



# ITALY

## COUNTRY SCENARIO

### 1. Main definitions and concepts used

The social economy, in Italy is formed by a rich diversity of enterprises and organisations, such as cooperatives, mutuals, associations, foundations, social enterprises and paritarian institutions, sharing common values and features:

- Primacy of the individual and the social objective over capital
- Voluntary and open membership
- Democratic governance
- Combination of interests of members/users and/or the general interest
- Defence and application of the principles of solidarity and responsibility
- Autonomous management and independence from public authorities
- Reinvestment of -at least- most of the profits to carry out sustainable development objectives, services of interest to members or of general interest.

#### Social Enterprise

A social enterprise is a private legal entity, independent from the government, which carries out production activities, regardless of the legal form adopted (law

118/2005). Moreover, unlike conventional businesses, SEs have an explicitly social aim and engage in activities that generate direct benefits for a community or for disadvantaged persons; they are constrained—at least partially—in their profit distribution, and they are characterized by an inclusive and participative governance.

The phrase ‘third sector’ covers ‘the whole of that variegated archipelago of organisations which, although private in character along the lines of business companies, are different from them because of their declared non-profit making purpose’. The activity of these organisations, given that their aim is not to make a profit, is directed towards social and economic ends. One could, therefore, define the third sector in a more effective way as being ‘that set of formally established private bodies that engage in productive activity (usually involving health care, educational, care, recreational, cultural etc. services) with the aim of serving in the best way possible the specific need of a category of users, rather than with the goal of producing a dividend or profit’.



## 2. Short history of the sector and its developments

Italy has been historically characterised by a strong ability in terms of self organisation of citizens and civil society. This has created, throughout the years, a peculiar richness of social enterprises (in terms of numbers but also types and quality). Therefore, Italy has traditionally enjoyed the presence of a rich social fabric made up of non-profit organisations widely disseminated in all its territories.

As it has happened in other EU countries, during the last 30 years, the Italian non - profit sector has developed a strong entrepreneurial character and has significantly increased its employment capacity. However, the Italian case has been characterised by the development of a plurality of models so that “social enterprise” in Italy is a very fluid concept which is in continuous evolution and which encompasses a number of organisational and legal forms. At the end of 2016 the Italian government approved a reform of the third sector which also includes social enterprises and in July 2017, the Third Sector Code (Legislative Decree 112/2017) was issued; It redefines the Entities of the Third Sector (ETS) (see above the explanation on ETS).

It is interesting to notice that, in Italy, the potential of social enterprises is still very significant: beyond the definitions given by the relevant legislation there are around 93.000 enterprises (profit and mutualistic) that work within the social area in the country (2017 “Valore Potenziale dell’impresa Sociale” Paolo Venturi - Social Impact Agenda).



### 3. Data and figures

Size of the sector, employment, N. of SEs (source: CIRIEC study or other national studies)

#### *Potential of Polish social and solidarity economy sector in 2016*

<b>SOCIAL ENTERPRISES</b>	<b>N</b>
Ex Lege Social Enterprises	1.874
Social Cooperatives	16.918
Non Profit Market Oriented	11.940
Capital companies operating in the sectors of law 118/05 <sup>1</sup>	61.776
SIAVS (innovative start-ups with a social vocation) <sup>2</sup>	160
BENEFIT COOPERATION <sup>3</sup>	131
<b>TOTAL</b>	<b>92.799</b>

<b>N EMPLOYMENT OF SOCIAL COOPERATIVES</b>	<b>2011</b>	<b>2015</b>
	<b>320.513</b>	<b>383.828</b>

1 Law 118/2005 provides in art. 2 the sectors of social enterprises. The figure refers to the Operations Companies that operate in those sectors

2 The Decree-Law 179/2012, converted with Law 221/2012, introduced into the Italian legal system the notion of new innovative enterprise with high technological value; Article. 25, paragraph 4 introduces the innovative startup with a social vocation ("SIAVS"). According to the art. 25, paragraph 4, the SIAVS have the same requirements as the other innovative startups, but they operate in some specific sectors that the article 2, paragraph 1, of Legislative Decree 155/200 on the social enterprise, considers it of particular social value.

3 The B Corporation (or B Corp) is a certification issued to companies by B Lab, an American non-profit organization. In Italy, it was introduced in 1 January 2016. The purpose of the B Corp global movement is to ensure that the environmental and social performance of companies is measured in a manner that is as solid as economic performance.



