

Collective accumulation of capital in Italian workers' cooperatives between employment insurance and "we-rationality": an empirical investigation.

A distinguishing feature of Italian worker cooperatives is that members, though owners of the firm, cannot be seen as residual claimants: the distribution of profits on the basis of capital stakes is limited by law; accumulated reserves cannot be shared among members even at the end of the life of the cooperative; the practice of *ristorno* (distribution of part of the net residual to members on the basis of the work relationship) is weakly applied. Moreover, an interesting element arises from empirical analysis: between 85% and 90% of net profits are accumulated into indivisible reserves, a completely collective fund, that means that the most of profits aren't privately appropriated.

The difficulty of finding sources of external financing alone doesn't provide, in our opinion, a sufficient argument to explain why a so large share of profits is devoted to firm accumulation, because of the well-known Furubotn-Pejovich effect (members are expected to have weak incentives to reinvest profits in the cooperative) and the connected issue of indivisibility among members. We therefore approach this choice of collective investment, by means of empirical investigation carried out in the workers' cooperatives associated with the Lega delle Cooperative e Mutue in the province of Ravenna (Italy). Our methodology consists of the matching of three sources of data: balance-sheets quantitative data at the firm level; qualitative interviews of the cooperative board members; a first-hand survey by means of questionnaires to a sample of workers. First of all, we don't think that the Italian tax system plays a major role and we provide evidence of this. We analyze instead three different, but not mutually excluding, arguments, that can interact in differentiating cooperatives:

1) the **"insurance argument"**: worker members may want to insure themselves against the risk of losing their jobs. This can be attained in two ways: one possible way, that has quite a strong background literature, is that cooperatives search the stabilization of employment by making the wages fluctuate (a "reversed implicit contract" idea). The other is that cooperators choose to earn a lower wage than elsewhere, in order to allow the firm to face the downturns without reducing the workforce, and without even reducing the wages; this –closer to some kind of "risk-sharing institution"- is, in our analysis, allowed by the choice of accumulating rather than distributing profits;

2) the **"horizon argument"**: the allocation of profits to indivisible reserves insures insiders against the risk that exiting or retiring members don't compromise the financial stability of the firm, providing at the same time incumbents with incentives to stay;

3) the “**we-rationality argument**”: is the collective accumulation of capital an expression of some feeling of belonging? We have a strong historical evidence that a major role is played by the path of cohesion within the cooperative group. Is this an argument to explain the choice of indivisible accumulation of the firm profits, even when it implies a net cost from a strictly individualistic point of view?

We provide evidence of the interplay of these three explanations, supporting our empirical research with hints from the historical, legal and economical background of the Italian cooperative movement.

Cecilia Navarra
PhD candidate in Economics of Institutions and Creativity
Dep.t of Economics “Cognetti de Martiis”
University of Turin, Italy

Contact address:

Cecilia Navarra
Dipartimento di Economia “Cognetti de Martiis”
Via Po, 53
10124, Torino, Italy
Tel: 00390116704917
Mobile: 00393475059935
cecilia.navarra@unito.it