FOURTH EUROPEAN MEETING
OF EMPLOYEE OWNERSHIP
BILBAO MONDRAGON 2002
21- 23 NOVEMBER 2002 BILBAO, BASQUE COUNTRY, SPAIN

With the support of :
European Commission DG Employment & Social Affairs
Basque Government
Confederación Empresarial de Sociedades Laborales
Groupe Suez
Agrupación de Sociedades Laborales de Euskadi
The Capital Ownership Group
Mondragon Corporación Cooperativa

FEDERATION EUROPEENNE DE L'ACTIONNARIAT SALARIE, aisbl
EUROPEAN FEDERATION OF EMPLOYEE SHARE OWNERSHIP, aisbl
Avenue Voltaire 135 à B-1030 Bruxelles • Tel/fax +32 (0)2.242.64.30
marc.mathieu@pi.be • www.efesonline.org • www.sociedades-laborales.net

TABLE

Thursday November 21 2002 (morning):
Presentations and round tables: Best and wrong practices of Employee Share ownership

OPENING

The President of the European Federation of Employee Share ownership (EFES), Pierre Vanrjikel, opens the meeting and welcomes the participants of the whole world. He thanks the participants and the hosts of Bilbao and Mondragon. He hopes that the congress will be beneficial and that the exchange of best practices experiences and know-how will make it possible to increase the impact of Employee Share Ownership (ESO) in Europe.

The President of the EFES Pierre Vanrjikel (on the right-hand side of the picture) opens the Fourth European Meeting of Employee Share Ownership, in the presence of Marc Mathieu (EFES), Joseba Azkarraga Rodero (Minister of the Basque Government) and Robert Oakeshott (Meeting Chairman)

Marc Mathieu, Secretary-General of the EFES, welcomes the participants of this Fourth European Meeting of the Employee Share Ownership.

Since its creation in 1998 and the three previous European conferences, the EFES has contributed to hundreds of thousands of new achievements. It takes concretely part in Employee Share Ownership development and does not limit itself to political lobbying. The effects are direct in the firms and for employee shareholders.
The EFES has become a platform for Employee Share Ownership.

For example, the Internet site centralizes now many questions and information requests.

Another practical result is the admission of 45 new members at the general meeting of Saturday November 23.

Some have questioned the usefulness of a new exchange about best practices.

Marc Mathieu notes that the communication from the European Commission still insists on this experience sharing.

But this meeting will make it possible to go further. In an international context of financial crises and scandals, we will indicate what the good practices and rules that we want to see implemented in Europe are.

The now one-year long financial crisis marked by bankruptcies and scandals (Worldcom, Enron, and Vivendi), has led scores of people to dispute Employee Share Ownership.

ESO endures its first crisis in history. We will therefore learn together, through high-level speakers, the lessons to be drawn from this situation.

We are also making progress with the European institutions.

1 The European Commission has published a new communication which encourages the States and the social partners, and motivates all the actors to take further action.

2 The Economic and Social Committee of the European Union has just established a specific group on the promotion of ESO.

3 The European Parliament has also set-up a committee.
We see it, the Institutions of Europe take overtly charge of the promotion of Employee Share Ownership.

In addition, during the conference of Washington of last October, the Capital Ownership Group (the USA) committed itself to promoting ESO worldwide.

Still in Europe, the enlargement to countries from Central and Eastern Europe, will require an enormous work if professional and federative organizations likely to encourage and promote ESO and participative firms are to be developed.

ESO makes visible progress in many European Union countries. Belgium and the United Kingdom have adopted new legislations. France and Finland have undertaken positive actions.

Besides, it is necessary to consider the initiation of information and public awareness campaigns in the few European countries that still lag behind.

Another objective of this Fourth European Meeting is to set new priorities of action. A significant point on the agenda is the definition of European training programs in ESO.

For all these reasons, Spain and the Basque Country propose completely original models. The object of this meeting in Bilbao is thus to broaden their sphere of activity and contemplate the transposition of these models in other countries.

Belgium will embark on such discussions through the organization of a conference on Sociedades Laborales in March 2003.

Mr Joseba Azkarraga Rodero, Minister of Justice, Employment and Social Affairs of the Basque Government, welcomes the participants on his behalf and on the Basque government's behalf. He expresses his satisfaction at the organization of this Fourth European Meeting of the Employee Share Ownership in the Basque Country where the presence of co-operatives and Sociedades Laborales (SAL) is very significant.

He stresses that facilitating workers participation means supporting a long-term anchorage at the territory on which it takes place.

The objective of the Basque government is to support employment quality. They view workers participation as a vector of integration and want to support a corporate culture based on co-partnership.

