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ABSTRACT

There are at least two types of companies: conventional capitalist companies or Profit Maximizing Firms (PMFs) and, on the other hand, companies managed by their workforce or Labour-Managed Firms (LMFs). The entrepreneurial structures in Spain which include this second type are worker cooperatives (cooperativas de trabajo asociado) and public or limited liability worker-owned companies (sociedades laborales).

This paper describes how this type of company has evolved using a set of indicators and offers a closer look at some of the reasons which explain the current difficult situation which, as will be shown, can be considered as critical in the case of cooperatives.

KEY WORDS: Labour-Managed Firms, worker cooperatives, worker-owned companies, employment.

CLAVES ECONLIT: J210, J540, M410, P130.

Las empresas dirigidas por trabajadores en España

RESUMEN: Existen, al menos, dos tipos de empresas: por un lado, las empresas capitalistas convencionales, o de maximización de beneficios y, por otro lado, las empresas dirigidas por su propia fuerza laboral, es decir, por sus propios trabajadores. En España, las formas jurídicas que se incluyen en este segundo tipo de empresas son las cooperativas de trabajo asociado y las sociedades laborales, que pueden ser anónimas o limitadas.

A través de una serie de indicadores, este artículo describe la evolución de este tipo de empresas, y ofrece una mirada pormenorizada hacia las causas que explican su situación actual de dificultad, situación que, como se verá, puede ser considerada como crítica en el caso de las cooperativas.

PALABRAS CLAVE: Empresas de trabajadores, cooperativas de trabajo, sociedades laborales, empleo.

Entreprises dirigées par les travailleurs en Espagne

RÉSUMÉ: Il existe, en définitive, deux types d'entreprises : d'une part, les entreprises capitalistes conventionnelles ou entreprises de maximisation de profits (Profit Maximizing Firms, PMF) et, d'autre part, les entreprises dirigées par leur propre force de travail ou entreprises dirigées par les travailleurs (Labour-Managed Firms, LMF). Les structures des entreprises en Espagne qui utilisent ce second type d'organisation sont des coopératives de travail et des sociétés de travail anonymes ou limités.

À l'aide d'une série d'indicateurs, cet article décrit comment ce type d'entreprises a évolué, et offre une vision plus détaillée sur certaines des raisons expliquant la situation actuelle difficile, voire même critique dans le cas des coopératives.

MOTS CLÉ: Entreprises dirigées par les travailleurs, coopératives de travail, sociétés de travail, emploi.

1.- High-involvement Organizations: organizational and socio-economic characteristics

In economics the literature distinguishes between at least two types of companies (MORALES et al, 2003): conventional capitalist companies or Profit Maximizing Firms (PMFs) and companies managed by their workforce or Labour-Managed Firms (LMFs) (ROONEY, 1992)¹. The entrepreneurial structures in Spain which include this second type are worker cooperatives (*cooperativas de trabajo asociado*) and public or limited liability worker-owned companies (*sociedades laborales*).

As well as these organizational characteristics, these companies have other aspects in common worth mentioning within the wider economic context. The LMFs continue to create employment which differs from other SMEs in e.g. the balance between viability and solidarity, a greater tendency to permanent employment, greater salary flexibility and their important local impact.

High-involvement organizations² are particularly effective in job creation as they cater for the changing needs of the company and increase the employment capacity of vulnerable, socially excluded groups³, so that they find an supportive framework for development in Local Employment Strategies and Innovation⁴. The LMFs, as well as having purely economic objectives can also offer a response to the social goals of their owner-member workers, who set them up either out of necessity or as a business opportunity, providing themselves with worthwhile⁵ stable⁶ employment (ALMIÑANA and POZUELO, 1998). In companies like these, as the workers themselves are the owners, a much stronger link is forged between workers and company than between other salaried employees and the capitalist organizations they work for (MONZÓN, 1998). The sense of belonging is also fostered, so that the member-workers perceive the LMFs they work in as their own, belonging to them, not to someone else.

1.- Another classification : JANSSON (1986) takes a further step and differentiates between Labour-Owned Firms (LOFs), companies where the workers control more than 50 per cent of the shares and Labour-Managed Firms (LMFs), where the workers hold less than 50 per cent of the social capital. Worker-owned companies can be considered within the first category.

2.- Characteristically enterprises with entrepreneurs, who as such, assume risks, initiate activity, innovate and engage in the productive process and in which the members have to participate in the productive process, in the financial process and democratically in the decision making process. (GARCÍA-GUTIÉRREZ, 1991).

3.- A precarious employment or unemployment situation is indicated as the basic reason for setting up worker cooperatives (COLL and CUÑAT, 2006). The same is true of worker-owned companies. In fact, unemployment capitalization is a key instrument for setting up new worker-owned companies at the present time. A detailed study of unemployment capitalization and the setting up of worker-owned companies can be seen in : (MARTÍN, 2007) and (ASALMA, 2006).

4.- See e.g. : <http://www.guiafc.com/ficha.asp?id=7&ld_f=206>. [Date consulted : 1 Nov.2004]; and EUROPEAN COMMISSION. EUROPEAN SOCIAL FUND. [Online] [Date consulted : 1 Nov 2004]. Available at : <http://europa.eu.int/comm/employment_social/esf2000/article_6-fr.htm>.

