

CECOP's Conference
Workers buyout:
What is the cooperative key to success?
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**Almost 40 years of workers buyout:
lessons from the Italian experience.**

Mauro Frangi

Chairman of the board of directors

CFI - Cooperazione Finanza Impresa S.c.p.a.

"In a sometimes compromised industrial landscape, there are situations in which the recovery possibilities of manufacturing facilities can be linked to an effort of solidarity and employee participation. The effectiveness of such a project can be measured in the possibility of intervening in a non-welfare logic on small and medium-sized companies, potentially eligible for recovery, that are in difficulty due to management errors or due to lack of liquidity. This cooperative tool, restoring to individual employees their dignity, it allows workers not to be marginalised and unemployed, because they represent a wealth of culture, intelligence and productive capacity, making them directly responsible towards their company that must return to be seen as a common good, heritage of all."

In November 1981 Giovanni "Albertino" Marcora illustrated with these words, in his only public intervention on the subject, the essential characteristics of his innovative legislative initiative. Commander in the partisan war – "Albertino" was his battle name – agricultural entrepreneur, Mayor, Senator of the Republic from 1968 to his death, Marcora was, from 1974 to 1980 as Minister of Agriculture, one of the main builders of the European integration plan.

In 1981 Italy was going through a period of deep transformations and galloping double-digit inflation, of heavy industrial and employment crises, of significant social tensions.

Marcora faced them as Minister of Industry with the desire, rather rare in Italian politics, to create a synthesis between the vision of problems in their long-term dimensions and the ability to propose concrete interventions that can represent practicable and immediate solutions. He was an example of active and pragmatic reformism that we still need today.

When crises destroy many jobs, it is right for the State to invest significant resources to assist people in difficulty. But we all know that these interventions never remove the causes of crises, at best they dilute them over time. The State is called to solve a dilemma.

On the one hand, there are the costs that the community must assume to implement the necessary welfare policies and guarantee support for people in difficulty; on the other, there is the need not to passively witness crises and destruction of production base and the need to concentrate resources in supporting development and creation of new business.

“Albertino” Marcora found an original and innovative solution to this dilemma: he decided to bet on individual and group responsibility and skills of workers affected by crises offering those workers a specific commitment.

If the workers decide to try, if they will try to restart businesses in difficulty, the State will be at their side. It will provide the financial resources necessary to multiply the workers' investment to help them to transform “regenerated” businesses into sustainable and competitive businesses.

For this challenge Marcora identified the cooperative model as the most effective tool, the best response to combine individual responsibility, workers' leadership and entrepreneurial effectiveness, calling the cooperative movement to accompany the workers and urging it to contribute to giving entrepreneurial solidity to their projects and entrusting it with the responsibility of selecting the interventions really deserving of State support.

“Albertino” Marcora did not see the implementation of his intuitions and his legislative initiative.

The Law that bears his name was approved by Parliament in 1985, 2 years after his death.

For over 35 years the Marcora Law has been the main success factor of the Italian experiences of regeneration of companies in difficulty by workers, gathered in a cooperative. It has become the law that more than any other has been able to interpret "recognition of the social function of cooperation", enshrined in article 45 of our Constitutional Charter.

In its original formulation – February 27, 1985 – it was very different from how we know it today.

The "CFI - Compagnia Finanziaria Industriale" was founded in 1986 at the initiative of AGCI, Confcooperative and Legacoop precisely to guarantee its implementation and ensure a ongoing relationship with the financed cooperatives.

It is one of the first unitary projects of the Italian cooperative movement and immediately had also the adhesion of trade unions.

In 1996 the European Commission opened an infringement procedure that blocks the operation of the Marcora Law.

The failure to define the methods of reimbursement of the capital injected into the cooperatives configured the interventions as "State aid" not compatible with the European competition rules.

The reform law, passed by Parliament in 2001, implements the agreements reached with the European Commission and further develops Marcora's original intuitions, building an even more advanced intervention model.

This proves that when a public policy responds to the real problems of a country it also has a "generative" content: it becomes possible to modernize it, adapt it to changing times and regulations, maintaining the original spirit intact and expanding its field of intervention and, therefore, the results it allows to achieve.

This is not the opportunity to detail the technical characteristics of operation of the Marcora Law, the financial instruments it provides and the rules of use. Instead, I will focus on the basic reasons that that guaranteed this, for almost 40 years, effectiveness and success and on the results it has helped to generate.

The first reason for the success of the Marcora Law is directly connected to its operating mode. The resources made available by the State are not provided directly to cooperatives nor to the workers concerned.

The Law provides for the establishment of specific financial companies promoted by the cooperative movement to which the State entrusts the activity assistance to workers, enquiry and validation of enterprise regeneration projects.

Financial companies take part in cooperatives by participating in their share capital, initially, up to three times the capital invested by the workers and, since 2001, it is commensurate with the net worth of the cooperative.

This is an absolute novelty in the way public interventions are managed.