## 4. Legal framework and legal forms of social enterprises

### Social Cooperatives

Following the emergence, during the 70s, and then the strong development in the 90s of numerous social cooperatives, the Italian Legislator passed a specific law in 1991. This law (n. 381) is still one of the most interesting and innovative laws on social enterprises in Europe (and in fact, other European countries for example Poland have taken it as a model for elaborating their own national legislation).

In Italy, social cooperation is a strong economic actor constantly growing and increasingly playing a key role within the national economy. The social cooperative has been the first structured and operational form of social enterprise in Italy and a model used by other EU countries to develop their social entrepreneurship sector.

Social cooperatives are economic organisations of a small medium size which are strongly integrated into the social fabric within which they developed. They collaborate very closely with local public authorities and the communities where they operate by offering social, health care and educational services as well as work integration opportunities for disadvantaged people.

During the last twenty years, the growing importance and role of social cooperation in Italy (between 2001 and 2013 the number of social cooperatives has grown by 98% reaching 13.041 units in 2013 while the number of employees has grown by 115% reaching more than 365.000 employees and 42.000 associates volunteers), has widened and legitimised the cultural, scientific and political debate around social cooperation itself and has promoted new ideas and visions. For example, it allowed to overcome the old idea that social activities and economic activities are incompatible.

The key role in modifying this type of misleading assumption has been played in Italy by those social cooperatives working in the social, educational and healthcare sectors and those working for the work integration of disadvantaged people. The work of those social cooperatives has shown how, within the

solidaristic action, economic and entrepreneurial aspects are not antagonistic but, on the contrary, are complementary and can accomplish economic as well as social goals.

In this context it is important to notice that, nowadays, there is a clear difference between bodies characterised by a simple service delivery function (with a limited economic activity and impact) and those which act within the market as true economic and social actors developing real entrepreneurial activities within community markets. This crucial difference has emerged through the years thanks to the evolution of both social entrepreneurship and of its relevant legislation and it represents today a true challenge for the Italian Third Sector and for the economy as a whole.

The rapid development of the sector has brought to the elaboration, in 2006, of a new law concerning social entrepreneurship. The legislative decree n. 155/2006 on social entrepreneurship is the result of a cultural evolution.

The law does not introduce a new legal form but rather it introduces a “qualification” that can be acquired by a number of entities that are normally part of the so called “Third Sector” such as: associations, foundations, religious bodies but also private companies and cooperatives. Even though of a significant political importance, this law has not had a strong practical impact yet. organisations have been reluctant to apply to this qualification because it would bring additional bureaucratic burdens (e.g. producing official balance sheets) without bringing significant advantages. Nonetheless, this law is currently being revised and in the future it may play a greater practical role in supporting the social entrepreneurship sector in Italy.

At the end of 2016 the Italian government approved a reform of the third sector which also includes social enterprises. For implementation, we are awaiting implementing decrees.

In July 2017, the Third Sector Code (Legislative Decree 112/2017) was issued in Italy; It redefines the



Entities of the Third Sector (ETS). To be recognized as ETS (and thus benefit from tax incentive treatment and relations with public bodies), the following requirements are required:

1. Legal form: association, foundation, social enterprise
2. Activities of general interest as identified by law
3. Exclusive pursuit of civic, solidarity and social utility.
4. Sign up to the RUN (a specific register of ETS)

From a fiscal point of view with the new Code, the guiding tax criterion will not be the nature of the Entity (first represented by the Macro Category) but the nature of the activity carried out. Within the 49% limit, ETSs may carry out commercial activities (always in the general interest), taxed according to different regimes and coefficients (Main activities will be considered “non commercial” if the fees received by the bodies do not exceed the costs incurred).

In addition to widen the scope of the social enterprise, the Reform also provides that in the board of directors there could be public or for profit entities (but without delegation for control) and admits returns to investors, decisive elements to bring stakeholders closer to those who traditionally control social enterprises (workers). New spaces and new “baskets” of goods and services of general interest (eg regeneration of abandoned goods, enhancement of places and traditions, innovation of services) are opened, creating multidimensional value in different markets and new ways of self-realization. Capitalization tools include equity crowdfunding that will allow social enterprises to approach new categories of lenders even using technology platforms.