To the workers, participation means: autonomy, responsibility, motivation, recognition, and decision-making sharing.
To the manager, it means sharing the firm's objectives, developing competitiveness and setting priority on human and social resources. That is very important and makes it possible to retain skilled workers.

The firm's social responsibility is also very important and passes through a greater investment in human capital. It has an internal dimension that concerns workers such as, for example, employees participation in profit-sharing and shared ownership schemes.

Marc Mathieu, Secretary-General of the EFES and Mr. Joseba Azkarraga Rodero, Minister of the Basque Government of Justice, Employment and Social Affairs

The Minister is aware of the existing difficulties and obstacles, as well as the prevailing cultural distrust but that does not discourage him.
Thus over the three last years, he has contributed to phasing in participation schemes in Basque firms, especially in the ordinary ones (not under SAL statute).
Achievements involving :

- Diagnosis making;
- Employees participatory schemes;

- Feasibility studies on the increase of ESO.

The results will depend on the representation and the contacts with European networks working in this direction.

The aims and interests of such a meeting are to exchange experiences. A mutual knowledge that will be very beneficial to relations between employees.

To the Minister, it is not only about encouraging what one called " popular capitalism ", but rather about supporting the worker's personal development and firm's growth.
The model, whatever the legal form, must be appropriate to the firm's specific culture.

This Meeting will make it possible for the participants to swap experiences, discover diverse realities of the ESO and first of all, Basque reality.

The Minister, on behalf of the government, wishes all the participants a pleasant stay. He hopes they will have the occasion to comprehend by themselves the Basque reality, which admittedly faces occasionally some difficulties. But the Basque Country is a hopeful and resolutely forward-looking community.

LESSONS OF ENRON'S BANKRUPTCY

(Round table of American and European experts)

The aftermath of Enron's bankruptcy, has given rise to many discussions in the USA and in Europe Employee Share Ownership (ESO) and the American model. What are the lessons of the Enron's bankruptcy and others for the Employee Share Ownership? Foundation for Enterprise Development (the USA) has drawn up a White Paper. Here are the principal tracks of reflection.

David Binns

Vice-president of the Beyster Institute - Foundation for Enterprise Development (the USA)

The American point of view

After the bankruptcy of Enron, many problems arose at various levels and one can analyse them in retrospective of the two last years. I will address:

1 Issues regarding the Enron's bankruptcy
2 Reactions in the USA
3 Future prospects: how to introduce more stability in all the forms of popular capitalism and more particularly in Employee Share Ownership (ESO).

The Foundation for Enterprise Development published a White Paper just after the bankruptcy of Enron. As opposed to what one thought, it was not a problem specific to a firm or a country but it could affect the whole ESO.

Besides, we could draw up a list of a dozen firms which had the same problems: from accounting irregularities to far too close relations between financial advisers and companies' CEO, to fraud cases.

In the case of Enron's bankruptcy, the courts have not yet given a verdict but there is evidence of heaps of irregularities which have nothing to do with ESO.

It is my best concrete example: showing the speed to which the 22 ^{2nd} company of the USA disappeared within 3 or 4 months.

The accounting irregularities medias have reported on, referred to specific accounting problems in every single subsidiary. Irregularities have been discovered in 3.000 of these firms.

The employees held part of these shares and when these irregularities were discovered the company started collapsing like a house of cards.

<u>Remark:</u>

In the USA, it is through pension funds that employees hold shares. Tax breaks had been granted via pension saving funds. During the crisis, the employees did not know anymore what to do because their investments had been frozen.

In addition, more than three billion dollars vanished in the markets for high technologies. There was also a lot of employees' stakes in these firms.
The book of Josef Blasi, "In the company of Owners", studies this specific aspect of popular capitalism in high-technology firms.
There has been an enormous loss in value but, initially, employees received pretty much money. These firms have a more egalitarian, less hierarchical structure and a less aggressive use of employees' shares. For the first time in the history of monetary capitalism, a large segment of the market made it possible for employees to earn more. There is thus in this system, a positive and a negative side.

1 Advantage: increase in profits
2 Drawback: loss in value

<u>Outcome and consequences analysis</u> (in Enron and other large companies):

It is necessary to return to a very clear distinction between book-keeping activity and other activities, between advice given to firms in general and advice given to a firm in particular.

<u>Examples of monitoring measures</u>:

- International pressure at boards of directors' level to deal with stock-options matters.

- Very strict firms liability as regards corruption or crimes, prohibition of certain loans to executives, controls by board of directors and the Securities and Exchange Commission (SEC).

