

9 Italy

From traditional co-operatives to innovative social enterprises

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Introduction

In Italy, there is neither a specific legal concept nor a legal definition of 'social enterprise'. The term is more and more used in both political and scientific debate to define those third-sector organisations that supply, in a stable and entrepreneurial manner, services aimed at combating social exclusion and, more generally, personal and community services. The term social enterprise came into use from the beginning of the 1990s with the approval of the law that recognised and defined social co-operatives. Its use has been growing with the impressive development of these new co-operatives providing both social services and promoting work integration.

To understand the development of social enterprises in Italy, it is necessary to take into account the main features of both the Italian welfare system and the Italian non-profit sector as they developed after the Second World War. The Italian welfare system, measured in terms of public expenditure, grew especially after the 1970s, reaching the EU average in the 1990s, but was mainly oriented to money transfers, with a poor supply of social services. The Italian non-profit sector, on the other hand, was mainly playing an advocacy role, having the state as its counterpart. Given this context, the development of social enterprises (especially of social co-operatives) can be understood as an innovative way of meeting the growing and unsatisfied demand for social services.

This chapter describes and interprets this development. After providing a summary of the different types of social enterprises in Italy (section 1), we briefly analyse the context in which they developed (section 2) and describe the birth, the evolution and the main characteristics of social co-operatives (sections 3 and 4). Finally, we attempt to evaluate the functions of social co-operatives (section 5) and their prospects for development (section 6). The analysis is limited to social co-operatives providing social services and does not give attention to work-integration social co-operatives.¹

1 Social enterprises in Italy

The production of services to counter social exclusion is nowadays carried out by organisations with various legal forms. These can be identified as follows:

- social co-operatives, as defined by Act 381/1991. In 1998, this category comprised around 4,500 organisations supplying social services (about 70 per cent) or engaged in work-integration activities (about 30 per cent);
- around 20 per cent of the 10,000 voluntary organisations defined by Act 266/1991. According to this Act, voluntary organisations, although they are engaged in combating social exclusion, should not deliver social services on a stable and regular basis, and they should be staffed mainly by volunteers. In fact, the constraints imposed by the Act are rather generic, and this explains why there are at least 2,000 voluntary organisations which can be effectively included in the category of social enterprises, both because of the kind of services that they supply, and because these services are supplied on a steady and ongoing basis;²
- some hundreds of associations other than voluntary ones, which fall within the provisions of the Civil Code of 1942. These associations perform activities mainly or exclusively for the benefit of their members. Stating their precise number is more difficult since little data are available. In this case too, given that the provisions of the Civil Code state that associations must pursue an 'ideal' (i.e. non commercial) aim, stable commitment to the production of services would be contrary to the legal provisions (even though court decisions tend to deliver a rather flexible interpretation of the law);
- some traditional co-ops provided for by the Act of 1947 which actually operate in sectors of collective interest, and which are similar to social co-ops, although they do not call themselves such. In this case too, the available data are scant. However, the number of these organisations can be estimated at between 1,000 and 1,500;
- some charitable and social care public institutions (*IPAB, Istituzioni Pubbliche di Assistenza e Beneficenza*), particularly those which have transformed themselves from public institutions into private foundations according to a recent law.³ In spite of the legal and bureaucratic difficulties in retrieving precise data at the national level, the number of *IPAB* can be estimated at roughly 800, of which only one in four has become private;
- a few joint-stock companies.

Of all the aforementioned organisational forms, the one that best meets all the characteristics of a social enterprise, and which displays them on a stable basis, is the social co-operative. In fact, voluntary associations are prevented by law from undertaking the stable provision of services. Moreover, both associations and voluntary organisations, which are mainly unregistered entities, do not allow limited liability for their members. Associations and ordinary co-operatives do not necessarily pursue a social aim; rather they pursue a mutual one. Finally, *IPAB* still largely belong to the public sector, since their boards of directors and most of their decisions must be directly endorsed by public authorities. It follows that the present chapter will only deal with social co-ops, and specifically with those co-ops that supply social and educational services.⁴

2 The context

The first social co-ops were established towards the end of the 1970s. Together with voluntary organisations, they are among the most innovative legal and organisational forms of (and in) the modern Italian non-profit sector. In order to understand the birth of these new organisations and their characteristics, therefore, one must analyse what occurred in that period, with regard to the evolution of both the non-profit sector and the welfare system.

