is important to give visibility to obtained results. The research allows verifying if cooperation in Italy is a residual and static phenomenon, on the wane and not able to contribute towards a growth and economic affluence, or if the opposite case is, in part or totally, the actual situation. The study certainly is still incomplete and imperfect, but it is adequate and improvable over time. It can give start to the discussion of the real size of limits the economic

10 <http://www.bancaditalia.it/>.

11 <http://www.creditocooperativo.it/>.

theory considered and still considers typical of cooperative enterprises. Useful considerations in terms of economic politics can derive from this investigation.

This work of analysis does not stop here: it will be progressively completed by studying the situation from year 2008 onwards, by updating it with further information and will aim at identifying and studying the contributions cooperation can give to the Italian economy.

4. Cooperatives in Italy in 2008

Analysis of the quantitative dimension of the 2008 cooperative sector confirms the important role cooperative entrepreneurship plays within the Italian economic system. By the 31st December 2008 active cooperative enterprises were 71,578 (7.5% of enterprises subject to the laying of accounts).

19.5% of the 71,578 active cooperatives were social cooperatives¹² (13,938 cooperatives) and Cooperative Banks were 432. Cooperative consortia were 1,948.

As highlighted in table 2, the highest concentration of cooperatives was in southern regions (28.3%), followed by central regions (22.1%) and finally by north-western regions (19.2%). The highest concentration of social cooperatives was registered in northern regions (35.8%), followed by southern regions (27.7%).

Table 2 – Cooperatives by area - Year 2008

<i>area</i>	<i>n</i>	<i>%</i>
Northwest	13,718	19.2
Northeast	10,281	14.4
Centre	15,796	22.1
South	20,273	28.3
Islands	11,510	16.0
<i>Total</i>	<i>71,578</i>	<i>100.0</i>

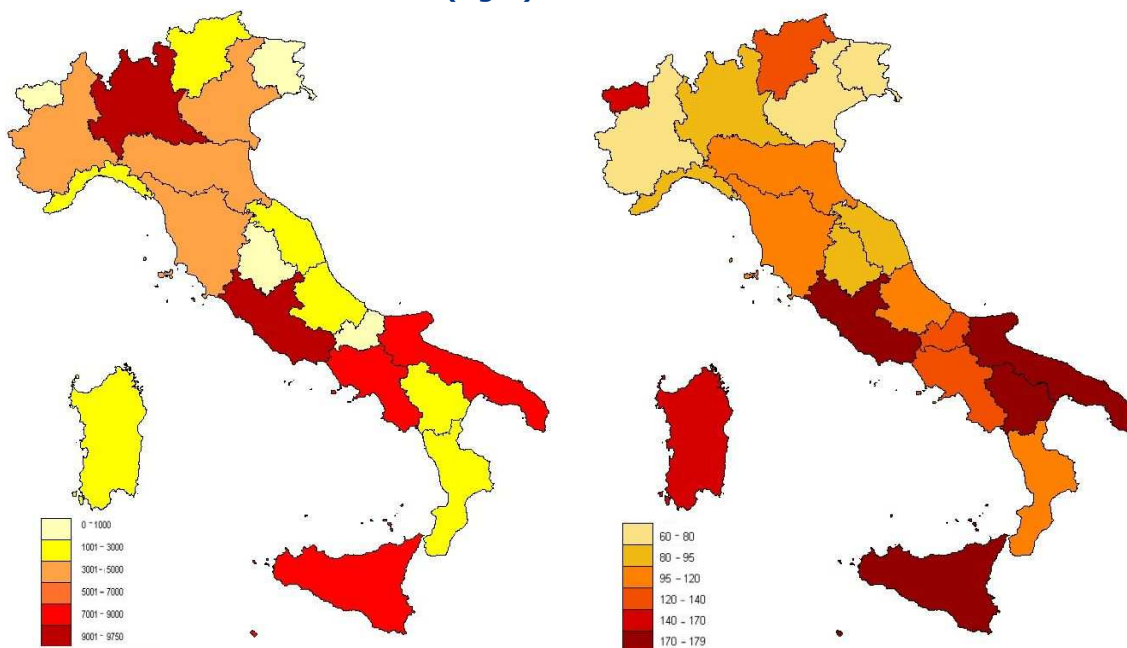
Source: Euricse

As highlighted in figure 1, Italian regions with the highest number of cooperatives were Lazio (9,751) and Lombardy (9,087), whose capitals are the two most densely-populated Italian provinces: Rome and Milan.