5.- While 17 per cent of the workers in cooperatives have a temporary contract, this percentage for salaried workers was 32 per cent (BAREA and MONZÓN, 1992). Years later it was shown that although both percentages had increased, cooperatives still showed job instability 10 percentage points below the rest of salaried workers. (TOMÁS and MONZÓN, 1998).

6.- The reasons for the higher survival rate of firms owned by their workers include job stability, as the worker is involved to a greater extent in the company (PARK, et al, 2004).

In terms of their local impact, high-involvement organizations, especially LMFs, cooperatives and worker-owned companies, are able to improve the social welfare of the local population, boost local initiative, allow equal access to resources and enable a fair distribution of income (CABALEIRO, 2004). This has meant that from an institutional point of view the role of high-involvement organizations has been recognised by the EU (EUROPEAN COMMUNITIES, 1994) from two angles. From a social point of view, they ensure that people can stay to attain their economic and social goals locally, and so there is better integration and greater social cohesion. From an economic point of view, they contribute to the wealth of the entrepreneurial fabric in developing areas. Their importance is also based on how they may be able to correct imbalances in the labour market (CHAVES y MONZÓN, 2004) and bring about economic stability through job creation .

This means that the LMFs, as high-involvement companies, contribute effectively to local development enabling greater integration and social cohesion and at the same time create wealth. Their local roots (here we are considering companies where relocation is not an option), make them attractive from an economic and social point of view, and therefore of interest to any official body interested in fostering the creation of jobs and wealth in its area of responsibility.

This paper describes how this type of company has evolved using a set of indicators and offers a closer look at some of the reasons which explain the current difficult situation which, as will be shown, can be considered as critical in the case of cooperatives.

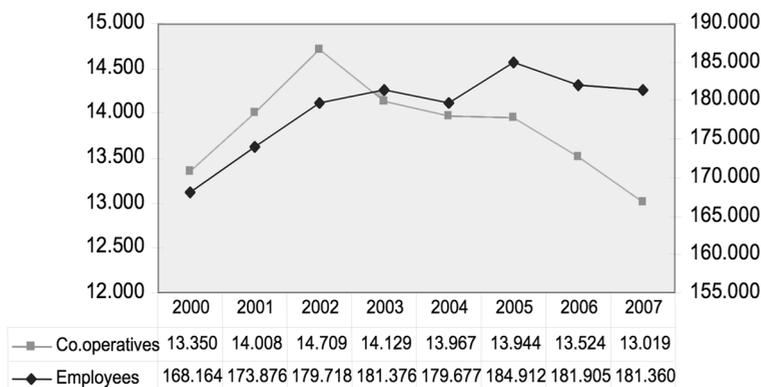
2.- Worker cooperatives

2.1. Special characteristics of cooperative organizations in Spain

Worker cooperatives provide the most significant example of self-managed companies in Spain and therefore of the organizational prototype of this facet of the social economy. The different ways they have developed within Spain and their widespread presence in different economic sectors means that a global and generic overview of this phenomenon will be given, as space and time are limited, with a quantitative rather than qualitative commentary on the data available .

There are around 13,000 organizations and 180,000 workers involved in worker cooperatives in Spain. The trend in recent years (for data not including the self-employed) shows that the number of companies has fallen and the number of workers has levelled off. (Figure 1).

Figure 1. Organizations and Employment in worker cooperatives (2000-2007)



Source: Compiled by the author from data of the Administrative Register. *MINISTERIO DE TRABAJO Y ASUNTOS SOCIALES*. [Online] [Date consulted: 1 September 2008]. Available at: <http://www.mtas.es/es/empleo/economia-soc/BaseDeDatos/base_de_datos.htm/>

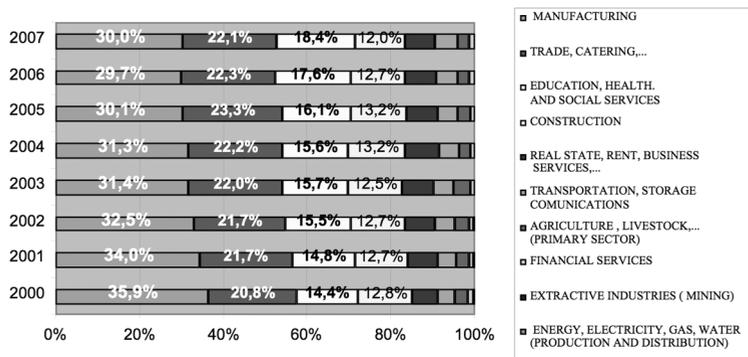
On a sector level the significant weight of the service sector is notable, where the number of existing cooperatives has grown in both absolute and relative terms to include almost half of the cooperatives. As shown in Figure 2, the relevant sectors are trade, catering, education and health services. There is also a significant presence of cooperatives in the industrial sector, with more than 30 per cent. It should be mentioned here that worker cooperatives in Spain include the *Grupo Industrial de Mondragón Corporación Cooperativa*, which in 2007 employed 35,143 cooperative members and which continues to expand as shown by the figures given in the attached table referring to the last 20 years.

Table 1. The worker cooperatives in the MCC (Mondragón Corporación Cooperativa)

Year	Industrial Employment	Sales € (m)
1987	16,020	818.1
1995	15,186	1,573.1
2000	25,593	3,170.0
2004	33,640	10,459
2007	43,440 (80.9 per cent cooperative members)	15,056

Source: Compiled by the author from data in the Report on the cooperative situation in Spain for the years 1987 and 1995, and from data available on 1-09-08 at www.mcc.es

The third most important sector is construction which has steadily maintained around 12 per cent of the employment over the last seven years.