## Social Cooperatives

LAW 38191 define two types of social cooperatives:

### Type A

‘A’ coops can deliver health, social or educational services. They operate as commercially orientated businesses, with workers and volunteers being members of the coop.

Many ‘A’ cooperatives have established ‘privileged’ relationships with municipalities (see above). These privileged relationships which are specifically approved under Law 381/91 enable ‘A’ cooperatives to be what be also termed preferential bidders for work. They are often governed by special agreements.

About 70% of social cooperatives are ‘A’ coops.

### Type B - WISEs

These are agencies for integrating disadvantaged people into the labour market.

At least 30% of workers in a B cooperative must be disadvantaged in some way.

Those groups benefiting from B cooperatives include people with physical or learning disabilities; people with sensory difficulties; people released from psychiatric hospitals; drug and alcohol addicts; people who have been given an alternative to custodial sentences



## 5. Participative and/or democratic governance

Among the aspects that have determined the success of the Italian experience of social entrepreneurship the following are probably the most important:

### Participatory approach

The participation of stakeholders within social enterprises represents a fundamental structural element since it guarantees (in the long run), the pursuit of altruistic and redistributive aims and it brings important elements of economic democracy. Social enterprises in Italy involve many different types of stakeholders from workers (probably the most important and most involved ones) to local authorities and other entities working in the same territory (e.g. foundations). Public authorities and private entities are generally involved through actions of joint programming and design of services and policies. As far as workers are concerned, participation, can act as an important leverage in tackling industrial crisis and in fact, this aspect has been a key element (even though not the only one) in making the sector more resilient to the attacks of the current crisis compared to other types of SMES.

This aspect is very important and in the future it will surely play a very important role in the development of the sector. Forms of enterprises characterised by a wide stakeholder involvement (with a strong territorial identity) can in fact offer significant development margins. This is particularly true for economies characterised by a mature capitalism (like the Italian and generally the European ones), where a solidarity and participatory culture can represent an important component of their competitive advantage.

### Social enterprises' industrial relations

Industrial relations within social enterprises are based on the interaction between motivated individuals and companies that value the social components of work. This has brought to the creation of a new model of industrial relations where salary is only one of the components.

### Research and knowledge

Those are two fundamental aspects for the creation of social cooperatives and social enterprises models.

They have in fact supported the analysis of the

phenomenon and the development of a deep understanding of its working and impact through specific studies of both theoretical and practical models. These processes have significantly supported the evolution and the development of the sector.

### Specialised Finance

In the Italian experience, a key contribution to the development of the sector has come from the specialised finance and the ethical finance that has grown around the sector. Specialised actors (both private and public) have in fact created a number of specific tools and innovative financial solutions dedicated to the support of entrepreneurial projects particularly within the credit sector, the fundraising and the workers buy out of enterprises hit by the crisis mechanisms. These financial solutions have significantly helped the growth of the sector by bringing venture capital and investments which, by selecting projects where to invest on the basis of sustainability criteria aimed at evaluating the objectives, the feasibility and economic viability of initiatives, have helped the implementation of innovative projects.

### Measuring impact and social accounting

In Italy there has been the development of both a strong theoretical framework as well as practical tools for the measurement of the social and economic impact of social cooperatives and social enterprises (for example through the development of social accounting models). The legislation in the field has supported this development by providing for a standard "social balance sheet" which contains the minimum requirements for social accounting process therefore allowing for a development of specific tools adapted to specific contexts and objectives.

### Innovative public private partnerships

The Italian social cooperation represents a unique model from a historical point of view as well as for the type of solutions it offers to the different territorial needs (also in terms of work related needs). The current crisis has made work integration activities for disadvantaged people even more difficult than before. At the same time, it has created new social vulnerabilities and therefore new employment needs. Work integration should therefore be seen as a multidimensional and crucial aspect to be tackled from different point of views starting from social cooperatives but including also a number of entities that share the



same competences and objectives. This approach has been used in Italy and it has brought to the creation of innovative forms of public private collaborations. For example, the renovation of public spaces and public real estate through joint investments from the public sector itself and social enterprises has allowed for the creation of new social activities (social services, cultural initiatives etc.). These collaborations have represented true management challenges (for both social enterprises and public authorities) but have proved to be forward looking approaches producing very positive impacts for local communities who benefit from new social or cultural initiatives and at the same time see reduced public spending (for example in maintenance of unused real estate).



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