However, when the number of cooperatives was related to the number of the region inhabitants in 2008, the profile of the cartogram changed. In particular, the incidence of the number of cooperatives every 100,000 inhabitants in Lombardy, Piedmont and Veneto was quite low. On the contrary, the incidence was higher in southern and insular regions: this incidence was, however, not confirmed when the analysis concerned the economic, financial and occupational relevance of the cooperative sector.

¹² For a deeper study of social cooperatives, see Costa et al. (2012).

Figure 1 - Cooperatives by region: absolute values (left) and values every 100,000 inhabitants (right) - Year 2008



Source: Euricse

Data of table 3 show that cooperative enterprises could be found in every economic sector: from a maximum of 33,649 cooperatives operating in the service sector – health and social care services (20.6%), rental and leasing activities, business support service activities (20.5%) and transport (19.4%) – to a minimum of 5,137 cooperatives operating in the manufacturing sector, where agricultural products manufacturing cooperatives (probably linked to farmers’ cooperatives) are of particular importance.

Table 3 - Cooperatives by sector of activity - Year 2008

activity sector	n	%	valid %
services	33,649	47.0	51.3
construction	13,712	19.2	20.9
agriculture	7,468	10.4	11.4
Trade and food service activities	5,608	7.8	8.6
Industry excluding construction	5,137	7.2	7.8
missing	6,004	8,4	
total	71,578	100.0	

Source: Euricse

Economic and occupational data of the construction sector should be cautiously analysed, since this sector also includes housing cooperatives.

Social cooperation was particularly important in the service sector: social cooperatives in 2008 were 10,538 and their activity sectors principally were health and social care services and non-residential social care services.

75% of consortia had their seat in northern (46.8%) and central (28%) Italy. The highest number of consortia was recorded in Emilia Romagna (298), followed by Lombardy (246) and Lazio (244). 57.6% of them operated in the field of services and 16.3% in the construction sector.

Over the last decade, cooperative enterprises have been particularly dynamic (table 4). 50.3% of cooperatives active in 2008 had been set up between 1998 and 2007, in spite of the overall Italian economic stagnation. More than 5,000 cooperatives were set up in 2008.

Table 4 - Cooperatives by year of registration – Year 2008

<i>year</i>	<i>n</i>	<i>%</i>	<i>valid %</i>
Up to 1992	24,735	34.6	34.6
1993 - 1997	5,748	8.0	8.0
1998 - 2002	14,707	20.5	20.6
2003 - 2007	21,302	29.8	29.8
2008	5,023	7.0	7.0
missing	63	0.1	
<i>total</i>	<i>71,578</i>	<i>100.0</i>	

Source: Euricse

Farmers' cooperatives were born in large part over the last decade of the 21st century: only little more than 50% were born after 1992.

On the contrary, most dynamic were the sectors of people and business support service activities: 72.5% of the 33,217 cooperatives operating in the service sector were established after 1992, 39% between 2003 and 2008. The setting up of new cooperatives was quite fortunate also in the remaining sectors. Vivacity in setting up new cooperatives had certainly but partly been determined by the new cooperative form established in 1991, the social cooperative: little less than 25% of total cooperatives born over the last decade are social cooperatives.

Cooperatives thrived in every Italian region and this vitality is indeed the reason of the growing interest this form of enterprise aroused over the last decade.

