

Expanded abstract

The role of trade unions in the conversion of bankrupt commercial enterprises into social economy enterprises: a review of the literature and the Spanish and Argentine cases

This paper examines the role of trade unions in the transformation of bankrupt or crisis-stricken capitalist firms into social economy enterprises, with a particular focus on the Spanish and Argentine cases. Through a systematic review of the academic and institutional literature, the study explores how unions have influenced or responded to processes of business recovery driven by workers, analysing the diverse degrees of union engagement -ranging from open support to cautious distance- and identifying the key factors that shape such participation. The work also contributes to the comparative understanding of labour movements and collective organisation within the broader field of social economy studies, where worker-ownership and self-management challenge traditional notions of industrial relations.

The starting point of the paper lies in the recurring question of how workers and their organisations react when firms face insolvency or liquidation. While conventional crisis management models emphasise early detection, containment and recovery strategies from a managerial standpoint, this research shifts the focus toward workers' agency. When employers abandon a failing company, employees may decide to collectively take control, transforming the firm into a cooperative or a labour-owned company. Such initiatives represent a distinctive form of resilience that connects economic survival with democratic participation in production. The literature widely recognises the counter-cyclical behaviour of cooperatives, which tend to endure better through crises because they prioritise employment maintenance and social utility over profit maximisation. Cooperative ownership alters incentive structures, reduces the need for external control, and fosters mutual monitoring and solidarity among members, thereby increasing both productivity and organisational commitment.

The paper situates these dynamics within the broader historical and theoretical debates of the social economy. It argues that worker takeovers are not spontaneous miracles but responses rooted in specific institutional and cultural contexts. They rely on pre-existing networks of solidarity, legal frameworks that allow worker buyouts, and, crucially, the presence or absence of union support. The central question is whether trade unions -traditionally built to negotiate with employers- can adapt to a reality where the "employer" is collectively replaced by the workers themselves. The research addresses this tension by tracing the evolution of union-cooperative relations in Spain and Argentina, two countries where worker-led recoveries have been particularly significant.

In Spain, the conversion of firms into labour-owned companies (“sociedades laborales”) has its origins in the 1960s, when the first worker-controlled enterprises emerged as mechanisms to save jobs in industrial decline. The phenomenon intensified during the crises of the 1970s and 1980s, when the destruction of millions of industrial jobs forced workers to seek alternative ownership structures. The 1986 Law on Labour Corporations (“Ley 15/1986”) formalised this model by stipulating that the majority of the capital must belong to employees with indefinite contracts, ensuring democratic control. The 1980s thus became the decade of institutionalisation for this model, aided by the return of democracy and the legalisation of unions such as Comisiones Obreras (CCOO) and Unión General de Trabajadores (UGT). These organisations recognised that worker-ownership could provide a pragmatic solution to unemployment, even if it challenged their conventional role as representatives of employees vis-à-vis employers.

Throughout this period, union involvement in Spain oscillated between pragmatic engagement and strategic caution. In many cases, union activists were directly involved in company rescue initiatives, providing legal advice, negotiation expertise, and access to government support. Unions often struggled to reconcile their representational identity with the self-management logic of worker-owned firms. The question of how to maintain collective bargaining mechanisms in enterprises where workers are simultaneously employees and employers remained a point of conceptual and practical tension.

The case of TUSGSAL, the public transport company of Badalona, exemplifies the positive potential of union participation. In the mid-1980s, faced with the bankruptcy of the previous operator, a group of 117 workers -supported by UGT- founded a labour corporation that preserved both the service and the jobs. Today, TUSGSAL remains an operational and stable enterprise, attesting to the viability of such reconversions when unions provide technical and organisational backing. The Spanish experience, therefore, reveals an evolving pattern: from initial ideological suspicion to strategic collaboration, underpinned by the recognition that social economy models can align with union objectives of employment protection and democratic work organisation.

