



The impact of the economic crisis on Italian cooperatives in the industrial sector



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ABSTRACT

The economic crisis has brought about renewed interest in co-operatives, not only among academics but also among members of society in general. Co-operatives are viewed as an alternative to the capitalist business model, which has long prevailed in the industrial sector. In addition, co-operatives are seen as a possible way in which companies in crisis can be reorganized so that people affected by the unemployment crisis can be reintegrated. Recent studies have demonstrated that in the face of negative shocks, co-operatives tend to decrease employment to a lesser extent than other types of organizations. Considering these premises, this study aims to analyze the economic situation of Italian co-operatives that operated in the industrial and supports service sector during the 2008–2010 period. The study aims to compare co-operatives to other forms of enterprises regarding the effects of the economic crisis on employment levels, economic performance, investment, and research and development. The study uses survey data from a sample of more than 25,000 Italian enterprises in the industrial and support services sector, including 3000 co-operatives. The survey provides a detailed view of the structure and key factors related to production and the competitiveness of enterprises.

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1. Introduction

The economic crisis has rekindled interest (Borzaga, 2012; Vieta, 2010) in co-operatives as an alternative to the capitalist business model, not only among academics but also among members of society in general. The capitalist business model has always been prevalent in the industrial sector, but co-operatives are now viewed as a possible method for managing new business activities, to create new jobs and to reintegrate people affected by the crisis through reorganizing enterprises in the form of co-operatives (Vieta, Larrabure, & Schugurensky, 2012).

In recent years, this recognition process has been strengthened by improved knowledge of the inner mechanisms of co-operatives, and of the effective contribution of co-operatives to the economic well-being of the area in which they operate. Several studies (Birchall & Hammond Ketilson, 2009; Zamagni, 2012; Zanotti, 2013) showed that co-operatives have, in the early stages of an economic crisis, greater resilience to survive than other forms of enterprise (Bentivogli & Viviano, 2012; CECOP-CICOPA Europe,

2010). Surveys conducted in Europe (Roelants, Dovgan, Eum, & Terrasi, 2012) show, in particular, how the reaction of co-operatives is better than the reaction of other business models especially in countries with a long co-operative tradition and where these organizations are rooted in the community.

Exploring the reasons for this greater resilience, the attention of researchers, in recent years, has focused mainly on factors intrinsic to the nature of co-operative organizations. First, several researchers (Arando, Gago, Kato, Jones, & Freundlich, 2010; Villafañez Pérez, 2011) pointed out that in the case of negative shocks, the principles underlying co-operatives, such as the participation of members in management decisions, the attention to local needs, and their rootedness in the community, urge members of co-operatives to more willingly accept certain measures necessary for the survival of the organization and employment protection. Second, researchers (Furubotn & Pejovitch, 1970; Vanek, 1977) have focused on co-operatives' under-capitalization and lack of attention to economic efficiency. Lack of attention to the efficiency therefore justifies a slower reaction in adjusting production and employment in the event of a decrease in demand. Less attention to economic efficiency is offset by the higher tax benefits provided by law for co-operatives in some settings. The tax benefits then help co-operatives to deal with the stages of the economic crisis. On the issue of under-capitalization

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and less efficiency, empirical evidence, however, shows mixed results, depending on the region and the sector considered (Fontanari & Borzaga, 2013). Looking at the Italian case, Italian civil and tax rules for co-operatives promote the capitalization of the organization and remuneration of members' work or members' contributions rather than the capital they invested (Alzola et al., 2010). The co-operatives then, through the attribution of profits to reserves, accumulate capital. Surveys conducted at the national level (Accornero & Marini, 2011) also show how allocating profits to reserves allowed co-operatives to deal with difficult economic periods without problems.

According to a more recent analysis (Borzaga & Fontanari, 2012), however, the main reason for co-operatives' resilience is their diverse objectives compared to those of for-profit enterprises. The goal of a co-operative cannot simply be reduced to maximizing profit, as in the case of for-profit enterprises, but is satisfying the specific need(s) of the members of the co-operative through providing a service (Mancino & Thomas, 2005; Moore, 2000). Nevertheless, even in times of economic crisis, co-operatives attempt as much as possible to keep production and employment levels unchanged, in an effort to ensure that the needs of members can be satisfied. This is particularly evident in worker co-operatives that, given their members' needs, can be seen as a form of insurance against the fact that investors make decisions against workers (Navarra, 2010). Consequently, during an economic crisis, worker co-operatives tend to reduce the number of employees less than for-profit enterprises, because a significant proportion of workers are members of the co-operative (Pérotin, 2012).