In Italy, charities and voluntary organisations (the historical ancestors of modern not-for-profit organisations) freely developed until the end of the eighteenth century. Social work, healthcare, elderly care, and education were all areas of private charitable activity. A significant contribution to such development was made through the action of the Catholic church for the benefit of the weakest classes in the society. From the end of the eighteenth century onwards, and following the French Revolution, charities in Italy, as in other European countries, were the object of growing suspicion and hostility. They were regarded as belonging to extraneous powers that should be countervailed because they represented a third party between the government and individuals. Indeed, these were the only two subjects that the ideology of the Enlightenment recognised: the state was the supreme interpreter of the people's will and no other established body should exist, because citizens had to strengthen the authority of the state in order to widen and protect their individual rights. The liberal form of the state affirmed by the French Revolution implied the isolation of individuals from the state. Accordingly, the legitimacy of intermediate bodies was to be denied, since freedom only related to single individuals, not to social groups such as corporations, foundations and associations. In Italy, therefore, the action of charities and voluntary organisations was progressively replaced by the direct intervention of public authorities, as in the case of the *IPAB*. This attitude towards non-profit organisations was strengthened between the First and the Second World Wars by fascism and, subsequently, by the building of the public welfare system.

Italy followed the same line of growth as most European welfare systems, which were mainly public, with regard both to redistribution (social security, social care, and so forth) and to the provision of services. This caused the transformation into public agencies of many social institutions that had always been privately run, and created the dependence of the non-profit organisations that were allowed to keep an autonomous status (especially those belonging to the Catholic church) on public funds and decision-making.

This evolution makes it clear why, at the beginning of the 1970s, non-profit organisations were relatively few and confined to advocacy functions, mainly for the benefit of their members. There was little room for non-profit organisations carrying out productive activities. Not-for-profit organisations were either incorporated into the public sphere, or they were constrained to produce in a manner that was closely dependent on the public authorities. The only private enterprises with a social aim were co-operatives, but these had to restrict their social benefits to their members.

The Italian welfare system built after the Second World War was based more on the redistribution of monetary resources than on the provision of services.⁵ The only social services provided on a large scale by the Italian welfare system were education and healthcare – both supplied mainly by public institutions.⁶ Later on, while demand for services increased, the Italian welfare system endeavoured to match the new needs by supplying transfers, particularly through the social security pension system. This was so much so that in 1997, although Italian social expenditure was lower than the European average with respect to GDP, social pensions expenditures amounted to 15.8 per cent of GDP, as opposed to the European average of 12 per cent.

It is therefore in this gap between types of public intervention and needs, that from the 1970s onwards, the development of the third sector is to be located. In a few years, third-sector organisations:

- superseded their mutual dimension. The newly established not-for-profit organisations were created mainly to meet the demands of individuals other than their members;
- increased the provision of services, albeit in the conviction that they were substituting for the public authorities for a short period of time. Indeed, many of the new organisations were formed by people who regarded the difficulties of the welfare system in dealing with the new needs as temporary, and therefore considered their role to be merely the provisional replacement of public intervention. These organisations were initially established in the form of associations and were largely based on voluntary work. However, already towards the end of the 1970s, the first co-ops were created, the members of which were both volunteers and paid workers.

3 Birth and evolution of social enterprises

The coming into being of social co-ops

The use of the association form to produce services, and of the co-operative form to work mainly for the benefit of non-members, collided with the Italian legal system and its clear distinction between the First Book and Fifth Book of the Civil Code. In the former, associations and foundations, which are the only two non-profit organisations provided for by the Civil Code, were conceived as pursuing ideal purposes, i.e. they should not have economic goals and activities or, at most, only marginal ones. By contrast, companies and corporations, which also include co-operatives, were entrusted by the Fifth Book with commercial and industrial activities, the aim of which was to secure profits or benefits for their owners. The Civil Code does not envisage the carrying out of productive activities, such as the provision of social services, by using a not-for-profit organisational form.