Employees¹³ were estimated to be 1,155,000, including 29,418 employees of cooperative banks: they corresponded to almost 5% of total Italian employment¹⁴ and 9% of total extra-agricultural subordinate employment¹⁵. Moreover, there were 21,118 employees with in cooperative consortia. 71.4% of people were employed in the service sector.

Two sectors registered the highest cooperative presence: first, agriculture, where farmers' cooperatives employed 7.4% of total number of workers in the sector. Second, the service sector, where employees were 7.4% of total Italian workers and 19.3% of total number of employees. The contribution of cooperatives to employment reached important levels in other sectors as well: 6.5% employees in the construction sector and 3.7% employees of the trade and accommodation service activities. The most restricted occupational impact was recorded in the industrial sector (1.9%).

¹³ Collaborators with different kinds of contract and self-employed workers, whose income depends, partly or wholly, on the belonging as producers to a cooperative enterprise, were not counted.

¹⁴ Figures about people employed in cooperatives with a subordinate employment contract have been related to figures released by the Italian National Institute of Statistics after the Labour Force Survey (Istat, 2009).

¹⁵ Figures about people employed in cooperatives with a subordinate employment contract have been related to figures about people employed with a subordinate employment contract extracted from the database ASIA (Statistical Archive of Active Enterprises) and released by the Italian National Institute of Statistics (Istat, 2010).

Table 5 – Incidence of employees of cooperatives on the total number of employees and on the total number of workers by sector of activity - Year 2008

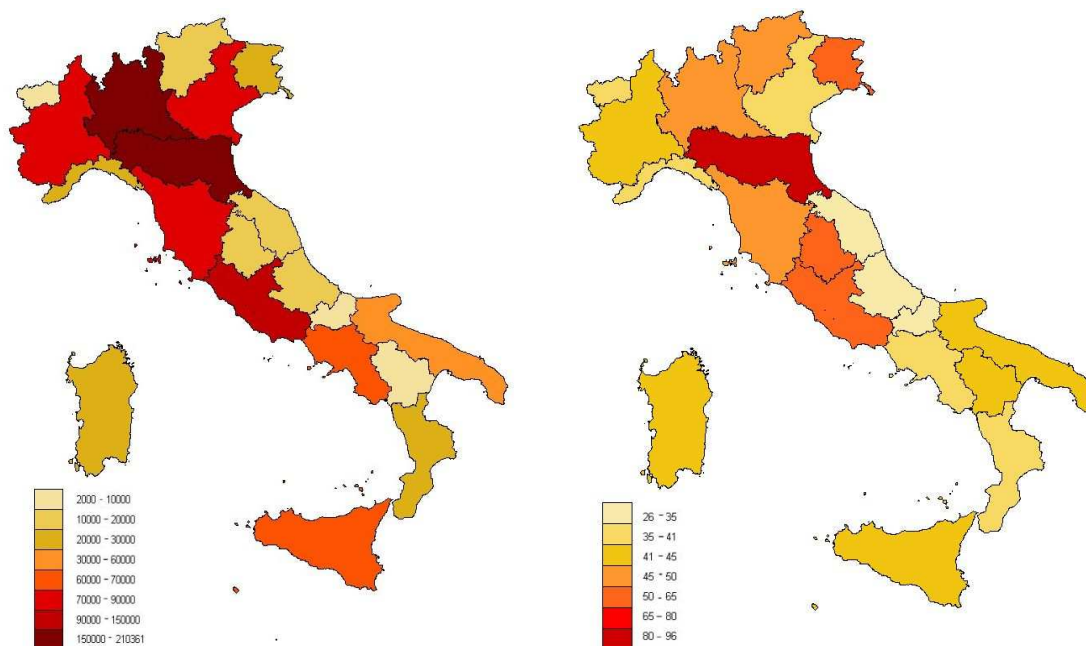
sector of activity	employees of cooperatives/total enterprises workers (%)	employees of cooperatives/total enterprises employees * (%)
services	7.4	19.3
construction	4.1	6.5
trade, food service act.	2.2	3.7
agriculture	7.4	-
industry	1.5	1.9
<i>total</i>	4.9	8.9