Thus, in this context, the use of capital accumulated by the co-operative, mainly as a result of the imputation of profits to reserves, as well as the creation of alliances and vertical and horizontal collaboration as tools for developing innovation and maintaining competitiveness (Zevi, Zanotti, Soulage, & Zelaia, 2011), are two strategies through which co-operatives continue activities and satisfy members' needs even during periods of economic difficulty.

This paper aims to explore Italian co-operatives that were active in industrial and business services during the 2008–2010 period. This was one of the Italian sectors most affected by the economic crisis (Accetturo, Giunta, & Rossi, 2011).

This study analyzed official data on the evolution of co-operatives in industry, as well as the results of a survey conducted on a sample of more than 25,000 Italian companies that were active in the industrial and support services sector, including about 3000 co-operatives.

The paper is structured as follows: The first part provides an overview of the number of industrial co-operatives in recent years; the next section presents the methodological aspects of the Monitoraggio Economia Territorio (MET)¹ survey, a survey focused on key factors related to production and the competitiveness of enterprises conducted on a sample of more than 25,000 Italian enterprises in the industrial and support services sector, including 3000 co-operatives.² Finally, the survey results are presented.

2. Co-operatives in the industrial sector in Italy

According to data from the National Institute of Statistics (Istat), 20,210 co-operatives, accounting for 4.4% of the total number of

Table 1

Annual percentage changes in the number of co-operatives and other companies operating in the industrial and support services sector 2008–2010.

	2008	2009	2010
Partnerships	–5.2	–4.8	–2.1
Corporations	0.5	–1.4	2.5
Co-operatives	–3.3	–6.7	3.2

Source: Istat, Active Enterprises Statistical Archive (ASIA).

active enterprises³ in the areas under study, were active in the industrial and support services sector in 2010. Co-operatives were mainly concentrated in support services (37.3% of active co-operatives in 2010), transport and storage (32.8%), manufacturing (16.9%) and professional, scientific, and technical services (10.5%).

Between 2008 and 2010, the number of co-operatives active in the industrial sector decreased by 3.6%. When the trend in the number of active co-operatives is compared with data from other forms of enterprise, corporations were the only type of business that recorded growth in the three years (+1.1% between 2008 and 2010). Data also show that co-operatives withstood the crisis better than partnerships (–6.8%). An analysis of the changes that occurred year over year (Table 1) revealed two distinct phases: a two-year negative phase, with a change of –3.3% between 2007 and 2008, a nadir of –6.7% in 2009, followed by a 2010 counter (+3.2%).

However, these changes must be interpreted in light of the fact that it is not possible to determine from the Active Enterprises Statistical Archive (ASIA) data whether the decrease can be exclusively attributed to the termination of enterprises or whether there were also mergers, a phenomenon becoming popular among co-operatives. Although empirical studies have not analyzed these processes, in recent years we have witnessed increasing diffusion processes of fusion and aggregation of co-operatives in particular in the agricultural and food industry sectors. National federations of co-operatives are pointing to fusion, consortia, and other processes of aggregation in order to ensure the competitiveness of their members.

Data about corporations must also be interpreted in the light of changes that occurred year over year. If the annual percentage change, recorded over the three-year period, shows 2009 as the only bad year for corporations, then when we look at annual changes relative to 2001–2010 (Fig. 1) we can see that corporations experienced a sharp decrease in the number of active enterprises in 2007, and after two years of adjustment, returned in 2010 to record an annual increase (+2.5%). The timing of the contraction of co-operatives was different, and as already noted, the recovery in 2010 was faster than that of corporations after the negative period of 2008–2009.

When the data were analyzed according to the sector of activity (Table 2), the sectors mostly affected by the impact of the crisis were mining and quarrying, professional, scientific, and technical services, and, to a lesser extent, manufacturing.

Although representing only 4.4% of companies, co-operatives had slightly more than 534,000 employees combined in 2010, equal to 8.6% of employees in active companies in the sectors studied and 11.1% of the employees in corporations.

When the number of employees in the three different types of organizations are analyzed, very different evolutionary dynamics are found: Between 2001 and 2010, the number of partnership employees decreased by 28.9% and the number of corporation employees remained stable (+1.1%), while co-operatives registered an increase of 14.8%. Annual variations (Fig. 2) show that the

¹ Monitoraggio Economia Territorio (MET; www.met-economia.it) is an Italian research center that has conducted research and analysis since 1992 focusing on aspects of the economic and financial evaluation, monitoring, and reporting of public policies and analysis of industrial policy measures to support small and medium-size businesses.

² The inclusion of a greater number of cooperatives than previous editions of the survey was made possible thanks to the support of the European Research Institute on Cooperative and Social Enterprises (Euricse).

³ The term "enterprise" refers to the total number of partnerships (204,442 organizations), corporations (235,579 organizations), and cooperatives contained in the Active Enterprises Statistical Archive (ASIA) of Istat.

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