Despite the numerous applications of the associative form, it often appeared clearly that associations, and to a certain extent also foundations, were ill suited

to the stable and entrepreneurial supply of services. As a consequence, while the new organisations producing social services stepped up their activities, they began to assume the organisational form of the co-operative society. This use of the co-operative form, though in contrast with the common expectation that co-ops should identify with mutuality, has been made possible by the facts that:

- the Italian Constitution (which is subsequent to the Civil Code) did grant co-operation a social function, although the concept was not clearly explained. This enabled the early social co-ops to defend their activities for the benefit of disadvantaged people, as a broader application of the mutual principle and as 'mutuality' among volunteers, so much so that the term 'extended mutuality' came into common use;
- the capital required to establish a co-op was very small – not higher than that required to establish an association.

Furthermore, co-ops were granted a separate legal personality and the limited liability of their members, and they were required to manage their initiatives democratically, according to the one-person-one-vote principle, which should theoretically have made co-ops more democratic than associations.

Thus, little by little, amidst many difficulties⁷ and despite the sceptical position of the co-operative movement, the co-operative form began to be used in the provision of social services. Several voluntary or advocacy organisations transformed themselves into co-ops, or they established co-ops. From the first research on this kind of co-op, carried out in 1986 (Borzaga 1988; Borzaga and Failoni 1990) it appears that of the 496 co-ops surveyed, 22.6 per cent had been formed by voluntary organisations and 15.9 per cent by associations. Only 50 per cent of co-ops had been established as co-ops from the outset. With regard to members, only 27 per cent were paid workers, whereas the rest were volunteers directly engaged in the activity, and more generally, supporting members. Only 21 per cent of the co-ops surveyed did not have volunteers in their membership (in the northern regions, this proportion was 10 per cent).

A phenomenon therefore emerged with distinct features, and it defined itself as the 'social solidarity co-operative'. It began to develop its own organisational strategy, especially by forming consortia at the local level and one consortium at the national level. It also began to exert pressure within the co-operative movement and within Parliament to obtain legal recognition of its own specific aspects.

Legal recognition: the Act of 1991

Legal recognition of social co-ops was attained in 1991 with the passing of a specific Act. The Italian social co-operative society, as provided for by the Act of 1991, represents an important innovation at both the domestic and international levels. The most significant aspects of social co-operatives are the following:

- the beneficiary is above all the community, or groups of disadvantaged people within it, even if they are not members. Indeed, the Act of 1991 provides that social co-ops have to carry out their activities 'for the general benefit of the community and for the social integration of citizens';
- membership may consist of various kinds of stakeholders, such as:
 - members who perform an activity in the co-op and earn a monetary compensation from it (workers, managers),
 - members who benefit directly from the services provided by the co-op (elderly people, the handicapped),
 - members who work voluntarily for the co-op in 'a personal, spontaneous and free manner without any profitable aim' and who cannot constitute more than 50 per cent of the total workforce, according to the Act of 1991,⁸
 - financing members and public institutions.

The Act divides social co-operative societies into two categories, which correspond to two types of activity:

- co-ops that carry out activities in the area of health, social or educational services (A-type co-ops);
- co-ops that act as agencies for integrating disadvantaged people in the labour market (B-type co-ops).

A further distinctive characteristic of Italian social co-operatives is their particular and privileged relationships with local and national authorities – relationships that are often governed by special agreements.

Finally, contrary to the rule that applies to non-profit organisations in general, the Act of 1991 does not prevent co-ops from distributing profits, but it imposes restrictions on this distribution. Indeed, the Act states that the amount of profits to be divided must not exceed 80 per cent of the total; that the rate of profits for each share cannot be higher than 2 per cent of the rate applicable to the bonds issued by the Italian Post Service; and that no assets can be distributed should the co-op be wound up. Of course, social co-operative societies are free to choose, in their deed of settlement, not to divide any profits among their members.

The Act of 1991 was passed after ten years of parliamentary debate⁹ which involved both the political parties and the co-operative movement. The co-ops in favour of the Act were mainly those belonging to the Catholic tradition and the Christian Democrats, whereas the Socialist and Communist Parties and those co-ops that identified with these two parties were against the Act. The latter were particularly opposed to the inclusion of volunteers among the members of co-ops. In this respect, the final text of the Act is a compromise insofar as volunteer members are allowed, but their presence is not compulsory and it is limited. Their name also changed: instead of 'social solidarity co-ops', these new organisations were called 'social co-ops'.