* agricultural sector excluded

Source: Euricse data processing, Labour Force Survey (Istat, 2009) and ASIA Statistical Archive of Active Enterprises

The majority of employees (56.7%) were employed by cooperatives in northern Italy. Figure 2 shows the distribution by region of employees of cooperatives in absolute terms (left) and the ratio between the above-mentioned number and the total number of employees¹⁶ in the region (right).

Figure 2 - Employees of cooperatives by region, absolute values (left) and values every 100,000 inhabitants (right) - Year 2008



Source: Euricse

Italy appears divided into two: the number of employees in cooperatives in northern and central Italy was definitely higher than in southern and insular Italy. This division is visible in the cartogram showing absolute values, whereas it tends to weaken if values are related to the total number of working people. Both cartograms highlight the deep occupational impact cooperation had in Emilia Romagna. The number of employees in Lombardy was very high, its incidence on the totality of working people was, however, quite moderate.

60.8% of cooperatives declared they employed less than 5 people and only 5.9% more than fifty people. 50.1% of cooperative banks declared they employed at least fifty people. 28.7% of social cooperatives and 16.3% of other types of cooperative employed a number of people varying from ten to forty-nine.

¹⁶ Source: Istat, Labour Force Survey

82.8% of consortia employed more than nine people, whereas only 4.8% employed more than fifty people. 55% of working people were employed by consortia having their seats in north-eastern regions, only 12.3% in southern and insular regions.

5. Economic size: turnover and total assets

Overall turnover generated in 2008 by the cooperative system, without consider cooperative banks¹⁷, amounted to more than 108 billion Euros, equivalent to 3.5% of the Italian total production¹⁸ in 2008. In detail, 91.8 billion were generated by cooperatives; the remaining 16.7 billion were generated by cooperative consortia. The most productive activity sector was agriculture: cooperatives in this sector produced 21.1% of total value of production (excluding 1,390 cooperatives operating in the food industry in 2008).

Unfortunately, data do not allow a correct estimate of the contribution to the GDP: considering the *labour intensive* nature of the majority of cooperatives, the contribution should amount to more than 3.5%.

Table 6 – Incidence of the turnover of cooperatives and cooperative consortia on total production by sector of activity - Year 2008

<i>sector of activity</i>	<i>cooperatives turnover (excluded consortia)/total production (%)</i>	<i>cooperatives turnover (included consortia)/total production (%)</i>
services	2.2	2.5
construction	5.5	6.8
trade, food service act.	5.6	6.6
agriculture	21.1	24.7
industry	1.2	1.5
<i>total</i>	<i>3.0</i>	<i>3.5</i>

Source: Euricse data processing, Conto economico nazionale (National Income Accounts, Istat)

Table 7 shows that 83.1% of cooperatives generated a turnover lower than one million Euros and 61.8% generated a turnover lower than 250,000 Euros. Only 3.8% of Italian cooperatives generated a turnover higher than 5 million Euros. Overall total assets in 2008 amounted to more than 123 billion Euros: 109.2 billion invested by cooperatives, 14.2 billion invested by cooperative consortia.

72.8% of cooperatives declared they invested less than 500,000 Euros and only 17.4% of cooperatives invested more than one million Euros.

Total assets in social cooperatives were lower than other cooperatives: 88% of social cooperatives invested less than one million Euros (versus 81% of other cooperatives) and only 2% invested more than 5 million Euros (versus 5%). These figures are justified by the activity typical of social cooperatives: they provide labour intensive services and are not in need of big investments of fixed capital.

¹⁷ The present analysis of economic performance does not take into account cooperative banks. Their specificity does not allow a comparison between their economic data and economic data of cooperative enterprises. For a thorough analysis of economic results of cooperative banks, please see the complete Research Report (Euricse, 2011).