It is a distinctive and qualifying element that guarantees the beneficiary cooperatives access to financial resources, constant support for their activity to make up for any lack of management skills and ensures permanent monitoring of the progress of the company activity.

After the 2001 reform, this intervention model was further qualified because the State contributed the allocated public resources to financial companies as capital social.

The "Compagnia Finanziaria Industriale" becomes "CFI - Cooperazione Finanza Impresa", a cooperative company owned and governed by the cooperative enterprises that it helped generate and supported financially.

"CFI - Cooperazione Finanza Impresa" is a private entity explicitly delegated to carry out a mission of "public interest".

It is subject to the supervision of the Ministry which is directly present in its administrative and control bodies but, at the same time, it can carry out with autonomy, responsibility and competence the "function of public interest" that the State has attributed to it.

CFI must evaluate the sustainability of business projects, decide the extent and conditions of investments, as a financing partner it must share the risk and the entrepreneurial project of the cooperative and guide it over time.

It is the most coherent and advanced implementation of Marcora's intuitions.

It can be a useful reference for the definition of public interventions to support the growth and development of small and medium-sized enterprises, cooperatives and otherwise.

For SMEs, which often lack adequate administrative and planning structures, in fact, it is not sufficient to identify supporting public policies, define objectives, access procedures and rules or delegate their implementation to a provider. It is necessary someone capable of accompanying small and medium-sized businesses companies to access available public resources, a "partner", financial and beyond, which supports them in their evolution.

The second reason for the success of the Marcora Law must surely be identified in the progressive regulatory evolution that - especially starting from 2012 - further strengthened the Italian experience of supporting "businesses regenerated by workers" (WBO). An evolution made possible by the close synergy between CFI and the Ministry of Economic Development and by the convinced and constant lobbying action of the associations of the cooperative movement.

It would be very long to go over the list of measures that have expanded the possibilities of intervention of the Marcora Law in the last 10 years, therefore I will only mention the main ones.

In 2014, the workers united in the cooperative were granted the right to pre-emption by law in procedures involving the rental or purchase of companies or branches of the company of which they were employees.

To support the capitalization of cooperatives was introduced the provision in a single solution of the resources due to workers as unemployment benefit (Naspi) provided they are contributed as capital social of the cooperative. Since 2019 this anticipation has also been completely tax-free.

Regulatory tools have been introduced to strengthen businesses and their contractual capacity, especially in the delicate start-up phase of the "regeneration" project and to transform welfare subsidies into levers for the creation of new businesses and economical progress.

At the same time, the regulatory evolution has strengthened and made the action of the Marcora financial companies more incisive, with the introduction of preferential tax treatment and special privilege on loans granted.

The available instrumentation has been progressively expanded, adapting it to innovations of cooperative corporate law and the needs of businesses, generating a complex combination of participatory financial instruments, of "quasi-equity" (subordinated or equity loan) and pure debt.

Since 2014, the resources deriving from the Marcora Law have been supported by a "new aid regime for the promotion, creation and development of cooperative companies" (so-called "Nuova Marcora"), which provides access to ten-year financing to support investments and working capital, initially at a subsidized interest rate and, starting from 2021, at a zero interest rate. This is a new instrument entrusted to the direct management of the Marcora Financial Companies whose amount is directly linked to their participation in financed cooperatives.

In 2019 CFI incorporated "Soficoop", becoming the sole operational Marcora financial company, further enhancing synergies with the Ministry and its intervention capabilities.

Starting from 2019, cooperatives have also been able to benefit from the guarantee instruments offered by the European Investment Fund. Within the EaSI program, the Fund recognized the high social impact and value of the interventions carried out by CFI.

The third reason for the success of the Italian experience must be identified in ability of the cooperative movement to not settle for the opportunities provided by legislation.

Indeed, the action of financial institutions within the cooperative movement has significantly increased the ability to support "regenerated businesses" and contribute to their long-term sustainability.

The mutual funds of cooperative associations have supported CFI's efforts by investing their own resources in participating cooperatives, further strengthening their capitalization.

The National Consortium for Guaranteeing Loans supported them in accessing bank credit, reinforcing their financial solidity both in the short and medium-long term.

The integration of this financial toolkit has allowed "regenerated businesses" not only favorable starting conditions but, above all, a constant financial support throughout the various phases of the company's life, by supporting their working capital and guaranteeing necessary resources for financing development and competitive modernization investments.

The activity of territorial or sector-specific cooperative associations has strengthened CFI's support actions, providing business with technical support, training, and the development of market opportunities.

"Albertino" Marcora's intuitions insights have thus generated a unique and original intervention model, anchored in a corporate tool, a direct expression of the cooperative movement but with participation and oversight from the State.

A model progressively adapted over time, both in terms of regulations and operations. A successful model because it integrally and synergistically combines public action, the role and commitment of intermediary bodies, and the protagonism of the directly involved workers.

Here are some numbers to support these considerations and explain the results achieved for workers and "regenerated businesses", through the cooperative movement, for the State and the community.