Figure 2. Worker cooperatives employment by sector

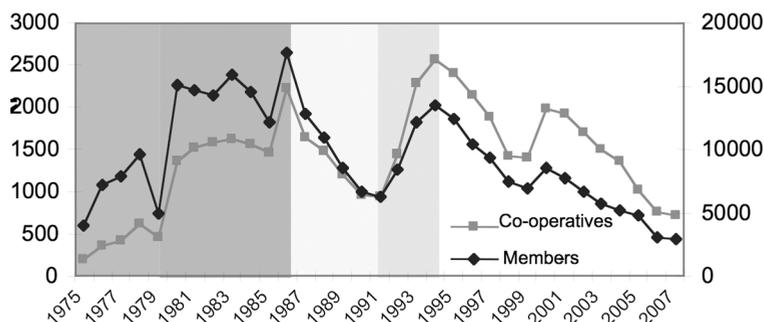
Source: Compiled by the author from data of the Administrative Register. *MINISTERIO DE TRABAJO Y ASUNTOS SOCIALES*. [Online] [Date consulted: 1 September 2008]. Available at: http://www.mtas.es/es/empleo/economia-soc/BaseDeDatos/base_de_datos.htm/

On a regional level, Catalonia, Andalusia, Murcia and Valencia are the regions with the highest number of worker cooperatives. However, in terms of employment the Basque Country is outstanding –with the special case of the Mondragón Cooperative Corporation – along with the regions mentioned above. The employment rate in worker cooperatives has gone up in all the regions.

2.2. Development phases of worker cooperatives in Spain : from peak growth to standstill

The current situation, characterized to some degree by a slowdown and decreasing importance can be explained by different development phases. If we consider the evolution over three decades (see Figure 3), the worker cooperatives would appear to be in their final stage as an entrepreneurial organization – with an increasingly negative growth rate of company creation – and the data on companies of this type created in 2007 show the level of firms and of their members at their lowest ever level, close to those at the start, three decades ago.

Figure 3. Development of the creation of worker cooperatives in Spain (1975-2007)



Source: Compiled by the author from data of the Administrative Register. *MINISTERIO DE TRABAJO Y ASUNTOS SOCIALES*. [Online] [Date consulted: 1 September 2008]. Available at: http://www.mtas.es/es/empleo/economia-soc/BaseDeDatos/base_de_datos.html

These negative indicators can be attenuated to some extent if the survival rate calculated in other studies is taken into account. In fact, the survival rates exceed 70 per cent.

Table 2. Five year survival rates

Concept	1990	1995	2000	2004
Worker cooperatives constituted from 1991 - 1995 (both incl.)		9,550		
Worker cooperatives constituted from 1996 - 2000 (both incl.)			8,840	
Worker cooperatives constituted from 2001 -2004 (both incl.)				6,482
Worker cooperatives active	6,266	12,067 (1)	14,657 (1)	15,982 (1)
Workers employed	124,032	139,852 (1)	175,564 (1)	189,291 (1)
Survival rate		76.3%	70.1%	75.6%

(1) The phenomenon of worker cooperatives in Spain has been affected by at least the different chronological phases detailed below.

Source: Adapted from data by Monzón and Barea (1996).

a) The worker cooperative as a utopian enterprise (until the 1980s)

The first phase includes two important historical periods : the Franco era and the early years of the democracy up to the end of the 80s. The number of worker cooperatives throughout Spain was insignificant, except in the Basque Country. The worker cooperative was seen as a formula which was either utopian – and which attempted to slough off its progressive overtones – or for emergency use –to rescue firms in crisis. The few initiatives there were generally took shape in urban areas and in some industrial and labour-intensive sectors of the economy. The government maintained vertical control of all possible representational bodies which only existed on a clandestine level before democracy and in the years immediately following only in a largely unofficial version, protected to a certain extent by political or trade union organizations.

The policy of promotion was dependent on the famous *Fondo Nacional de Protección al Trabajo*, a fund which enabled access to credit at a time when interest rates were high. The logic which seems to have underpinned these limited measures could be explained as follows : official restrictions caused a financial problem which determined entrepreneurial development to a considerable extent.

b) A solution to unemployment (1980-1986)

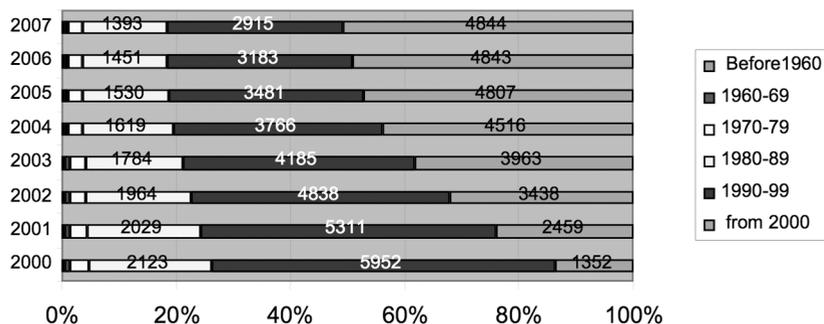
The 1980s saw the widespread emergence of self-managed initiatives. In a wider context, it should be pointed out that the decentralization of production and widespread industrialization were considered in very important sectors as a strategy for abandoning labour intensive activities and where cooperatives could play a significant role. In turn, the administrative decentralization process to the

autonomous regions speeded up exponentially the specific regulation of this type of organization and made Spain into one of the countries with most cooperative legislation per square mile. A whole series of supporting measures also proliferated in all areas of official activity which produced a certain lack of coordination and scepticism towards this type of proposal.