<u>What did not occur:</u>

An amendment of the specific legislation concerning pension funds and Employee Share Ownership, retirement pension schemes and other sectors.

The debate was held in the Congress but there was no discussion concerning the risks incurred by shareholders and employee share owners.

In any case, one should not throw the baby out with the bathwater:

We should not limit companies' liability to a framework that would be suitable for ESO.

We need reforms to encourage a greater mobility, so that employees can transfer their assets within their firm or to other listed companies.
A very lively debate is being carried out within the Foundation for Enterprise Development and between representatives of employees concerning the plans in question.
We should also take account of tax havens.
We should not limit the firms' room for manoeuvre in order to protect the possibility of creating flexible structures to promote ESO.

Conclusions:

The lessons of the Enron's bankruptcy will have to be the main topic of discussions in the USA and at the international level. The incentives for senior executives (stock-options) can be perverse, because temptation is great for holders to optimise their shares to the detriment of the company as a whole.
It is necessary to continue extending the possibilities of stock-options holding in companies while also taking care of exerting a more significant control at board of director's level. We also need regulation to protect retirement pension schemes from risk exposure, in particular for employees shareholders.
David Binns is eager to begin a debate and share viewpoints on the efforts made in many countries to promote, but also to reform ESO.

On arrival at the Convention centre of Bilbao, left to right: Marc Mathieu (EFES), Javier Muñecas (ASLE), Pierre Vanrijkel (EFES), the Basque Minister of Justice, Employment and Social Affairs, Mr Joseba Azkarraga Rodero, Javier San José Barriocanal (ASLE), and the General manager for Social Economy in the Basque Government Mr Jesus Ispizua

Eric De Keuleneer
Chairman of the Administrators Foundation (Belgium)

The European point of view

It is important to study the experience of the USA because they influence the financial practices of the whole world in general and Europe in particular.

I would like to insist on one of the aspects of the financial market in the USA during the last 50 years, which is not discussed over there but to which Europe has not adapt.
A basic assumption has been developing in the USA since the 1950/1960's.

If the financial markets are perfect, do they have to pay dividends or capital gains? Is this the same thing?

If they are perfect, the dividend paid reduces the company value.
If the dividend is not paid, the shareholder will obtain a capital gain.
In addition, dividends are taxed and capital gains are not.

It has been an essential characteristic of the US market for ten years. It has had very perverse consequences.

The academic theorists and the banking industry believe in the perfection of the American market and thus that this theory must hold, that dividends do not count.

The question should however be raised: why would people buy shares if it was not to obtain the dividend, to make a profit on capital gains?

In this nature of things, the aim is to increase the shares price and there are no limits, it is a vicious circle:

If the aim of an investment is to produce capital gains, one enters into a frenzy of capital appreciation that has been going on for centuries.

The issue:

This logic of appreciation derives from the theory of maximisation of the shares held by the shareholders and is very often used in opposition to the optimisation of value of the concerned parties.
In my opinion, there is not a great difference between the two. On the long term, the interests of the shareholders and involved parties (partners, employees, customers, suppliers, employees shareholders) converge.
But if one buys a share for his appreciation, one will have to keep pace with price fluctuations day by day (via Internet or SMS...): one has to keep a close eye on how the stock markets stand. It is a mindset, you have to envisage employee share ownership as being on the lookout for daily profits.

The idea that senior executives should be remunerated by stock options (SO) suits well to this mentality of capital gains. They are more interested than anybody else in an increase in the short-term value of the shares.
It is very wrong to regard somebody holding SO as an owner. It is not a matter of semantics but of mentality.

In Employee Share Ownership, we should not mistake a shareholder for an option holder whose option is often granted. There is no risk if the company fails but a significant benefit if there is a rise in prices in the short term.

The value of the option depends on the share volatility. It is a consequence of the nature of the option.

On the market, the value of the options depends on two things: the underlying value of the share and the volatility of the share itself. The shareholder as such is not interested in the volatility of the share.

There is a gap between option and share holders: it is a major problem for employee owners because they are often holders of both types of security.

On the one hand, they hold shares of their own company. On the other hand, all the employees, indirectly, hold stock market shares through the retirement pensions plans.

They are long term shareholders. The sole remuneration of the share is the dividend and the dividend is no longer paid.

A study showed that in the USA, the amount of money spent by firms for the purchase of their own shares is larger than that devoted to the payment of dividends. Typical feature of American companies, profits (especially those made by pension funds) are no longer used to remunerate shareholders but to buy up shares issued for senior executives in relation to stock-options schemes.