CFI, using the resources of the Marcora Law on a rotational basis, supported 584 worker cooperative enterprises and, starting from 2002 also social cooperatives, making investments for a total of 335.7 million euros and contributing to the maintenance of 28,486 places of work, with an average investment per employee of only 11,786 euros, the equivalent of one year of unemployment benefit.

CFI's "own funds" amount to only 98 million euros - with 96.6 coming from resources provided by the State. In addition to this, there are funds from the "Nuova Marcora" fund, started in 2014 with an initial budget of less than 10 million euros, progressively increased to the current 83.8 million euros.

Today CFI has a stake in 159 cooperatives, financing a total of 196 with a net loan volume of 57.5 million euros.

This cooperative "system" has an overall capitalization of 336.6 million euros (almost 6 times CFI's existing investment), in 2022 it generated a production value of just under 1.1 billion euros and provided employment for 10,478 individuals.

Focusing solely on "worker-regenerated businesses" (WBO) under the various phases of the Marcora Law, a total of 332 cooperatives has been financed.

These businesses have been able to guarantee employment and income continuity for 10,588 individuals. In its last period of life, from 2011 to the present, CFI has supported 93 "regenerated worker cooperatives" (WBO), releasing total investments of 49.3 million euros and contributing to the sustained employment of 2,111 people. These enterprises are predominantly in manufacturing and industry, distributed across all regions of the country.

These are significant numbers, even when compared to those of many impact investors in the so-called social finance sector.

These numbers give us two further lessons.

The first is a confirmation. A "good public policy" generates benefits for the community.

The public resources invested by the State in CFI in 2001 are still entirely available.

There are not many Italian public companies that can boast such a result over 20 years initial contribution.

The positive outcomes achieved by the participating cooperatives and the returns on investments they have provided, along with sound operational management, have not only covered losses on unsuccessful investments, but have also generated equity reserves of 5 million euros.

The investment of public resources has proven to be a "good investment" for the community.

The financial statements of the companies participating in CFI show that - in the period 2008 to 2022 alone – taxes paid to the Financial Administration on labor and business income amount to a substantial 521 million euros. Additionally, there are further contributions and social charges totaling 501 million euros.

Over 1 billion euros paid to the treasury and social security funds, against 140 million euros employed, considering, in addition to the share capital contributed by the State - still entirely available - the 43.1 million euros of resources of the “Nuova Marcora” partially used so far. This results in a community return equivalent to 8 times the investments made.

The second lesson concerns the effectiveness of the intervention model for cooperative enterprise.

If we look at the 93 "worker regenerated businesses" (WBO) supported by CFI during the period 2011-2023, the initially high success rate is particularly striking.

Despite being companies born out of crises, sometimes very deep ones, only 20 of them (22%) have ceased the activity.

The percentage has increased significantly following the "Covid19" pandemic, which remains, in any case, much lower than the ordinary mortality rates of small and medium-sized Italian enterprises.

The businesses that struggled most to overcome market challenges were predominantly the smaller ones, and therefore less capitalized.

The companies whose projects were unsuccessful account for 22% of the total, but they represent less than 10% of the investments approved by CFI and contribute only 15% the total employment.

In any case, during the years they remained operational, these businesses employed 325 people, guaranteeing tax payment and social contributions for a value more than double the 4.8 million euros invested by CFI.

On the other hand, the financial statements of the 73 successful "regenerated companies" show that compared to their inception, they have increased their number of employees by a remarkable 37% by the end of 2022 and more than doubled their production value.

Indeed, successful businesses.

Experiences that represent an additional opportunity to respond to entrepreneurial crisis.

An opportunity built on the valorization of people, their identity and their protagonism, adopting participatory and empowering business organization models. It relies on the willingness of workers to personally engage and resurface through collaboration, trust and the sharing of common goals.

People who try to change the course of things.

Building their own future firsthand.

The Marcora Law, financial instruments, CFI assistance and the support of cooperative associations enable them to create the conditions to restart and rebuild.

Many public policies absorb significantly more resources than those allocated to the implementation of the Marcora Law.

This is true in Italy and in every state of the Union and for the Union as a whole.

The context we live in reminds us daily that work and business are the sole foundation for generating well-being, social cohesion and wealth.

These are the priority objectives to which public policies and resources should be directed.

For these reasons we are inclined to propose the intervention model represented by the Marcora Law as a virtuous, original and successful model.

Capable of being, at the same time, an effective active labor policy and a tool for industrial policy and promotion of new entrepreneurship.

In July 2013 the European Parliament recognized Marcora Law as a reference regulation for the transfer of companies in crisis to their own employees.

The intervention model of the Marcora Law has successfully adapted to the profound economic and social changes of the past almost 40 years, remaining true to its original mission. It balances the presence of the State, the active role of civil society and its intermediary bodies, along with the intelligence, sacrifice and solidarity of the workers contributing to its success.

A model that, without aiming to impose itself as the only solution, represents a resource, an additional and effective opportunity. It demonstrates how, through the establishment of a cooperative enterprise, it is possible to build the "common good" and generate "shared value" efficiently and effectively.