The federative movement became established within a society marked by corporative working where the coordination of interests gave a guarantee of legitimacy with official support and protection and the isomorphism of other representative organizations. The need to create jobs – on the part of the government – and to destroy them – on the part of the large enterprises – encouraged the creation of what in some cases were pseudo-cooperatives (MORALES, 1992) which worked in very precarious and highly dependent labour conditions.

The current cooperative map still reflects this peak growth ; almost one of every five cooperatives was set up between 1980 and 1989 as shown in the analysis of the age of the cooperatives in the period 2000-2007 in Figure 4.

Figure 4. Age of existing worker cooperatives (2000-2007)



Source: Compiled by the author from data of the Administrative Register. *MINISTERIO DE TRABAJO Y ASUNTOS SOCIALES*. [Online] [Date consulted: 1 September 2008]. Available at: http://www.mtas.es/es/empleo/economia-soc/BaseDeDatos/base_de_datos.htm/

c) Self-employment no longer the same as “forming a cooperative” (1987-1996)

In the 1990s the employment opportunities emerging in the local and rural environment began to be exploited. In addition, the public sector, struggling to reduce its deficit, looked for means of public-private collaboration. A multitude of initiatives appeared in the service sector where its highly qualified members sought to take advantage of the opportunities arising from their specific knowledge of near at hand endogenous resources. By 1995, the service sector had become the most important, in contrast to what had happened in 1990. (See Table 3).

Table 3. Worker cooperatives by sector

	1990	1995
Worker cooperatives in the agricultural sector (2)	8.4%	9.4%
Worker cooperatives in industrial sector (2)	42.7%	35.1%
Worker cooperatives in construction sector (2)	11.4%	10.5%
Worker cooperatives in service sector (2)	37.5%	45.0%

Source: Adapted from data by Monzón and Barea (1996).

The supporting mechanisms were directed more to the medium and long term, from a youth and gender viewpoint⁷, and with a coordination policy (entrepreneurial accompaniment of initiatives) and with public bodies closer to the initiatives (town halls). There was a legislative shift which reinforced both the entrepreneurial character and social control and also risked some loss of specificity in cooperative terms. To some extent it seemed that organizations emerged which did not need to sacrifice financial to social considerations. These were worker cooperatives made up of professionals where participation and business efficiency were both assimilated without any internal contradictions. The homogeneity of the group, its small size, the high professional level of its members – in terms of knowledge or experience – were the success factors.

However there is one relevant aspect which appeared at this period. The regulation in the mid 80s of worker-owned companies (see below) began to affect the rhythm of their creation. The growth rate for both cooperatives and companies is similar (see Table 4) except for the steep final decrease caused by the adaptation of worker –owned companies to EU legislation.

7.- According to data from COCETA for 1997, 35 per cent of the labour force in the cooperatives is female. At the same time, the number of cooperatives where women make up more than three quarters of the workforce reaches 20 per cent, a very significant figure. According to this source, approximately one in every four workers in the worker cooperatives is under 30 and the percentage of cooperatives in which more than half the workforce is under 30 is 15 per cent. This reflects the a young presence in cooperatives, or in other words the attraction of the cooperative model as a form of alternative enterprise.

Table 4. Worker cooperatives - Growth rates (1988-1996)

	Worker Cooperatives		Growth rate		Worker-Owned Companies		Growth rate	
	Firms	Members	Firms	Members	Firms	Members	Firms	Members
1988	1,471	10,969			2,237	15,005		
1989	1,203	8,499	-18.2%	-23%	1,662	10,265	-25.7%	-32%
1990	964	6,642	-19.9%	-22%	572	4,335	-65.6%	-58%
1991	937	6,261	-2.8%	-6%	586	5,132	2.4%	18%
1992	1,448	8,409	54.5%	34%	820	5,772	39.9%	12%
1993	2,286	12,188	57.9%	45%	1,077	7,493	31.3%	30%
1994	2,560	13,491	12.0%	11%	1,318	8,439	22.4%	13%
1995	2,393	12,445	-6.5%	-8%	888	5,939	-32.6%	-30%
1996	2,140	10,463	-10.6%	-16%	706	4,260	-20.5%	-28%

Source: Data compiled from the *Dirección General de Fomento de la Economía Social* and European Social Fund.

Measures to encourage job creation, generalized on a countrywide and regional level, began to consider both cooperatives and worker-owned companies as two possible routes for developing new initiatives. This loss of exclusivity shows that compared with the apparent fiscal advantages of the cooperatives the worker-owned company offered greater organizational flexibility and potentially greater adaptability for capturing financial resources, which began to convince entrepreneurs and those prescribing job creation policies.

d) Slow down and standstill. Loss of “originality” of the cooperative enterprise (1997-2007).