The shares will not produce a return any more...
Ex: Microsoft shares: prohibition to pay dividends. They used up 40 million dollars cash to invest in various sectors which have not generated any profit.
What is then the interest of Microsoft shares?

Another significant issue: budget transactions (Enron and others)

The objective of these transactions is to hide something. This problem was not identified but it might not have been as significant as what the auditors saw.

There is thus a conflict of interest for external audit companies. Many of these companies are paid to deal with off balance-sheet transactions and make assessments.
Why did these companies wait so a long before showing that the value of Enron was not what it seemed?

Conclusion

Most of the problems arise from the boards of directors' ineffectiveness. They think that stock-options have solved the agency issue: that the CEO is equally interested in his own interests and in those of the company.
On the contrary, SO have aggravated the agency issue. This is why, it is important to concentrate on the formation and operation of boards of directors.
That also concerns employees.
As it is the case in the Netherlands, the Work's councils could play a significant role.
A reasonable request would be that the work's council receive an evaluation made by an independent body on the operation and formation of boards of directors.
One would then speak of the professional appraisal of employees and administrators.

Didier Blouin

(Suez Group)

1 The Employee Share Ownership of Suez

110.000 employees share owners (ESO), i.e. 55% out of 200.000 employees.
Among those, 54.000 are not French but employed by the group in 30 countries, half of them in Europe.
The community of the ESO is the 2nd shareholder of the group with 4% of the stock equity.
The contribution of personal investment amounts to 141 million euros paid up in three operations (1999, 2000, 2002), an average personal contribution of 800 euros.
Choice between three five-year term financial products:

- Traditional SPRING product: risk of share and capital gain loss proportional to contribution in case of sale;
- SPRING Multiple product: security, guaranteed personal capital contribution, leverage effect;
- Freedom not to subscribe.

This policy supposes a commitment, because when one asks the ESO to agree to pay 280 million euros of discount, there is a true will.
It also rests on a conviction: to become shareholders, employees have to subscribe to the company's goals by buying their shares. (Suez is against the award of free shares)
The firm is not safe from turbulences in the market. In May 2002, a share was priced at 21,16 euros (€29,13 in 2000; €25,66 in 1999). Since June, it has been ranging between 15 and 19 euros.

2 What is Suez?

Motto: *" You bring the essence of life "* Services group: water, energy and waste treatment.
Sales turnover: 45 billion euros. 130 countries. Among the 20 most internationalised groups.
The policy is modelled by the personality of the group: fast external growth on a basis of a bicentenary company.

Characteristics:

- Many employees have been working there for two or three years;
- atomisation: numerous companies everywhere, with less than 50 people, close relation to customers;
- Strategy of combination between various lines of industry together and joint strategies;
- Sharing of basic essential values.

Objectives of ESO:
Strengthening the community within the group, its cohesion, its membership, more than a capital increase! Allowing a participation in the growth of the group but it is not an additional remuneration.

3 Considerations on Enron:

a- " One cannot durably mislead everyone ": Enron is a criminal case. By its disproportion, it defies every limit.

Ex: It is against the nature of things for a manager to sacrifice the durability of the company for immediate profits.
One of the solutions could rely on better supervision by boards of directors.

b- Fighting off the dominance of short-term memory
E.g.: In 1999, the project of turning the French retirement pay-as-you-go system into a capitalization system (pension funds), increases risks. But employees did not see these risks, because the American economy was very strong.

One characteristic of Suez protection is to limit employee's contribution. This principle had to be recalled by the French in one of our firms in the USA.

c- The employee shareholder is not an ordinary shareholder.
Suez bolsters this European conception.
Because of:

- the weight of " the sense of partnership ": even in a difficult economic situation, the employees have entire confidence in the capacity of recovery of the firm. Ex: Between May and July 2002, 33.000 new ESOs in Suez although the share value had dropped.
- the majority of the ESOs are blue collars, not familiar with the stock market.
- the context is international: no bond between the Belgian electrician of Electrabel and the garbage collector of Sao Paulo.
- the integration of the ESO culture.
- securing the employee's contribution, protecting investment: from a global perspective, it is necessary to create specific statutes for the ESO, very often remotely inspired from the existing country's legislation.
- Exercising ESO rights is not easy, especially at international corporate level.

d- The employee must receive a specific protection = the only way of developing ESO!:

- Capped investment = floor of 10 euros and ceiling at 25 % of annual wages,
- Protected personal contribution,
- Hope of a significant profit from where a leverage effect appears (and adapted taxation),
- Freedom of disengagement, even if, tax breaks consent involves blocking the shares for 5 years

e- The firm must deserve the employees' confidence: clarity and transparency, possibility of withdrawal.