Consolidation

After their legal recognition, social co-ops began to spread throughout the country. The Act of 1991 gave greater visibility to the social co-op model and encouraged its acceptance by all courts. The social co-operative movement, which was already structured and organised, managed to start a wide-ranging debate on the Act and its implementation, which in turn helped to give social co-ops greater visibility. Legal provisions enacted by regional governments subsequent to the national Act also fostered the growth of social co-ops.

The development of social co-operatives was also influenced by a closer attention to social services by the public authorities, especially local ones, which gave rise to contracting-out policies. Under pressure from the demand for social services, local authorities increasingly began to contract out these services, particularly the newest ones, to social enterprises. This trend made it possible for public authorities to increase the supply of services without boosting the number of civil servants, and contrasted with the previous welfare model which allocated even the production of services to the public administration.

Finally, the progressive acceptance of social co-operation by the co-operative movement, part of which realised that it was a good opportunity to revive co-operation as a whole, gave further support to the diffusion of social co-ops.

The economic and employment dimensions¹⁰

In 1991, when the Act was passed, social co-ops numbered just under 2,000. By the end of 1997, the number of social co-ops in Italy was estimated at around 4,500. Social co-ops currently represent about 4 per cent of the total number of co-operatives and 10 per cent of total co-operative employment. Seventy per cent of social co-ops are of A-type and 30 per cent are social co-ops whose purpose is to integrate disadvantaged people into the labour market.¹¹ This means that the co-ops carrying out personal services number at least 2,800 to 3,000.

By drawing on different statistical sources, a total number of at least 100,000 members of social co-ops, of which about 9,000 are volunteers and 75,000 are paid workers can be estimated. Social co-ops providing social services have about 75,000 members, of whom 6,000 are volunteers and 60,000 are paid workers. The other members, who cannot be classified as paid workers, nor as volunteers (because they do not work systematically in services provision) are referred to as supporting members. These supporting members often guarantee the linkage with the local community; they also sometimes participate in the executive board or take part in the work to help the co-operative on specific tasks. The number of users served by social co-ops can be estimated at 400,000 (CGM 1994, 1997).

The average size of social co-ops is between 40 and 50 members, including an average of twenty-five paid worker members (in social co-operatives, workers are usually also members). About 90 per cent of social co-ops have fewer than 100 members, and 70 per cent of them fewer than fifty. There are only a few large social co-ops, with some hundreds of worker members. In 1995, the average turnover was about 900 million lira per year (464,811 Euro).

The predominantly small size of social co-ops seems to be consistent with the tendency of these organisations to restrict their activities to limited territorial areas. In 1986, 35 per cent of the social co-ops surveyed operated only in the municipality in which their premises were located, whereas 49 per cent operated at the provincial or regional level (CGM 1997). Although there are no data available for the following years, it is likely that the situation did not change significantly. Only in some particular cases did these co-ops grow in size. From 1992 to 1994 the annual average increase was 1.8 to two employees. This tendency to control the size is mainly the result of a planned strategy, and particularly to keep a high level of trust among members and with the community.

Contrary to the situation that the surveys carried out in the 1980s revealed, the membership of social co-ops today consists mainly of workers. In 1996, more than half of the co-ops examined did not have volunteer members (CGM 1997). Where these were present, they rarely numbered more than ten. In co-ops for which data are available for both 1993 and 1996, the number of volunteer members halved in the three-year period, and the increase in their number of members (from fifty-two to fifty-four on average) was entirely due to the entry of new worker members. This change in the composition of membership was favoured by the Act of 1991, and it is the consequence of the remarkable growth of social co-operation in the 1990s.¹² The increase in the demand for services from the public authorities induced the fast creation of new co-operatives; and this generally involved greater reliance on paid jobs than on volunteering, because the mobilisation of volunteers is usually the result of long-term investments in social capital and cannot be achieved within a very short time. This indicates that the entrepreneurial dimension of social co-ops has been strengthening, while their social function and relations with local communities may have diminished. The presence in the membership of consumers who are benefiting from the co-op's services is still limited; indeed, fewer than one hundred co-ops state that their membership includes their consumers.