This phase can be dated to the last ten years. The loss of originality is based on three facts: the participative and social character could be assumed and recognised by another, more flexible legal formula –the worker-owned limited company; the minimum number of members could be reduced – the micro-company; and the move to the tertiary sector –just like any other entrepreneurial initiative – reinforced this loss of specificity.

In first case, it is clear that over the last decade the limited liability worker-owned company has become the established, dominant formula for self-employment. Compared with the negative growth rates of cooperatives in the same period –except in 2000- there are predominantly positive rates in the creation of worker-owned companies, except over the last two years. This means then that the 21st century shows a clear preference for this alternative formula: more than 81 per cent of the existing limited liability worker-owned companies have been set up since 2001, in contrast to the maturity of the public worker-owned firms, the majority of which (almost 89 per cent) were set up before that date.

In relation to the second argument, –the reduction in size – if we analyze the recent evolution from the average size of the companies created (number of members of worker cooperatives divided by the number of entities created) the tendency is clear : as shown in the data provided *the average size of the entity created is becoming smaller* . This means that over the last two decades it has been reduced almost by half: *from seven members on average per cooperative created in 1988 to four members per entity set up in 2007*. Reducing the required minimum number of members in the constitution has been one of the legal modifications to cooperative regulations at regional and national levels to re-launch the cooperative formula. While this has slowed down the decrease in the number of entities created, it has also become less differentiated as an instrument of self employment – even boosting the creation of ‘family worker cooperatives.’

Finally, with respect to the increasingly tertiary character, the data show that 54.5 per cent of the cooperatives created in the 5 years 1996-2000 were set up in the services sector. The growth of opportunities in this economic sector and the low capital requirement to create companies in this environment are two important reasons justifying this. The cooperative formula of a purely industrial nature, or as a remedy for a company in crisis as occurred in the 1980s is now no longer a significant factor in their creation.

There follows a further examination of the reality of the cooperatives, their peculiarities and development, not only because of their identity as high involvement firms but also because this will help to understand some of the ideas expressed above.

3.- Worker- owned companies

3.1. Legal and organizational characteristics and socio- economic variables

The worker-owned firm is a type of cooperative regulated in the Spanish legal system⁸ which under the legal cover of a conventional capitalist enterprise benefits from its condition as a high-involvement or social economy firm. This is a type of enterprise which has developed its content through legislative modifications from its beginnings in the early 60s up to the present.

8- *The legal concept of the worker-owned company belongs exclusively to the Spanish legal system, although thanks to the efforts of CONFESAL, the Belgian government has shown an interest in the worker-owned companies, with the aim of creating similar regional companies, to reactivate employment and small industry. UK and Italy have also expressed an interest. See: MILLANA (2003).*

With its special characteristics and with the limitations imposed by current legislation on worker owned companies (see *LEY 4/1997, de 24 de marzo*), some of the characteristics of these companies are as follows (LEJARRIAGA, 1991):

- 1) These are high-involvement organizations where members participate depending on their contribution to the company capital, not only in financial and in information and decision-making flows, but also in real flows as suppliers of productive factors, in this case as work providers (GARCÍA-GUTIÉRREZ, 1989).
- 2) These companies are legally presented as limited or limited liability companies which to achieve the qualification of 'worker-owned' have to fulfil certain requisites, set as limitations to meet this condition, with the basic *requisite* being that the majority of the company capital is jointly owned by the worker members, who offer their paid services to the company personally and directly in a permanent labour relationship. This qualification is approved by the *Ministerio de Trabajo y Asuntos Sociales* or by the relevant authority in the region where the activity of the company takes place.
- 3) These companies are subject to a two-fold legislation; their own specific regulations and for areas not included in the *LEY de sociedades laborales*, the current regulatory legislation for public limited companies⁹ or limited liability companies¹⁰, depending on the case in question.
- 4) A series of restrictions is derived from the legal framework itself, including limits on the distribution of the company capital, as no member can hold more than one third of the company capital and the majority of the capital has to be owned by the worker members with the exception of a public partner; or the limits to the work carried out by non-member workers, where the number of hours per year worked by non-member workers with a permanent contract must not be more than 15 – 25 per cent of the total hours per year worked by worker members, depending on the number of members; or the limitations on share transfers, with an existing order of priority for acquisition; or the limitation on the distribution of results, given that as well as contributing to the legal or statutory reserves as appropriate, a Special Reserve Fund must be set up with 10 per cent of the yearly net profit, which reduces the profits distributed among the owners.

In relation to the socio-economic variables of worker-owned firms, we can highlight the increase in the contribution of worker-owned firms in terms of added value during the period 2000-2004, with a growth of 89.07 per cent.

9.- SPAIN. DECRETO LEY 1564/1989, de 22 de diciembre, Texto Refundido de la Ley de Sociedades Anónimas. B.O.E., del 27 de diciembre.

10.- SPAIN. LEY 2/1995, de 23 de marzo, de Sociedades de Responsabilidad Limitada. B.O.E. de 24 de marzo.

