Italian Social Co-operatives

Social and Health Service Structure Reform and Co-operation

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……40 years of history

- Over the last 4 decades, the Italian economy and its social policies have gone through dramatic changes
- key role of social co-ops in transforming the Italian welfare landscape

Main issues

- Factors explaining social co-ops emergence and development in Italy
- Social co-ops main characteristics and development dynamics
- Social co-ops’ size
- Social co-ops’s resilience after the crisis
- Key challenges
- Closing remarks

Factors explaining social co-ops emergence and development

- Specific features of the Italian welfare system
- longstanding self-organization tradition of civil society and the existence of a strong cooperative movement
- process of fiscal and administrative decentralization
- legal acknowledgment

The specific features of the Italian welfare system

- System based on limited service delivery, poorly managed and heavily institutionalized
- expect for health (since year 1978) and educational services, public spending allocated as cash benefit transfers (pensions)
- families were in charge of most needs
- the few social services delivered were conceived to respond to emergency situations
- TS organizations strongly underdeveloped

- From the 1970s onwards, progressive rise and diversification of social needs
- emergence of new needs was driven by
  - profound demographic changes (decline of family’s role in providing social support and ageing of the population)
  - growing level of unemployment (especially youth)
  - new phenomena of social exclusion
  - social & health achievements
- the needed increase in social service delivery was blocked by economic difficulties

Civil society mobilization

- gaps in social service delivery stimulated a bottom up **reaction of civil society**
- the spontaneous and widespread mobilization was rooted in the longstanding voluntary culture and self-help tradition dating to the pre-war period
- civic engagment was further revitilized in the 1960s-1970s social movements

- from the 1980s onwards most groups of volunteers chose to institutionalize their activity through new co-ops
- besides being underdeveloped, nonprofits were engaged in advocacy and prevented from carrying out economic activities
- cooperative:
  - had the full status of enterprise, but ruled as a non-profit
  - its social function recognized by the Italian Constitution
  - could be set up with a minimal amount of capital

- unlike traditional co-ops, the aim of the newly established social co-ops was to provide solidarity to people in need
- they met the needs of homeless, disabled, drug addicts, youth with social problems, metally ill patients….
- their widesprad replication was partly due to social co-ops' ability to develop in a unitary movement, which allowed for the
  - achievement of economies of scale
  - creation of a brand identity at local level
  - arrangement of lower cost loans for members
  - fulfillment of large contracts

Legal acknowledgment

- Requests for legal acknowledgment started in the 1980s
- in 1991, Law 381 institutionalized a new co-op form – social co-op – explicitly aimed at pursuing the general interest of the community
  - A types provide social, health and educational services
  - B types integrate vulnerable persons into work
  - both types:
    - conceived as collective organizations with different stakeholders (including volunteers)
    - obliged to cap dividends and comply with a total asset lock

Fiscal and administrative decentralization

- In the 1990s central and local public authorities progressively allowed to outsource the production of services to private organisations
- Law 142 and Law 241 of 1990 offered municipalities the possibility to choose among different modalities
- poor experience & limitations in hiring staff pushed municipalities to stipulate contracts with social co-ops

Social co-ops' characteristics and development trends

Fields of engagement	Mainly social and educational services (60.3%); 30,8% engaged in work integration; 5.3% mixed; 3.6% are consortia
Main sources of income	65.3% generated by contracts and agreements with public institutions; 27.7% by the sale of goods and services to private clients
Regional distribution	Mainly located in the northern regions (40.4%); 35.2% are in the southern and 18.8% in the central regions and 15.5% are located in the islands

- **Social co-ops have progressively increased in number up to 2014**
  - mergers helped face financial difficulties
- **move from grants towards contractual solutions was key**
  - public contracting initially without and then through competitive tenders - based on the lowest price:
    - stabilized social co-operatives
    - increased the amount of welfare services delivered
    - but transformed many social co-ops into implementers of government programs
- **EU public procurement rules** (24/2014 EU) transposed into Italian law in 2016:
  - encourage the evaluation of bids (particularly social and health services) on the basis of the best price-quality ratio
  - introduce competitive procedures with negotiation, competitive dialogues, new innovation partnerships, and informal bidding