Social co-ops initially developed mainly in the northern regions of Italy, where social capital was abundant and the enterprise culture was widespread.¹³ Later on, social co-ops spread also in the South of Italy, though to a more limited extent. In the South, many co-ops were formed as a way to combat unemployment, and few of them included volunteers as members. In 1996, about 60 per cent of social co-ops had their offices in the northern regions, whereas the remaining 40 per cent had theirs in the central and southern regions, where the majority of co-ops supply social and healthcare services. The lesser development of social co-ops in the South is due both to smaller demand for social services (which are still largely supplied by families), and to the more limited attention paid to social problems by the public authorities. In recent years, moreover, social co-ops in the southern regions have been sometimes misused in order to support the purely social-care activity of local authorities. However, most recently, the national organisations of social co-operatives (especially *Federsolidarietà* and CGM, *Consorzio 'Gino Mattarelli'*) have made notable efforts to create new social co-ops in the South consistent with the co-operative

tradition and with the legal provisions of the Act of 1991. The success of this action bodes well for the achievement of a more balanced spread of social co-ops across the national territory.

4 The characteristics of social co-operatives

Services supplied

Data from a survey carried out by CGM¹⁴ show that, in 1994, almost half of social co-ops provided services to more than one type of user, and that the same proportion provided several kinds of services (for example, home care and residential care). These data give an idea of the complexity of the production process in social co-ops. The users of these co-ops were mainly elderly (47.1 per cent), juveniles with problems (44.1 per cent), handicapped (39.8 per cent), drug addicts (9.9 per cent), mentally ill (9.6 per cent) and disadvantaged adults (14.7 per cent). Comparison with the data from a survey carried out in 1986 reveals a change in the types of clients served by social co-ops. In 1986, 32 per cent of the co-ops provided services to handicapped people; only 18.8 per cent had the elderly as their users; 15.9 per cent served juniors and 11.5 per cent drug addicts. These changes may be viewed as the consequence of an evolution in both the needs and the funding policy of public authorities, which tend to give priority to policies in support of the elderly. The survey revealed that the principal form of service provision was residential care, i.e. the service was delivered on the co-op's premises.

Human resources and their composition

Social co-ops may have, as already stated, mixed memberships, but this is not legally compulsory. Consequently, there are social co-ops formed by consumers (or users) only, by worker members only, by workers and volunteers or by consumers and volunteers. The only legal obligation, as already mentioned, is that volunteers do not exceed 50 per cent of the total workforce. Legal entities, particularly city councils (although this possibility has seldom been taken up), and financing members (individuals or legal persons) may also become members of social co-ops. Many co-ops also comprise members who actually do not take part in their activities (neither as workers nor as volunteers), and rarely take part in the decision-making process.

Given this situation, the data on the characteristics of the individuals involved in social co-ops may vary according to the definition of 'volunteer member' adopted by the statistical database (i.e. whether volunteers are required to actively and continuously take part in the co-op's activities). According to the audit proceedings collected by the Italian Ministry of Labour on 1,134 co-ops, in 1994 these had 66,363 members (about fifty on average in each co-op), of whom 45.2 per cent were inactive members. Ninety-one per cent of active members were worker members, 8.4 per cent were volunteer members, 0.4 per cent

Table 9.1 Changes in composition of the membership of 260 social co-ops

Type of members	When set up	Average number of members		
		1990	1992	1995
Worker members	2.7	15.6	18.2	24.8
Volunteer members	9.4	14.1	14.3	12.3
Members who are neither workers nor volunteers	6.8	30.9	34.4	35.8
Total number of members	18.9	60.6	66.9	72.9

Source: CGM (1997)

financing members and 0.3 per cent legal entities (of which some were city councils). However, this source of data uses a very restricted definition of volunteer member. According to figures issued by the CGM, which refer to a smaller but more homogenous sample of social co-ops, inactive members accounted for 24 per cent of the membership, and volunteer members for 26 per cent in 1996.

Examination of all the sources, however, suggests that there is a generalised tendency towards a reduction in the proportion of volunteers. This results in particular from the fact that the growth in the total number of active members has been almost completely due to the entry of worker members. This decline in the proportion of volunteers has not been counterbalanced by an increase in the number of user members, who are present in only very few co-ops. Finally, a significant percentage of co-ops (42.8 per cent) hire workers and volunteers who are not members. A clear picture of this evolution is provided in Table 9.1, in which data collected in 1995 on a sample of 260 social co-ops (CGM 1997) are summarised.