There is a great difference between the simplicity of the discourse, the complexity of the product and the honesty between the two. Another element is the importance and the regularity of information.

Two difficulties:

- the banks must adapt to new types of customers,
- Representation and exercise of the rights: Suez comes up against the representation of the international shareholding.

<u>Conclusion:</u>

A. Can the European Union (UE) be an engine of ESO? It is necessary to go into the direction of a mutual recognition of the legal tools. The principal problems are in Europe.
B. It is absurd to ask an employee to buy a share and to tax him on the basis of incomes he has not earned yet: capital transfer tax.
C. It is necessary to battle in favour of a minimum European harmonization: it is the objective of the EFES.

Deborah Groban Olson

Executive Director, Capital Ownership Group (COG)

Deborah Olson, lawyer for trade unions and specialized for 20 years in ESO has been impressed by Mondragon and the achievements of the co-operatives. She cites this example in contrast to the Enron's bankruptcy. In Mondragon, one works on an harmonized growth with a sense of community and fair distribution. On the contrary, in Enron, dividends and benefits were the sole and ultimate goals.

1. The governance

In most countries, one agrees to work on the basis of the principle: a man = a voting right. But we often participate (*"futile system")* in the firm, as pointlessly as we take sometimes part in Society. Vic Thorpe speaks about the principal points of governance which must be developed if we want to progress.
What do we have to do? Are trade-unions able to do anything?

2. Achievements of the COG

The COG is an Internet-based working group whose aim is to develop ESO and to fight the negative consequences of globalisation.

The COG organized a conference in Washington in October 2002 on the strategies of the globalisation. The central issue was: ***" How to make globalisation more democratic and more sustainable? "***

Topics of discussion:
1 Principal strategies to push ESO forward, especially from a legislative perspective;
2 International conference on "Fixing Globalisation":

Globalisation: ESO is not yet regarded as a strategic means for fighting the negative consequences of globalisation, except by a few believers of whom we are! We have advanced ESO as one of the possible strategies before representative from various sectors. The aim is to increase the audience of ESO and to work in synergy with organizations that fret over globalisation.

The Enron scandal is not only an example of bad practice but it also caused an all-out crisis in California and that for the benefit of some irresponsible people.

So, how to take an action that forges ahead?

The results of the strategic conference (see site www.capitalownership.org) concluded that political opportunities should be developed to increase the visibility of ESO and its capacity to solve social problems.

An interesting example is Argentina: several cases exist of workers taking over their company on the verge of bankruptcy. In some cases, they have turned the firm round.

3. Long-term solutions:

- overall adoption and implementation of ILO standards
- market access to preserve a minimum threshold of democracy and decent living conditions

- trade unions structuring and international visibility
- participation on the broadest possible basis

4. Objectives for the COG in the next 5 years:

- developing exchanges and concrete actions (15 working groups exist *on-line),* incentive to develop and participate in additional working groups and to take concrete actions
- identifying existing mechanisms and policies as regards ESO
- supporting exchanges of shares
- developing the Web site
- publishing a newsletter on ESO and bringing ESO onto ILO agenda
- forming a COG international coalition around ESO and globalisation
- creating study programmes (masters) designed for the good management of companies and the integration of ESO.

Eric De Keuleneer (Foundation of the Administrators), Marc Mathieu (EFES), David Binns (Beyster Institute - Foundation for Enterprise Development), Deborah Groban Olson (COG) and Didier Blouin (SUEZ Group)

TOWARDS THE DEFINITION OF RECOGNIZED RULES OF GOOD PRACTICES IN EUROPE

As a result of surveys conducted in the various EU countries, one can head for a definition of a reasoned set of good practices rules for employee financial participation in Europe.

Erik Poutsma

Nijmegen School of Management

He proposes an evaluation of the positive and negative sides of financial participation in Europe.

Questions:

1. What is financial participation?
2. How did it develop in Europe?
3. What are the characteristics of the good practices?
4. What are the principles of the European Union?
5. What are the development prospects?

1. What is financial participation?

Financial participation is not a universal phenomenon. It is a multidimensional phenomenon, with varied objectives, that govern the relations of exchanges between owners, investors, managers, and employees.

This definition applies in a different way according to the countries.
ESO has a variety of objectives, that does not only relate to savings, goods, shares...
The extent of the definition makes the analysis of the good practices complex and an entire variety of practices is to be taken into account.

Differences in the systems and names of financial participation:
Broad or narrow participation, dependent on the performance of the firm or not; remuneration in addition to the wages or integrated into the wages; plans which result from an agreement between social partners or unilateral policy from the employer; deliberative participation or not; international or local level.