The Argentine case, by contrast, represents a more spontaneous and conflict-laden process of worker recovery. The 2001 crisis triggered the massive closure of factories, leaving thousands of workers unemployed. In response, groups of employees occupied their workplaces and began to operate them collectively, giving rise to what became known as “empresas recuperadas” (recovered enterprises). These experiences, numbering over 300 by 2014 and involving around 13,000 workers, emerged in a context of political disillusionment, economic collapse, and social mobilisation. Workers turned to the cooperative model as a legal and organisational tool to maintain production, supported by community assemblies, university networks, and local movements. Government programmes, later institutionalised partial support, but the initial momentum came from grassroots mobilisation rather than state or union initiative.

Empirical studies show that the outcomes of Argentina’s recovered enterprises were largely positive in terms of job preservation, income stability, and worker empowerment. Although wages often remained below national averages, workers achieved greater control over their labour process, introduced egalitarian pay structures, and established safer and more par-

ticipatory workplaces. The cooperative form fostered a sense of collective ownership and social solidarity that transcended purely economic concerns. Yet these achievements were not devoid of challenges: many cooperatives faced difficulties accessing credit, navigating legal recognition, and ensuring long-term sustainability. Moreover, the role of trade unions was, in many cases, ambivalent or even obstructive.

The divergence between supportive and hostile union attitudes can be traced to broader structural transformations within the Argentine labour movement. During the neoliberal reforms of the 1990s, privatisations, subcontracting, and deregulation weakened unions' organisational base and reduced their leverage in collective bargaining. When the 2001 crisis erupted, many union structures were ill-prepared to respond. In some cases, local branches or rank-and-file activists backed the recoveries; in others, national leaderships remained distant. Scholars such as Arias (2008) and Palomino (2005) have documented this uneven landscape, noting that only a few unions, notably in the metal and textile sectors, played an active role in initiating or sustaining worker takeovers. Nevertheless, despite this limited involvement, the recovered enterprises demonstrated the enduring capacity of workers to self-organise even in the absence of institutional support. Over time, new federations of cooperatives -such as FACTA- emerged to articulate these experiences, creating alternative networks of representation parallel to, but not necessarily opposed to, traditional unions.

Comparatively, the Spanish and Argentine cases illuminate different trajectories of interaction between unions and the social economy. In Spain, the process evolved within a relatively stable institutional framework, where unions gradually integrated cooperative models into their broader employment strategies. In Argentina, by contrast, the relationship was shaped by crisis, political volatility, and a fragmented labour movement, resulting in sporadic cooperation and frequent mistrust. Yet in both contexts, the underlying question remains the same: can unions redefine their role in a post-capitalist workplace where the employer no longer exists as an external counterpart? The literature suggests that this requires a profound cultural shift. Unions must move from a paradigm of confrontation to one of co-management, learning to operate as allies of worker-owners rather than their representatives against an absent boss. This transformation also demands new legal instruments to reconcile collective representation with democratic ownership, ensuring that social economy enterprises remain both economically viable and socially accountable.

The paper concludes that trade unions possess an untapped potential to act as catalysts in the conversion of capitalist firms into social economy organisations. Their experience in negotiation, advocacy, and policy influence can provide critical resources to worker groups attempting to rescue failing businesses. However, successful collaboration depends on several interrelated factors: the ideological openness of unions to self-management principles, the existence of supportive legal and financial frameworks, the degree of trust between unions and cooperative federations, and the political context in which such processes unfold. The Spanish model demonstrates that long-term institutional cooperation is possible, while the Argentine experience reveals that grassroots initiatives can thrive even in the absence of formal union support, though often at higher social and economic cost.

Ultimately, the study underscores the need for renewed dialogue between the labour movement and the social economy. In an era of recurrent crises, automation, and precarious employment, worker-owned enterprises offer a feasible alternative for preserving jobs and democratising production. Trade unions, rather than perceiving these initiatives as marginal or utopian, can incorporate them into a broader strategy of labour empowerment and economic transformation. Building alliances between unions, cooperative networks, and public institutions may thus represent a key pathway towards resilient and socially embedded forms of enterprise. The evidence reviewed here invites policymakers, researchers, and labour leaders alike to reconsider the boundaries of collective action, recognising that the future of work may well depend on the capacity of workers not only to negotiate with capital, but to collectively assume its functions in pursuit of social justice and economic democracy.