Financial resources and their composition

The overall turnover of Italian social co-ops in 1994 was estimated at 2,500 billion lira (1,291,142,248 Euro), with an average value by co-op of about 900 million lira (464,811 Euro), of which 880 million (454,482 Euro) was derived from the supply of services to public authorities or private individuals and 20 million (10,329 Euro) from public funds (CGM 1997). The principal clients of A-type social co-ops are public authorities (77 per cent), followed by private individuals (4.7 per cent), other non-profit organisations (5.9 per cent) and private for-profit companies (3.1 per cent). Of course the composition of users also depends on the type of service supplied.

Most of the funding from public authorities is obtained from participation in competitive tenders, or is assigned according to the quantity of services provided. More than 61 per cent of the 75.6 per cent of turnover which social co-ops derive from public authorities is obtained in this way compared to 14.4 per cent granted in the form of public subsidies. Local authorities intending to contract out a service to a social co-operative often compare the tenders

submitted by several co-ops (or by different non-profit or for-profit organisations). They then choose either on the basis of straightforward cost parameters or according to a more complex set of criteria where particular attention is paid to the quality of the project, the services to be supplied, and the co-op's capacity to mobilise volunteers. Local authorities then undertake a contract with the cooperative or organisation that has been selected. This contract sets out the rules on how the service is to be organised and paid for. The voucher system is little used in Italy.

Social co-ops derive the financial means they need to manage their activities almost entirely from private sources. These consist mainly of members' shares, and to a significant extent of reserve funds. By taking the capacity of self-financing as indicator, the ratio between financial resources and liabilities is on average higher than 40 per cent.

The organisation

Since their earliest development, one of the main strategies of social co-ops has been to avoid increasing an individual co-op's size to match the growing demand for services, but rather to spin off new initiatives,¹⁵ thus pursuing a specialisation strategy. Co-ops also reap the advantages of large size by grouping into local consortia. The integrated entrepreneurial system developed over recent years is now characterised by a three-level structure as follows:

- the first level consists of the single co-ops;
- the second level is constituted by the local, mainly provincial, consortia. These function as strategic support in the contractual relations between co-operatives and public authorities, often acting as general contractors. They also provide marketing development, administrative counselling, training and development of human resources, organisational and managerial counselling of the partners and of the newly established organisations. The first provincial consortium of social co-ops was established in 1983 in Brescia. As of 30 June 1997, there were at least seventy local and territorial consortia throughout the country, with a particular concentration in the northern part of Italy, especially in Lombardy (seventeen consortia);¹⁶
- the third level, which is represented by the national consortium *CGM*, performs long-run strategic functions, such as research activity, training of the managers and trainers of the local consortia, counselling and developing activities. Moreover, when possible and necessary, the *CGM* also assumes the role of general contractor with respect to actions at the national level. It was established in 1986, and as of 1 October 1997 it grouped together forty-two territorial consortia, which in turn comprised around 700 co-ops, of which at least 450 supplied social services.

The composition and structure of social co-ops and consortia grouped into the *CGM* are summarised in Table 9.2.

Table 9.2 The *CGM* composition and structure

<i>Data available on</i>	
545 social enterprises, of which:	
	339 (62%) A-type social co-ops
	201 (37%) B-type social co-ops
	5 (1%) non-social co-ops
19,833 members, of which:	
	10,064 workers members
	2,997 volunteers members
	2,607 user members
	1,343 disadvantaged workers
	2,822 supporting members

Source: *CGM* (1997)

The *CGM* has a small superstructure with only fifteen full-time workers and collaborators. A much larger number of trainers, consultants, research fellows and social entrepreneurs come from the territorial consortia members and act within specific projects of the *CGM*. As a whole then, the consortium system tends to appear as an enterprise network that develops itself in a conscious way, according to a given project, and which is characterised simultaneously by the independence of the different organisations and by their considerable integration. This last characteristic is strengthened and assured by specific company obligations.