2. Developments in Europe

ESO has developed in Europe in various forms.
Here are the results of a very broad study undertaken in Europe.

There is a very great difference between ownership schemes: between companies of more than 200 employees (30%) and others; differences between broad-based schemes and narrow-based ones; great diversity of ownership schemes in terms of contents and in terms of diffusion; the more diffused schemes are, the larger the base is (France and United Kingdom); increase in the plans organized by management (more stable in Ireland and in the United Kingdom) but the legislations are about to change; sharp rises in France, the Netherlands, Denmark and Finland.

3. Characteristics of the good practices

What are the criteria of good practices?

Definition: these schemes must meet the common objectives of the two parties (alignment of interests) and be an added-value to the employees' savings.
An example of good practice is the case of firms where employees participate in the decision-making process and where their action has an influence.

The resulting study gives a list of countries and companies together with their practices.

Examples:

- Firms listed on the stock exchange or not. In SME the percentage of ESO is larger than in the large enterprises, more collective, and participation is emphasised. In the large companies where participation accounts for an average of 1% of the workforce. It is based on individuals and centred on remuneration.
- Similarities: productivity is not the main focus. The plans are part of a wage package. One of the prime objectives is identification, sense of belonging, collaboration. Then come the effects on productivity and profitability.

The 13 most significant characteristics of good practices

1. alignment with the various concerned parties' interests from the outset
2. identification and added-value to savings
3. collective development with the employees' representatives, not on individual basis
4. plans on collective basis with voting rights, protection measures, statutes and controls
5. plans managed jointly by the various parties
6. equitable distribution
7. voluntary basis
8. plans integrated in equivalent functional practices for the parties
9. plans supported by a good communication policy and consultation practices
10. several possible mixed participation plans set in parallel
11. company consolidated by a well-established internal market
12. evaluated and amended plans: very mobile and dynamic
13. intensive training in financial participation: very important!

Conclusion

The process of implementation, of control and the conditions aim at preventing errors, misuse, mistakes. The idea is to create a situation of immediate response because of the influence of the employees on the control of these plans. That minimizes the problems. In fact, those plans provide for successful systemic measures for identifying needs.

From the perspective of good practices, it is not the contents and the conditions that matter but the implementation process of the plans.

QUESTIONS AND DEBATES

1. Suggestion of another interesting practice in Mondragon.

They include a feedback and a commitment in order to influence the company regarding customers, suppliers, employees training.
The co-operatives supervise retailers, employees get training, students follow curricula... They are very attentive to customers' needs on quality.

Erik Poutsma: It is an interesting prospect for the development of ESO and the firm external development. That depends on the context. It is also necessary to take account of the work carried out at Human Resources level. But it is necessary to consider the cultural and institutional differences from one country to the other.
Ex: Grenoble: training school within certain firms.

Marc Mathieu: one of the priorities for the next years should be a training curriculum on ESO. Some have already developed a university program in ESO management, and a training scheme for employees.
There are various training aspects that we should discuss.

2. Experience of the Gasolina company in Poland.

If we want to develop ESO, it would be necessary to start with primary schools.
The most important thing is to introduce an academic education that integrates ESO management : trained to have a " mentality of participative and motivated shareholders ". That will have an effect on the working behaviour and on the involvement in the firm. In Poland, we have very positive experimental programs for students.

3. Tony Dunne (Ireland): the question I am asking myself is why do we make use of ESO programs in firms?

Is this to influence the firms' policy or to make direct financial transactions?
In certain public companies, shares have been distributed. They haven't always been used in the interest of the firm (what should the trade unions' role be?), but sometimes wasted by certain individuals. That deserves reflection.

Deborah Olson It is the difference between Mondragon and Enron.

The programs which we set up are programs of transition. Because in the USA, there is only a part of the shares value which is concerned. Whilst Mondragon and other co-operatives are more stable because the major part of the shares belongs to the whole community. In the United Kingdom and in the USA, we have more capitalist models. Therefore, we need programs of transition. But if we continue in this direction, it is likely to be very, very expensive.
If we want to develop ESO, it is in a spirit of community and benefit for the workers, stressing the interest in the capital of the firm as a whole.

E Poutsma: It is necessary to keep in mind that ESO was not created with the purpose of increasing the influence of ESOs. In some firms, there is an influence sharing. This is a question recurring: what should we do with the employee profit sharing and how to make it functional for society as a whole and in the long-term?
In Ireland, a first stage has been initiated and the question now is to find out what to do with it. What is the added-value for employees?

