Expanded abstract

Economic Democracy: companies´s engine in XXI century

Objectives

The objective of this article is, first, to analyse the relationship between the high productivity and competitiveness achieved by developed economies that are "innovation-driven", according to the classification established by the World Economic Forum (WEF), and the mechanisms established in these countries for decades to balance the bargaining power between employers and workers, including the development of laws on worker participation in companies.

Secondly, it aims to draw conclusions on how Spain, at a time of significant technological and productive disruption, can successfully deal with the current macro trends of global transformation, from digital transformation and the ecological transition to a low-carbon economy, to the great demographic changes, including migration.

The starting point is the consideration that, in "innovation-driven economies", new technologies, globalization and the expansion of the service sector have transformed unskilled labour into a secondary factor of production, giving prominence to talent. In this new paradigm, many goods and services acquire "artwork value", i.e. an intangible added value that consumers associate with quality, brand or status. To obtain this "artwork value", the fundamental elements of business competitiveness are human and organizational capital.

Design/Methodology/Approach

This analysis is based on a comparison of data from Spain with several countries that lead the group of 'innovation-driven' economies (Germany, Sweden and Denmark) in terms of productivity (source: OECD), competitiveness (source: WEF), and the Inequality-Adjusted Human Development Index (source: UN-HDI).

A more detailed comparative national analysis has also been carried out between Sweden and Spain on:

- Different aspects that define the quality of the labour market in both countries, such as: cooperation between employers and workers; workers' rights; and the link between wages and productivity (source: WEF).
- Different issues relating to corporate management culture, such as: the delegation of authority; the growth of innovative companies; and companies that propose disruptive ideas (source: WEF).
- Wage increase (source: Data Explorer on Labour Compensation per hour worked, OECD).
- Spending on continuing vocational training per worker (source: Eurostat).

Results /Limitations Research/Implications

It has been observed that in the most advanced ‘innovation-driven´ economies, i.e. Germany and the Nordic countries – particularly Sweden and Denmark – there is a direct relationship between the great productivity gains achieved in recent years and a more balanced bargaining power between employers and workers. This greater balance has led to a much more collaborative form of business management, in which a significant part of strategic business decision-making is shared with workers. This has contributed decisively to improving the organizational capital of companies in these countries. It has also driven the increasing qualification of their human capital, which has led to numerous technological successes for companies in these countries.

Furthermore, in Germany, Sweden and Denmark, there has been a great legislative development of systems for worker participation in companies, in Germany since 1951, which has had a decisive influence on the greater balance achieved in their companies between the interests of capital and labour.

In Sweden in particular, over the last two decades, there has been a sharp increase in productivity in a context of strong wage increases, with hourly wages rising by 151% between 1995 and 2022. The situation is completely different in Spain, where the lower productivity and innovation capacity of Spanish companies has been accompanied by a smaller increase in hourly wages, only 94% over the same period. WEF data indicate that:

1) In Sweden, there is close cooperation between employers and workers within companies. Sweden ranks seventh in the world ranking, while Spain ranks 73rd.
2) The considerable labour rights granted to workers in Sweden place it as the top country in the world. Spain ranks 44th (before the 2022 labour reform).
3) As a result of all this, there is a strong relationship between wages and productivity in Sweden, which ranks fourth, something that does not happen in Spain, which ranks 92nd.
4) There is little delegation of authority in Spanish companies, we rank 69th, compared to Sweden’s second place.
5) Spain also has a low growth rate for innovative companies, ranking 78th, while Sweden ranks third.
6) Likewise, in Spain there are a small number of companies that propose disruptive ideas, which places our country in 83rd position, while Sweden ranks 14th.
7) In Spain, spending on continuing vocational training per worker has fallen over the last decade, which is very unfortunate. The ratio of training expenditure per worker in Spain has fallen from 61% of Swedens´ expenditure in 2010 to just 51% in 2020.

The lack of interest among spanish companies in training their workers is largely due to the fact that many of them maintain very authoritarian and uncooperative management systems. This attitude is in clear conflict with the strategy of competing through value creation, promoting innovation and harnessing the full potential of workers’ human capital.

These figures show that the fact that Swedish workers have maintained the purchasing power of their wages, thanks to a greater balance in bargaining power with shareholders, has been a powerful incentive for the modernisation of their companies, opposite to what has happened in Spain.

The main limitation has been the lack of continuity in the WEF's Competitiveness Reports, which ceased publication in 2019.

Practical Conclusions and Original Value

One of the main conclusions is that in 'innovation-driven´ companies, which are essentially composed of talent, giving greater decision-making power to workers also has positive effects from the perspective of economic efficiency. Greater collaboration in management between employers and trade unions improves the organizational capital of companies and motivates workers to maximise their human capital. In the same way that the main interested in maximising the value of the physical capital of 20th-century Fordist companies were their shareholders.

Spain's prospects for successfully deal with the current macro-trends of global transformation will depend on its ability to modernise its productive structure, invest in human and organisational capital, and democratise business management. It is therefore essential to have a framework for the continuity of public policies that, over the last five years, have been committed to making Spain an 'innovation-driven´ economy:

1. Develop a smart industrial policy that, beyond 2026 when the Next Generation Funds will finish, provides continuity for the technological investments that are enabling to reindustrialise our country, with national public resources.
2. Continue with public policies to rebalance capital and labour, such as the 2022 labour reform, the increase in the minimum wage over the last five years, and the promotion of public funding for ERTEs (temporary layoffs). Most of these have been achieved within a framework of social dialogue between employers and workers, which has led to more than twenty agreements.

However, the global reconfiguration of value chains opens up an opportunity for Spain to redefine its industrial and technological role. In order to move towards a broad consensus on Spain's productive future which would represent a paradigm shift in relation to our past, a third pillar should be developed:

3. The democratization of the labour relations model through the approval of a law about worker participation within companies that develops Article 129.2 of the Spanish Constitution. The authoritarian management models inherited from Fordism are ineffective in this context. Business success is increasingly linked to cooperative and participatory organization, based on trust, continuous training and the involvement of workers in decision-making. Therefore, in Spain, the democratization of companies would improve our competitiveness by taking advantage of all the capabilities of our human capital and definitively placing us among the group of countries whose economies are 'innovation-driven'.