¹⁸ Source: Istat, Conto economico nazionale (National Income Accounts)

Table 7 - Cooperatives by turnover and total assets - Year 2008

<i>euro, thousands</i>	<i>turnover</i>			<i>total assets</i>		
	<i>n</i>	<i>%</i>	<i>valid %</i>	<i>n</i>	<i>%</i>	<i>valid %</i>
up to 50	21,443	30.1	35.8	18,078	25.4	30.2
50 - 250	15,586	21.9	26.0	18,300	25.7	30.5
250 - 500	7,018	9.9	11.7	7,251	10.2	12.1
500 - 1.000	5,766	8.1	9.6	5,848	8.2	9.8
1.000 - 2.500	5,543	7.8	9.2	5,466	7.7	9.1
2.500 - 5.000	2,310	3.2	3.9	2,458	3.5	4.1
5.000 - 10.000	1,265	1.8	2.1	1,334	1.9	2.2
10.000 - 50.000	844	1.2	1.4	1,022	1.4	1.7
more than 50.000	178	0.3	0.3	196	0.3	0.3
<i>total</i>	<i>59,953</i>	<i>84.3</i>	<i>100.0</i>	<i>59,953</i>	<i>84.3</i>	<i>100.0</i>
<i>missing</i>	<i>11,193</i>	<i>15.7</i>		<i>11,193</i>	<i>15.7</i>	
<i>total</i>	<i>71,146</i>	<i>100.0</i>		<i>71,146</i>	<i>100.0</i>	

Source: Euricse

As far as cooperative consortia are concerned, data show that one in two declared a turnover lower than 500,000 Euros and only 23% declared that their turnover was lower than 50,000 Euros. Data about total assets confirm what has already been said about the value of production: total assets were lower than 250,000 Euros for one consortium in three (33%). The percentage rises to 57% if the threshold value grows to one million Euros.

Data demonstrate that the cooperative universe - analysed by its dimension, economic results and levels of equity increase - mirrored the general situation of Italian enterprises. More than 50% of cooperatives were small-sized in terms of turnover, capitalization and employees. Less than 10% had a turnover and total assets higher than one million Euros, whereas little more than 6% employed more than 50 employees. These figures, however, have to be read in the light of a few considerations.

First, an efficient and operative cooperative does not necessary need to be large-sized: when cooperatives organise the production of a service for a constant or decreasing group of members - this happens in many producers' cooperatives - there are neither the necessity nor the chance to be big and to grow.

Second, by analysing cooperatives by their constitution year, it is clear that critical the small size was found mainly in cooperatives in a start-up phase; moreover, cooperatives operating in some specific sector and with a particular form, tend to enlarge over time their dimensions and value of production, to increase the level of equity and their possibility to invest for the growth of the cooperative. This demonstrates that enterprise projects were often sound and in line with the evolution of demand of offered goods and services. This tendency was particularly evident in social cooperatives: being the object of many of them the community interest, it is more probable that their members look more carefully after the enterprise consolidation.

6. Economic efficiency and capitalization

When analysing the efficiency of the resource management in cooperative enterprises, it has to be borne in mind that the goals of cooperatives cannot be reduced simply to profit maximization or economic and financial wealth, but are rather the maximization of the benefit for their members or, in case of social cooperatives for the community (Mancino and Thomas, 2005; Thomas, 2004).

Therefore cooperatives' profitability cannot be measured with the traditional indicators used in for-profit fields: the analysis of the mere economic "bottom line" does not allow a correct interpretation of real performances of these types of organisations.