5 Evaluation of the functions of social co-ops

Contribution to the fight against social exclusion

The main contribution of social co-ops to the fight against social exclusion is that they have proved that the private provision of services aimed at social cohesion is possible, and that otherwise unavailable human and financial resources can be directly involved when working in the framework of social enterprises. By demonstrating that some specific needs can be better satisfied by providing services, rather than by monetary transfers, social co-ops have helped to transform the Italian welfare system. They have proved better able to create social cohesion. Moreover, many of the services supplied are for the benefit of particularly needy groups (drug addicts, former inmates, and so forth). These services, as well as voluntarism, have also enhanced political awareness of the problems connected with social exclusion. Furthermore, the contribution of social co-ops to innovation in the field of social services has been very important. Many new ways of fighting social exclusion through service provision have been created for the first time by social co-ops and voluntary organisations.

Social co-ops have also increased the efficiency of the supply of services to public authorities. The greater flexibility and more rational use of resources made possible by the trust relationships that characterise social co-ops yield

greater efficiency. With the same amount of public money, a larger number of people are served when the supply of services is ensured by social co-ops rather than by other kinds of organisations.

Strengths

Among the main strengths of social co-ops are the following:

- firstly, social co-ops are enterprises – they are legal entities with limited liability on the part of their members that can appeal to the financial market just like any other enterprise;
- secondly, since they are usually small in size, they are rooted in the local territory in which they operate and are therefore close to the needs of local people. Consequently, they have a remarkable ability to take advantage of and create social capital. Moreover, grouping into local and national consortia gives social co-ops the advantages of both small and large sized firms;
- thirdly, they have been able to bring together highly qualified human resources, thanks to the involvement of volunteers, and to their capacity to employ altruistic people;
- finally, social co-ops display a great innovative capacity with respect to the services supplied. This derives from a good level of independence of public authorities in decisions regarding the entrepreneurial strategies. In this respect, it is noteworthy that a significant proportion of new social services in Italy have been pioneered by social co-ops.

Weaknesses

The negative aspects of social co-ops may be summarised as follows:

- they have developed too fast insofar as the growing demand for services requires an organisational form to which not all social co-ops are able to adapt;
- they are increasingly dependent on public authorities which means that they serve more the needs of public administration than of individuals;
- many of them have no volunteers, and accordingly have fewer human resources, entrepreneurial skills, and relations with the local community than those co-ops which are able to mobilise volunteer work. True, the trend towards co-operatives consisting only of worker members is not per se deleterious; social co-operatives may select motivated workers, who therefore ensure that attention is paid to users' needs, to quality and to efficiency. Nonetheless, the lack of volunteers makes the social enterprise model more fragile, increases the dependence of co-operatives on external (especially public) funding, and undermines the important role of monitoring the quality of the services provided.

One can see today that several different models of social co-ops are developing, with differing membership, degrees of user and/or volunteer control of the decision-making process, relationships with public authorities and probably with various levels of fragility.

6 Prospects for development

There are many factors which indicate that social co-operation will continue to grow substantially in the next few years:

- the tendency of local authorities to entrust social co-ops with the production of social services is still strong, and it is growing to include new services such as kindergartens;
- new tax exemption policies concerning private demand for services and the granting of vouchers are being promoted. These policies should lead to a further increase in the demand for services;
- a recently enacted law providing for tax exemptions for private donations to non-profit organisations, including social co-ops, and the granting of tax benefits for those who buy 'solidarity bonds' issued to finance non-profit activities;
- political interest in social co-ops is very high and increasing;
- there are very few private for-profit organisations that intend to compete with social co-ops. True, there is competition, but mainly with workers' co-ops and among different models of social co-ops.

These prospects for development may accelerate the identification of social co-ops with other co-operative forms. However, such an evolution might be countered by:

- a more precise definition (either statutory or by ethical codes) of the organisational form. This should prevent, over the years, the loss by social co-ops of their capacity to produce positive externalities. This means to discourage the development of social co-ops consisting of worker members only;
- a different way of assigning public contracts to social co-ops. Competitive tenders, especially those in which price is given the greatest if not exclusive importance, tend to favour those co-ops formed by worker members only (or for-profit firms), in which the main strategy is to reduce labour costs. From this perspective, the competition policy set out by the European Union, which is based on the idea that all markets should be subject to competition rules, is having a negative effect;
- the development of a culture of social enterprise, in order to increase awareness among social co-operatives of their specificity and of the link between this specificity and the efficiency and effectiveness of their work. In this respect, one notes that the national federation of social co-operatives (*Federsolidarietà*) belonging to one of the three national co-operative

federations, the *Confederazione Italiana delle Cooperative (Confcooperative)*, linked to the Catholic movement, has recently introduced an ethical code which binds co-operatives to specialisation, to small size, to an emphasis on voluntarism, and to equity towards workers;

- the development of a policy to encourage the more innovative social co-ops to operate in new fields of activities, not only in those of interest to the public authorities.