4. Davis Binns spoke about popular capitalism, the legislation we have in the United Kingdom has been conducive to a greater corporate democracy, we have tested various co-operative and community-based approaches.

Some practices are not sustainable but as a whole, ESO is a good thing. Reflecting on it is always positive.

5. Shann Turnbull (Australia): How important is the practice of share trustees in Europe?

In the USA, GB and Australia, the trustees have a major flaw as regards the implementation of ESO plans because they have fiduciary duties. Firms are responsible, the institutional investors consider the financial aspects and not the social ones. The recipients share the pension schemes but employees cannot always take part in all the plans.

In Australia, shares are directly held by shareholders. The fiduciary problems arise. What would be the good practice that should be implemented in Europe?

E Poutsma: In France, the problem of the trustees does not exist in a formal way.
In the Netherlands, there is the possibility of a collective shareholding by using an association with specific objectives.
It is possible to develop rules of collective participation even if the voting rights are individual.

Marc Mathieu: the legislation is different in every single country of Europe, which raises the question of the objectives and the organization of Employee Share Ownership.

In the Anglo-Saxon system, there is the ESOP (Employee Stock Ownership Plan = Plan of Employee Share Ownership). Beside it, an association of employees owners exerts a supervision.

In France, the employees become shareholders on a sheer individual basis. There are associations of ESO in the firms but they have difficulties in exerting their voting rights because they do not own the shares.

In GB, does the new legislation provide for anything about the trustees?

David Erdal: The new British law has become an Act of Parliament. It is a private initiative carried out by the co-operatives which have established a democratic model for ESO. There is no binding basis but only a model good practices. This law will restore very significant tax incentives previously withdrawn.

Nobody has yet invented a good institutional framework for ESO. We fight for it but there will always be a tension between collective and individual.

Mondragon is an effective example: the individual participates directly but the whole company is collectively managed.

In GB, the trustees must take care of the financial interest and it is unlawful to set up a trust for a very specific aim.

With the case of Enron's investment funds, we have discovered a gap in the legislation. The act of Parliament is concerned with ESOs' interest. A new process has started.

Mr. Mathieu: The new Belgian law recommends that the ESO be organized in co-operative, it gives a collective orientation to ESO.

6. Gojko Stanic: Slovenia example

We make a display of our forces so that work contribute to the well-being of the present and future company. It is necessary to be competitive, competition exists, and to make a minimum profit. This is how civilisation can survive, with an economic democracy, on global and local level alike.
In Slovenia, in many firms, management and employees have accepted a democratic approach. We try to control the companies in a concept of sustainability from generation to generation, as in a family.
The whole privatisation process goes in this direction, in fact the firms develop better and more quickly. The companies are not for sale. The best enterprises pull out from stock exchange quotations to keep control. If we want the employees to be shareholders, we are obliged to pay dividends because people need money.
In Slovenia, the Enron case would be impossible because there are rules written in the statutes and a collaboration between ESO and management. There is a special shares control by management and accounting departments.
It is important to institute a special control of:

- share sale and purchase;
- management;
- accounting departments.

The ESO must be active and take part in the firm's strategy.

7. Vincent Dutfoy (France)

General Delegate of the French Federation of associations of employee shareholders (FAS) and President of the ESOs of the Crédit Lyonnais.

About Enron scandal: at the time when the scandal broke, one said: it is the end of ESO because it is a non-diversified financial product. But a few years before Enron there was the Maxwell scandal. If there were not any non-diversified investment, neither investment in pension funds multi-firms nor mono-firms, what would then be the solutions? Establishing controls, promoting management transparency and honesty.

About the opinion poll of employee share owners in France (Hewitt/Euronext): the FAS contributed to the underlying philosophy and draw-up of the questions. This survey reveals the very interesting following element : in the midst of stock market stagnation, more than 50% of the ESOs are ready to reinvest in ESO!

About the exercise of voting rights of ESOs' shares:
In France: - if direct shareholding: individual voting rights;
- if collective management: the shares are deposited in a trust fund which exerts the voting rights because it is controlled by a supervisory board. It is appointed either by representatives at the worker's council, or by underwriters to the trust fund on the basis of one man, one vote. In the latter case, it is the democracy which expresses itself because everyone can forward its list, including the trade-union organizations and associations of ESO, gathered or not (de facto association).
In all the firms where this type of poll took place, it is the non-trade-unions and apolitical lists which were elected. The ESOs want to choose their representatives so that the members of the supervisory board represent the ESOs appropriately.