In a for-profit organisation, economic performances are measured by the balance sheet and profits, because shareholders recognize the maximisation of the profit as the accomplishment of the mission. On the contrary, this automatic relation does not exist in cooperatives and in nonprofit organisations in general (Moore, 2000). Since nonprofit organisations are often regarded as "double bottom line organizations" (Dart et al., 2010) able to generate economic and social value at the same time (Dees and Economy, 2001), they cannot be evaluated by using traditional economic and financial indicators (Austin et al., 2006). Moreover, appropriately adapted financial measurements can contribute to the interpretation of the analysis of efficiency of these organisations, but are totally devoid of any sense if used for the evaluation of the effectiveness (Herman and Renz, 1999).

By considering limitation about traditional financial accounting measurement for a nonprofit context, this paper develops four indexes in order to analyze the economic performance of cooperatives: 1. turnover/total operating expenses; 2. profit (or loss)/turnover; 3. equity/total assets; 4. fix assets/total assets. These indicators have been previously employed in a social cooperatives context (Costa et al., 2012) and should be broader applied to the cooperative sector at large.

The first two indices are used to evaluate cooperatives' economic efficiency.

In detail, Index 1 (turnover/total operating expenses) reflects the amount of self-financing conducted, and it highlights the proportion of value of production that remains after accounting for operating costs and the members' and partners' remuneration.

Index 2 (profit/turnover) explains the relation between operating costs and turnover from the business activity. This index is used to evaluate not the cooperative's economic performance, but its ability of self-financing. For a correct interpretation of the index it is necessary to remember that the goal of cooperatives is not profit maximization, but the maximization of the benefit for members or, in the case of social cooperatives, for the community. Cooperatives' economic performance can be explored by jointly analyzing the profit and members' remuneration.

Data in table 8 indicates that most cooperatives reasonably managed to cover operating costs with the turnover produced in 2008. Small-sized or starting cooperatives had the major problems in covering the operating costs. When analysed by the year of their setting up, new cooperatives (year of setting up: 2008) and social cooperatives proved to have the biggest difficulties in covering operating expense with their annual turnover.

Table 8 - Cooperatives by ratio of turnover over operating expense - Year 2008

<i>turnover/operating expense</i>	<i>n</i>	<i>%</i>	<i>valid %</i>
up to 1	26,600	37.4	45.1
1 - 1,2	27,326	38.4	46.4
1,2 - 1,4	2,271	3.2	3.9
higher than 1.4	2,736	3.8	4.6
<i>total</i>	<i>58,933</i>	<i>82.8</i>	<i>100.0</i>
<i>missing</i>	<i>12,213</i>	<i>17.2</i>	
<i>total</i>	<i>71,146</i>	<i>100.0</i>	

Source: Euricse

It follows that about half Italian cooperatives – especially small-sized or starting cooperatives – did not reach a positive net income for financial year 2008.

The incidence of profit on turnover (table 9) indicates, however, that 35.6% of cooperatives had a surplus up to 6% of the turnover and that 13.8% even had higher surpluses.

Table 9 - Cooperatives by impact of profit on turnover - Year 2008

<i>profit/turnover</i>	<i>n</i>	<i>%</i>	<i>valid %</i>
up to -0,06	11,344	15.9	21.5
-0,06 - 0	15,302	21.5	29.1
0 - 0,06	18,748	26.4	35.6
more than 0,06	7,263	10.2	13.8
<i>total</i>	<i>52,657</i>	<i>74.0</i>	<i>100.0</i>
<i>missing</i>	<i>18,489</i>	<i>26.0</i>	
<i>total</i>	<i>71,146</i>	<i>100.0</i>	

Source: Euricse

The analysis of the indicators by geographical area shows that the ability of covering costs with the turnover was quite meagre in southern and insular Italy: more than 50% of cooperatives active in southern and insular regions recorded operating costs higher than their turnover.

The analysis of the values by year of establishment highlights once more that cooperatives – social cooperatives in particular – with a negative owners' equity were principally new-established or up to six year old cooperatives.