Table 5. Main socio-economic variables of worker-owned firms during the years 2000, 2004 y 2007

	31 Dec. 2007	31 Dec. 2004	31 Dec. 2000	Relative Variation 2000-2007
Number of companies	19,737	19,393	11,935	65.37%
Jobs	124,784	116,852	84,870	47.03%
Average number of workers	6.3	6.0	7.1	-11.27%
Added value €(m)	n.a.	3,302.8	1,746.9	89.07%*

Source: Compiled by the author from data of *Ministerio de Trabajo y Asuntos Sociales*. [Online] [Date consulted: 1 September 2008]. Available at: <http://www.mtas.es/es/empleo/economia-soc/BaseDeDatos/base_de_datos.htm> and <<http://www.mtas.es/es/empleo/economia-soc/BaseDeDatos/DatosFiscales/Indice.htm>>

NB: The relative variation has been calculated between 2000 and 2004, as the data for 2004 are the most recent available from the database of the *Ministerio de Trabajo y Asuntos Sociales*.

The majority of the 124,784 workers in worker-owned companies are found concentrated in five autonomous regions with 23.3 per cent in Andalusia, 10.8 per cent in the Basque Country, 10.5 per cent in Madrid, 8.7 per cent in Catalonia, and 8.4 per cent in Valencia, with these regions totalling 61.7 per cent of the employment generated by the worker-owned companies.

Examining the distribution of the employment generated by activity sectors we can see out that 47.3 per cent of the workers in worker-owned companies belong to the service sector, compared with 26.7 per cent in construction, 24.5 per cent in industry and 1.5 per cent in agriculture. In the case of limited liability companies, the highest number of workers is concentrated in services (49 per cent), and construction (32.5 per cent), with industry representing 16.7 per cent and the agricultural sector 1.7 per cent. However, the workers in public worker-owned companies are mainly found in the industrial sector (44.7 per cent), due to their origins, as these are companies within the industrial sector which were taken over by their workers in crisis, and in the service sector (42.6 per cent), with far less in the construction sector (11.9 per cent), and the rest in the agricultural sector (0.8 per cent). In both these types of companies the construction sector has reduced its presence compared with the previous year.

Considering the survival of worker-owned companies¹¹ shows a positive increase in the average life span¹² compared with the previous period. 34.83 per cent of the limited liability companies lasted 9 years, while 51.82 per cent lasted five years. Considering the public worker-owned companies, 34.29 per cent survived 9 years, while 58.22 per cent survived 5 years.

11.- Empirical evidence shows the higher survival rate of worker-managed companies (LMFs). (NEARY and ULPH, 1997).

12.- One of the reasons explaining the higher survival rate of company owned by their workers is employment stability, as the worker is involved to a greater extent in the company (PARK, et al, 2004).

3.2. Phases in the evolution of worker-owned companies in Spain

The current position of worker-owned companies is the outcome of a process of change in business reality and regulation, briefly summed up in Figure 5. At each stage the worker-owned company has been the response mechanism to very diverse business needs. At present, debate is underway on the proposed reform of *LEY 4/1997*, currently in force on the initiative of CONFESAL, with academics, researchers, representatives of official bodies, political parties, trade unions and socio-economic organizations. Clearly, one of the aims of this legal reform is to encourage the integration of the permanent worker as worker-owner of the company, offering workers facilities to acquire stock or shares in the company.

Figure 5. Stages in the legal development of Worker-owned Companies

STAGE 1 (up to 1986):

From SALTUV to the LEY 15/1986 de Sociedades Anónimas Laborales

Application rules: Orden Ministerial approving investment plans of the former Fondo Nacional de Protección al Trabajo.

Characteristics: Only public companies, takeover of companies in crisis, medium size, industrial sector.

STAGE 2 (1986 -1989):

From LEY 15/1986 de Sociedades Anónimas Laborales to the publication of the LEY 19/1989 de reforma de legislación mercantil and the REAL DECRETO LEGISLATIVO 1564/1989 which approved the revised text of the LEY de Sociedades Anónimas.

Application rules: LEY 15/1986 de Sociedades Anónimas Laborales and LEY de Régimen Jurídico de las Sociedades Anónimas de 17 de julio de 1951.

Characteristics: Only public companies, newly created companies, small, service sector.

STAGE 3 (1989-1997):

From the LEY 19/1989 and REAL DECRETO LEGISLATIVO 1564/1989 which approved the revised text of the LEY de Sociedades Anónimas to the LEY 4/1997 de Sociedades Laborales

Application rules: LEY 15/1986 de Sociedades Anónimas Laborales and revised text of the LEY de Sociedades Anónimas.

Characteristics: Only public companies, newly created companies, small size. Created less because of increased requirement of minimum company capital, service sector.

STAGE 4 (1997-present):

From the LEY 4/1997 to present

Application rules: LEY 4/1997 de Sociedades Laborales, and:

- If public company: Revised text of LEY de Sociedades Anónimas
- If limited company: LEY 2/1995, de 23 de marzo, de Sociedades de Responsabilidad Limitada

Characteristics: Public companies and limited liability companies, newly created companies, Micro-companies, service sector.

Source: Author.

Within a context of precarious paid employment, where micro-companies or small and medium-sized enterprises are set up as single mechanisms for establishing new business initiatives, the worker-owned companies have demonstrated their capacity for creating stable employment. This means that at present the worker-owned company is a small, newly-created and located in the service sector. This will be examined further below.

Based on registry information, on average 4536 firms have been set up over the last seven years in Spain. Since 2003 there has been a very notable decrease in the number of entities set up, with 2006 showing the most important slow down in recent years. (The reduction was 31.68 per cent compared with the previous year and 60.62% per cent compared with 2002, when more than 6000 companies were created).