- **Develoment trends diversified**
  - many social co-ops have assimilated their organizational culture and managerial practices into the public model (B-type social co-ops more automous than B types)
  - many others – both well-consolidated and new ones – are experimenting with new solutions, pursuing new social aims, expanding to new fields (e.g. management of social housing and social tourism, regeneration of spaces and recovery of unused lands, etc.) and are becoming more inclusive

Data on social co-ops

	Numbers	Employees	External workers	Volunteers	Annual turnover (million EUR)
Social co-ops (2011)	11,264	365,006	43,082	42,368	11,157

	2003	2005	2011	2013
Social co-ops	5,515	7,363	11,264	13,041
Paid workforce	189,134	244,233	365,006	518,997
Disadvantaged workers	23,587	30,141	30,534*	31,752
Users	2,403,245	3,302,551	2,935,586**	
Total turnover (millions EUR)	4,826	6,381	11,157	10,106***

Sources: ISTAT, 2003, 2005 and 2011; * Euricse, 2013; ** ISTAT 2011: disadvantaged users of social cooperatives, *** Data referred to the 10,871 social co-ops with available balance sheets

Social co-ops after the crisis: 2008-2014

	Job positions (7,925 social co-ops)			**Full-time workers** (560 social co-ops)		
	2008	**2014**	**Δ%**	**2008**	**2014**	**Δ%**
A-type	260,914	293,430	12.5%	136,913	157,349	14.9%
B-type	65,888	82,087	24.6%	31,204	38,000	21.8%
A and B type	14,396	20,467	42.2%	6,680	8,773	31.3%
Consortium	4,593	7,084	54.2%	2,277	3,675	61.4%
n.c.	31,771	36,940	16.3%	14,865	17,532	17.9%
Total	**377,562**	**440,008**	**16.5%**	**191,940**	**225,329**	**17.4%**

Job positions during the crisis: 2008-2014

	Italy (7,925 social co-ops
Permanent contract	26.6%
Fixed term or seasonal contract	17.0%
Collaborations	-32,6%
Disadvantaged	8.5%
Total	**16.5%**

Challenges

- recent legal changes pave the way for new developments for social co-ops and other organizations that are moving towards a social enterprise model
- based on Law 188/2005, Decree Law 155/2006, social enterprise can be established through a plurality of legal forms (association, foundation, cooperative, shareholder company) and can carry out a wider set of activities

2016 Third Sector Reform Law:

- qualifies social co-ops and their consortia as social enterprises by law
- extends the cap existing for social co-ops to all organizations qualifying as social enterprise
- enlarges the categories of disadvantaged workers integrated (benefits recognized based on the degree of disadvantage)
- introduces measures aimed at attracting investments

A-type social co-operatives:

- given the budget cuts, delays in payment of public contracts and large fulfillment of the demand for social services in the northern regions, the main challenge is to stimulate a new demand for innovative services:
  - health and educational services
  - corporate welfare services addressed to enterprises' employees, families and clients
  - services addressed to workers/clients of insurance companies

B-type social co-operatives:

- in light of the decrease in the demand for the services supplied and the growing competition from for-profits, key challenges include:
  - to shift from low towards higher added value domains that are able to train professional profiles with higher qualifications
  - start new businesses in domains with higher income generating capacity (e.g. organic agriculture and trade of agricultural products) and more stable demand
  - create new partnerships also with for-profit enterprises

Closing remarks

- the Italian experience confirms that:
  - the co-operative form is well suited to evolve towards a social enterprise model and supply a wide range of general interest services
  - the Italian path of recognition of social enteprise via co-operative adjustment was followed by numerous other EU member states (e.g. France, Poland, Spain)
  - a new co-op type is gaining momentum in the domain of supporting local development: the community co-op

- other organizational types – e.g. shareholder company – that can qualify as *ex lege social* enterprise – are proving to be a challenging solution especially in domains that call for substantial investments (e.g. health care sector)

THANK YOU VERY MUCH FOR YOUR ATTENTION!

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