As to consortia, it appears that 62.6% of them managed to cover operating expense with their turnover; for 56.6% of them, the indicator reached a value of 1 to 1.2. The analysis of the ratio between profit and turnover shows losses in 40.4% of consortia. In particular, 14.4% of analysed cooperatives had a loss equivalent to 6% or more of the turnover.

Table 10 - Cooperatives by ratio of equity to total assets - Year 2008

<i>equity/total assets</i>	<i>n</i>	<i>%</i>	<i>valid %</i>
up to 0	12,524	17.6	20.9
0 - 0,15	22,231	31.3	37.1
0,15 - 0,35	10,173	14.3	17.0
more than 0,35	14,942	21.0	25.0
<i>total</i>	<i>59,870</i>	<i>84.2</i>	<i>100.0</i>
<i>missing</i>	<i>11,276</i>	<i>15.8</i>	
<i>total</i>	<i>71,146</i>	<i>100.0</i>	

Source: Euricse

Moving to the analysis of the level of capitalization, index 3 (equity/total assets) measures the cooperatives' level of capitalization and it shows indirectly the cooperative's debt ratios.

Index 4 (fix assets/total assets) analyses the rigidity of assets by showing how much of it will return to liquidity in the long term (after more than 12 months).

The interpretation of the index values is closely related to the sector of activity in which the cooperative operates and to its organizational structure. Labor intensive activities require little in terms of hard assets but high levels of staffing, whereas capital intensive businesses require investment in machinery and infrastructure, which have a dampening effect on total assets.

Looking at the data on the incidence of owners' equity on total assets, it has to be borne in mind that values (table 10) must be related to the ratio of fixed assets to total assets (table 11). The incidence of fixed assets on total assets evidences that 35% of cooperatives invested in total fixed assets no more than 6% of total invested capital. 56.4% of cooperatives recorded a ratio of fixed assets to total assets lower than 20%. Considering this scenario, levels of capitalisation are altogether satisfactory for a right and balanced assets administration.

Table 11 - Cooperatives by ratio of fixed assets to total assets - Year 2008

<i>fixed assets/total assets</i>	<i>n</i>	<i>%</i>	<i>valid %</i>
up to 0,06	20,964	29.5	35.0
0,06 - 0,2	12,814	18.0	21.4
0,2 - 0,45	11,338	15.9	18.9
more than 0,45	14,753	20.7	24.6
<i>total</i>	<i>59,869</i>	<i>84.1</i>	<i>100.0</i>
<i>missing</i>	<i>11,277</i>	<i>15.9</i>	
<i>total</i>	<i>71,146</i>	<i>100.0</i>	

Source: Euricse

Analysis by geographical area confirms the division of the country into two parts. In north-eastern and north-western Italy the capitalisation rate was higher (between 20% and 25%) if compared with southern, central and insular Italy, where there were many cooperatives with a restricted owners' equity (the ratio between owners' equity and total assets was lower than 0 for almost 25% of cooperatives).

As far as consortia are concerned, the ratio between owners' equity and total assets highlights that 46.7% of them managed to finance total assets with a maximum 15% of owners' equity. Capitalisation rate in 19.5% of consortia varied between 15% and 35%, whereas it was higher than 45% for 26.1% of consortia. Finally, 42.3% of consortia invested less than 6% of total assets in fixed assets.

As previously reminded, these figures should be analysed taking into consideration the specificity of the cooperative form and, in particular, remembering that profit maximisation and – in some cases - value of production are not the institutional purposes of these enterprises. The achievement of a positive net income is, instead, a constrain to be respected in order to guarantee one's existence in the long-term period. This means that a low profitability is not necessarily negative, whereas an excessively high profitability could hint an ineffective administration, i.e. not oriented at consistently pursuing the institutional purpose any more.

The crossing of the incidence of net income on value of production with the value of capitalisation rates¹⁹ allows analysing potential arousing situations and their quantitative relevance. The crossing also allows considering the ability of Italian cooperatives to set aside profits, as well their actual needs of stable funding. Owners' equity of Italian co-operatives is usually moderate; however, cooperatives frequently manage to finance funding with owners' equity and not to totally or partially depend on external financing. They tend over time to increase the owners' equity through the allocation of earnings to reserves.