Conclusions

The experience of Italian social co-operatives demonstrates that it is possible to create enterprises pursuing a social aim instead of a purely economic one and that the introduction of laws that clearly recognise and identify these enterprises can give strong support to their development. At the same time, the Italian experience shows that the entrepreneurial model of social enterprises is fragile and that social enterprises can easily transform themselves into more traditional forms of enterprises. Specific policies aimed at improving the entrepreneurial model are needed. Among the most important are policies aimed at the provision of consistent legal forms, a better organisation of the quasi-market for social services and the development of an entrepreneurial and managerial culture tailored to their needs.

Notes

- 1 For an analysis of work-integration social co-operatives in Italy see Borzaga (1998).
- 2 According to a recent survey carried out by *Fondazione Italiana per il Volontariato* (Italian Foundation for Volunteering) in 1998 (Frisanco and Ranci 1998) out of 10,516 voluntary organisations, 1,031 (9.8 per cent) of them stated that they supplied social services on a steady and ongoing basis. They employed 2,083 paid workers, while the conscientious objectors working for them numbered 1,279 and the volunteers 53,529. More than 65 per cent of these organisations funded their activities solely or mainly by means of private incomes (supply of services).
- 3 These are organisations that date back to the Middle Ages, when they were established mainly in the form of private foundations. Later, in the nineteenth century, with the passing of the Act of 1890, these entities were absorbed into the public administration, thus becoming public bodies subject to the body of laws, powers and responsibilities of public authorities. Since 1988, *IPAB* have been allowed to transform themselves back into private non-profit organisations and thus reacquire their original legal and organisational form.
- 4 These are the social co-operatives defined by law as A-type co-operatives. B-type co-operatives are work-integration social co-operatives (see Borzaga 1998).
- 5 Social services were mainly provided by families.
- 6 Some figures may help to give an idea of the characteristics of the Italian welfare system. In 1970, the ratio of public expenditure for transfers and GDP was 15.4 per cent compared with a ratio of public expenditure for final consumption and GDP of 12.9 per cent. In Sweden, the same ratios were 15.8 per cent and 21.5 per cent respectively, while in UK they were 13.9 per cent and 17.9 per cent.
- 7 Many Italian Courts would not grant incorporation to these new co-ops, because they did not respect the mutual principle, traditionally regarded as entailing benefit for the co-op's members only.

- 8 This constraint, which did not apply to social co-operatives established prior to the Act of 1991, was introduced due to the fear that an excessive number of volunteer members would deprive social co-ops of their 'entrepreneurial nature'.
- 9 Indeed, the first bill was tabled in Parliament in 1981.
- 10 At the moment, there is no research based on a census of social co-ops, regarding either social co-ops as a whole or A-type co-ops. Nevertheless, several studies based on samples are available. The one that includes the largest number of social co-ops was carried out by examining the auditing minutes. Other studies on smaller samples have been carried out directly in the field. This chapter uses data from the studies available, specifying each time the number of co-ops involved in the survey.
- 11 According to the data supplied by the National Institute for Social Security which is responsible for insuring disadvantaged people, by the end of 1996 there were 754 B-type social co-ops. They employed 11,165 workers, of whom 5,414 were disadvantaged people.
- 12 It should, however, be stressed that there are a remarkable number of co-ops with volunteers who are not members.
- 13 This concentration in the northern regions is a common feature of the Italian co-operative movement.
- 14 *CGM* (1997). The survey encompassed 726 co-ops.
- 15 This strategy was named the 'strawberry field' strategy.
- 16 Besides territorial consortia, others have been established, which are characterised either by their greater specialisation in particular activities (training, project management funded by the EU, management of services for elderly people, and so on) or by a close link with associative experiences (such as the *Solaris-Acli Consortium*, *Compagnia delle Opere*, *Apicolf*).

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