Table 6. Worker-owned companies registered during the period 2000-2006

	2000	2001	2002	2003	2004	2005	2006
Firms	4,851	5,454	6,013	5,353	4,249	3,466	2,368
Relative Variation	7.28%	12.43%	10.25%	-10.98%	-20.62%	-18.43%	-31.68%
Members	17,405	19,387	21,209	19,088	15,558	12,491	8,969
Relative Variation	4.92%	11.39%	9.40%	-10.00%	-18.49%	-19.71%	-28.20%

Source: Compiled by the author from data of the Administrative Register. *MINISTERIO DE TRABAJO Y ASUNTOS SOCIALES*. [Online] [Date consulted: 1 September 2008]. Available at: <http://www.mtas.es/es/empleo/economia-soc/BaseDeDatos/base_de_datos.htm>. No data available for 2007.

In contrast, out of the total 2368 companies registered in 2006, 98.90 per cent are limited liability worker owned companies (compared with 98.87 per cent in 2005). Although the relationship between the relative weight of the two types of companies used to set up a worker-owned company has not significantly altered since the *LEY 4/1997* was passed, due to more flexibility in the minimum capital required for the limited liability worker-owned companies, with the public worker-owned companies having only a testimonial presence, we can see that in 2004 the drop in the rate of new companies created affected the limited liability worker-owned company to a greater extent than the public worker-owned company. However, in recent years this behavioural pattern has been inverted, with the public worker-owned company showing a greater decrease than the limited liability worker-owned company.

An analysis of the number of worker-owned companies registered with Social Security from the year 2006 shows a gradual reduction, particularly in 2007 with a 2.61 per cent reduction compared with the previous year. Although this tendency has been evident in public worker-owned companies for several years now, it is important to note that 2007 was the first year when the figure for limited liability

companies was lower than the preceding year, given that at that point the growth trend was slowing down gradually to 1.01 per cent in 2006, although it was still positive.

In 2006, Andalusia was the region which registered the highest number of worker-owned firms, representing 25.76 per cent of the national total (3.87 percentage points lower compared with 29.63 per cent the previous year.). Taken together, the regions of Andalusia (610), Catalonia (279), Madrid (273) and Valencia (246), make up 59.46 per cent of the total worker-owned companies registered in Spain.

The majority of the worker-owned companies registered in 2006 belong to the service sector, representing approximately 58.49% of the total (compared with 60 per cent the previous year), a difference due to the higher profile of the construction sector which has moved to 24.28 per cent of the total compared with 23.25 per cent the previous year.

In 2000, 98.27 per cent of the worker-owned companies set up were limited liability, higher value, similar to the whole group of limited liability companies set up in the same period in relation to the total trading companies (95.67 per cent). As shown in Table 7, the percentages are similar, remaining steady in the case of the worker-owned companies(98.90 per cent in 2006) and increasing in the trading companies group (98.57 per cent).

Table 7. Worker-owned companies compared with the total trading companies created 2000-2006

Type of company	a. Public worker-owned company	b.Limited worker-owned company	c. Worker-owned company (c = a + b)	d. Public company	e. Limited liability company	f. Trading companies (f=d+e+ others.)
2000	84	4,765	4,849	4,953	110,492	115,493
2001	79	5,373	5,454	3,844	106,784	110,648
2002	58	5,955	6,013	3,152	111,563	114,738
2003	70	5,283	5,353	2,631	121,108	123,750
2004	58	4,191	4,249	2,259	128,726	130,992
2005	39	3,427	3,466	2,182	136,768	138,981
2006	26	2,342	2,368	2,109	146,837	148,964

Source: Compiled by the author from data of the Administrative Register. *MINISTERIO DE TRABAJO Y ASUNTOS SOCIALES*. [Online] [Date consulted: 1 September 2008]. Available at: <http://www.mtas.es/es/empleo/economia-soc/BaseDeDatos/base_de_datos.htm/>. No data available for 2007. INSTITUTO NACIONAL DE ESTADÍSTICA. [Online] [Date consulted: 1 September 2008]. Available at: <<http://www.ine.es/jaxi/menu.do?type=pcaxis&path=%2Ft30/p151&file=inebase&L=0>>.

The number of public worker-owned companies set up during this period decreased by 69.05 per cent, a higher percentage than the 57.42 per cent of their basic legal format, the public company. On the other hand the limited liability worker-owned companies have been increasingly represented in relation to the whole group of limited liability companies created, in a context in which the limited liability company is of increasing importance.

3.3.- The worker-owned company as a business model to follow

By fostering corporate social responsibility the European Union hopes to obtain more competitive and profitable economies, with environmentally conscious sustainable growth and social objectives, not centred exclusively on financial considerations¹³. This means that the goal of value creation through the generation of profits for the company owners is achieved through investment in social welfare.

Throughout their history worker-owned companies have demonstrated that it is possible to make purely financial aspects and social objectives compatible¹⁴ and to compete in the market without endangering their survival. This means that they may provide a model to follow for other types of conventional capitalist companies which want to incorporate social responsibility into the development of their activities. The worker-owned companies have an advantage in this context.