The situation of cooperatives operating in the service sector²⁰, and with elevated owners' equity (6,217) - equal to more than 35% of invested capital, was the following: cooperatives in the start-up phase were characterised by a high profitability if related to the value of production by a restricted profitability in terms of absolute value; cooperatives that got over the start-up phase generally boasted good profit margins²¹.

When the study was directed towards cooperatives with considerable owners' equity (9,762) - equal to 15% to 35% of invested capital, it was shown that the average dimension of enterprises in the start-up phase was generally lower and their net capital actually consisted of the mere owners' equity. In this case, a modest profit margin was enough to create the reserves that, in the small dimension in terms of absolute value, allow to rapidly increasing the capitalisation rate. Amongst cooperatives aged at least three years, there were a few enterprises with very negative economic results and on the verge of crisis: 9.6% were social cooperatives, 9.7% were non-social cooperatives. Their losses had practically eroded the owners' equity. On the other hand, if losses are minor, it is not necessarily a crisis situation, but there can be temporary uncertainties in the economic balance or fortuitous circumstances that, for the time being, do not determine a negative net capital.

When analysing cooperatives with negative equity (5,071), it was clear that negative equity is closely connected to a negative economic trend. The majority of these cooperatives were in the start-up phase: their dimensions in terms of absolute value were likely to be contained and their equity was subject to variances in the rate of return. Their net capital actually consisted of the owners' equity and was therefore completely exposed to losses, which could also be minor in terms of absolute value.

7. Conclusion

Empirical evidence resulting from this first study highlights the growing economic and occupational relevance the cooperative sector is assuming in the Italian economy: 2008 value of production of the sector was equal to 3.5% of the overall value produced in Italy, occupational level in cooperatives was equal to 5% of overall Italian employment and 9% of Italian extra-agricultural subordinate employment.

The results of the analysis allow to i) demonstrate that cooperative enterprises do not only thrive in crisis periods and ii) to identify the specificity of this form of enterprise:

¹⁹ The crossing has been carried out considering separate activity sectors and not overall analysed cooperatives, in order to bring about comparisons between enterprises presenting similar characteristics.

²⁰ For the joint analysis of effective resource management indicators, profitability indicators and capitalisation indicators in other activity sectors, see the complete Research Report (Euricse, 2011).

²¹ The theoretically optimal range of profitability for an elevated owners' equity and for the specificity of the cooperative enterprise is within 6% of the VOP.

it has the ability of setting up also in conditions, which are unfavourable to an economic growth. This probably happens because its main objective is to create jobs or services, not to make profits. The analysis have shown that the cooperative form especially thrives in the service sector (people and business support service activities): the key factor in this sector is work, and business performance mostly depends on the effective management of this factor. Effective management assumes therefore a key role for the development of entrepreneurship in those economies characterised by a wide expansion of the service industry.

Figures confirm in-homogeneities of the cooperation phenomenon in Italy if it is analysed by regions of settlement. The main differences are between northern-central regions and southern regions. Cooperatives in southern Italy are numerous in terms of absolute value and compared to the number of inhabitants in the region, still they are the weakest from all points of view: limited dimensions, negative performances, low levels of capitalisation. This situation is in line with expectation, but needs to be studied in depth in order to identify policies able to respond to the need of cooperation typical of these regions.

Like the majority of enterprises, cooperatives as well usually generate from a business idea and are initially small-sized, but they are not necessarily destined to remain so. On the contrary, they tend to improve their performances and to grow in size over time. Together with the size, levels of capitalisation increase, especially through an earmarking of retained earnings. Empirical evidence refutes the common idea that cooperatives are destined by definition to remain small-sized and undercapitalised. Resources cooperatives have are generally enough for a right and balanced business administration.

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