On the other hand the European Union has shown itself to be in favour of encouraging the widespread use of participative policies for workers in their companies independently of the size of the company in the different member states, which may contribute to a wider acceptance and local implementation on the ground. In this context since the early 90s there have been various proposals recommended to the Council on this material drawn up by the European Commission which resulted in the Council Recommendation of 27 July 1992¹⁵. Among the reports drawn up to encourage the financial participation of employees in member states there are the three important PEPPER reports (*Promotion of Employee Participation in Profits and Enterprise Results*).

13.- COMMISSION OF THE EUROPEAN COMMUNITIES . COMMUNICATION COM(2003) 27 , 21 Jan , Green Paper Commission . The entrepreneurial spirit in Europe , p.3-4. [Not published in Official Journal]. [Online] [Date consulted : 1 September 2008]. Available at : <http://eur-lex.europa.eu/LexUriServ/site/es/com/2003/com2003_0027es01.pdf>.

14.- The personal contacts between the different agents which intervene in the entrepreneurial activity in small firms leads to the development of relationships of trust and transparency to a greater extent than in large companies. See: MERINO DE DIEGO (2005).

15.- EUROPEAN COMMUNITIES RECOMMENDATION 92/442/CEE, Council Recommendation of 27 July, in relation to encouraging worker participation in company profits and results (including capital participation I). O.J., L 245, 26 August.

What is aimed at with the financial participation¹⁶ of employees in the companies¹⁷ they work for is an alignment of the interests of both workers and owners, favouring a reduction in conflicting interests of the two groups. The involvement of these workers (MERCADER, 2005) will be greater, given that part of their earnings depends on the company success, which in the end is translated into improved production¹⁸, competitiveness, employment quality and profitability¹⁹. In this way, more stable links are created between the worker and the firm, reducing employee turnover²⁰, increasing job stability and boosting motivation. This means then that implementing financial participation plans in firms allows risk and profit sharing, which has advantages for both the firms themselves and for the employees (CAHILL, 2000).

The worker-owned company is included in the models proposed by the EU within the context of the PEPPER reports, to allow the financial involvement of employees. This legal formula allows the financial participation of employees who work in small and medium sized enterprises or in micro-companies to be defined. The financial participation of the worker members has a positive effect on their job satisfaction, and in addition is linked with their shared ownership in proportion to their participation in the company capital and therefore in the decision-making process of the company, as well as their participation in results depending on their contribution to the company capital (MARTÍN *et al*, 2007).

4.- Conclusions

Cooperatives are a reality of certain size and significance in Spain with more than 30,000 organizations providing more than 300,000 jobs²¹. These are also firms which contribute to local development, which have an inherent special sensitivity in terms of social responsibility, which are not going to relocate and so allow greater integration and social cohesion and at the same time provide wealth and stable employment.

16.- An analysis of the financial participation of workers in US, Europe, Korea, Taiwan and Japan can be found in : POUTSMA, *et al* 2003.

17.- COMMISSION OF THE EUROPEAN COMMUNITIES. The Pepper Report. Promotion of employee participation in profits and enterprise results in the Member States of the European Community. Directorate-General Employment, Industrial Relations and Social Affairs, 1991, p. 233. [Online]. [Date consulted: 21 August 2008]. Available at : <<http://www.eurofound.eu.int/docs/areas/participationnetwork/pepper1.pdf>>.

18.- The OECD reports show that under similar conditions of premises and technology, productivity is at least 10 per cent higher in companies with participation systems . See: (JAUREGUI *et al*, 2004). The fact that the workers take part in decision making, profit distribution and productivity, means improved productivity for the company. See : DOCUCOULIAGOS (1995).

19.- EUROPEAN COMMUNITIES COMMISSION. PEPPER II promotion of participation by employed persons in profits and enterprise results (including equity participation) in Member States, COM(96) 697 end, 8 Jan, 1996, p. 44. [Not published in Official Journal]. Available at: <<http://www.eurofound.eu.int/docs/areas/participationnetwork/pepper2.pdf>>.

20.- EUROPEAN COMMUNITIES COMMUNICATION COM (2002) 364 end, 5 July, Council Commission , to the European Parliament , the Social and Economic Committee and the Committee of the Regions in relation to a framework for workers' financial participation . [Not published in the Official Journal]. Available at:<http://eur-lex.europa.eu/LexUriServ/site/es/com/2002/com2002_0364es01.pdf>.

21.- According to data from the Encuesta de Población Activa devised by the INE, in 2007 the total number of wage-earning employees was 16,760,000 so that worker-owned companies generate 0.74 per cent of paid employment while worker cooperatives generate 1.08 per cent.

However, in their development trends a certain slowdown can be seen in the generation of 'participative' self employment in accordance with the principles of social economy –above all in the case of the worker cooperatives. This situation merits the adoption of urgent measures.

The worker-owned company, on the other hand, is a very interesting alternative in the creation of new, small entrepreneurial units. The tendency of these to polarize as nano-companies makes us suggest that the future of worker-owned companies may be through the sole proprietor limited liability company or, within the scope of a new variant of the limited liability company (the newly-created limited company), through the newly-created limited worker-owned company.

Finally, all the agents with an interest in LMFs becoming a business model of reference for the future must seek solutions to aspects such as the need for external assessment, training in new technologies, how to find new creative formulas for accessing funding, the typical infrastructure difficulties at the activity start up and the need to stimulate their competitiveness on the basis of business networks, given their reduced size as enterprises. The response to these challenges will determine the future of LMFs in Spain.

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