Didier Blouin: I spoke about the current project of legislation in the USA which would prevent an employee from investing more than 10% of his annual wages. Suez observes everywhere the rule which prevents an employee from investing more than 25% of his annual wages, whatever the form of participation is. The leverage effect can reach 2,5% of the annual wages.

Outside a national framework, employees representation is a true problem. No solution is self-evident. As a firm, we do not have the means of setting up a independent body that both represents all the countries and ensures durability.

Marc Mathieu: the Belgian law limits investment of more than 10% of the annual income.

8. Jean-Paul Feldbusch (Soficatra, Belgium).

His company assists co-operatives in raising capital and help employee-owned firms obtain financing.

As regards employees' involvement: what are the employees' motivations to buy firms' shares?
Because, in the case of " Workers Buy Out ", I am perplexed. Despite their company's bankruptcy, some workers still buy up knowingly the shares.
Has a survey about ESOs degree of satisfaction or frustration ever been carried out?

Erik de Keuleneer: About the representation of ESOs
Fundamental issues have been raised here. I am convinced that an employee on a board of directors faces a conflict of interest. He cannot at the same time represent the firm's interests and the employees' interests.
In the USA and GB, the legal traditions bar an investment banker from sitting on the board of directors. One cannot manage people's money and sit on the board, as an hostage of the company.
In *Financial Times* one spoke about fund managers as independent members of the board.
The ESOS should choose a representative who does not represent a specific interest.

Erik Poutsma: it would be necessary, indeed, to conduct a research on ESOs' satisfaction degree, especially when things turn sour.
The problem of ESOs' influence differs sharply from one country to another. Management and supervision are two separate things. The conflict of interest is typical.

9. Patrick Guiol (CNRS, France): Are there any studies of ESO impact on the life and performances of the firm, according to the size of the firm? From a qualitative and quantitative point of view.
Marc Mathieu.: (see EFES web site) : www.efesonline.org

Erik Poutsma: That is very difficult to evaluate. There is a relation between the size of the firm and the degree of participation. The larger one company is, the less ESO there is. There is no tangible evidence of increase in democracy within the firm.
When looking at concrete cases, one can see a relationship between quality and participation, but there are no available figures.

10. Javier San José Barriocanal (Asle, Basque Country)

There are many conflicts of interests and the key element to solve them passes through the training of workers.
The example of training in Labour limited companies (SAL):

- the operation of the SAL, decision-making process;
- ESOs' rights and duties;
- basic knowledge on the economic and financial situation of the firm.

People knowing better the situation and the rules can make decisions and avoid conflicts of interests which are significant in the SAL since workers participation is maximum.

11. Example of Denmark

1 In Denmark, workers and management have representatives on the board in spite of the fact that they do not own shares in the company. All the administrators are content with this situation because there are thus several sources of information, including the CEO. As a matter of course, this involves some stress on the representatives of the workers.
2 Democracy depends on the degree of participation. At 2% ownership, being owner is a simple benefit. At 5% (average sum 10.000 euros), that represents a small value. The more participation increases, the more one is attentive to what's going on: 20 % of participation can involve changes in the firm.

12. David Wheatcroft (Great Britain)

There are always conflicts of interest in life, the interesting part is to be able to manage them! I thus think that it is a myth.

The problem of the new legislation, it is that it does nothing but fill the gaps of the previous legislation. At the time of the new legislation on trustees, the trade unions did not take part and opportunities were missed.

The representativeness of the shareholders always raises questions. The problem we will always encounter is to determine who holds the largest number of shares of the company.

13. Janos Lukacs (Hungary)

13 years ago, I was very enthusiastic and I worked hard to develop ESO and participation. Today, I am depressed! I realize that ESO sheds light on some business circles practices, like Enron. That makes things even more complicated for employee shareholders.

My question: what should be firm's mission, for all the parties?
How to develop the representation of employees and the honesty of management? Especially in developing countries as in the East.
These difficulties depress me but somehow it is also a challenge for us because ESO brings out the dysfunctions of the economic system.
I want to let you know that in April 2003, the conference of the network of the ESO in Eastern Europe will take place in Slovenia.

14. Dan Bell (The USA)

About the conflicts of interests: if you don't have an interest to defend, then you have nothing to say at board meeting. The presence of employees help balance the interests within the boards of directors.
Diversity matters and ESO corresponds to people's needs. We must define the aims and the objectives of participation (pension plans, supervision rights in the firm, ESOP in the USA, participation in the capital). We want a legislation which enables employees to do more and not less. It is also necessary to consider the abuses and the means of limiting them.

15. Henri Marchal (Bank Brussels Lambert - Ing, Belgium)

In the good practices, one speaks about a share - a voting right. ING has two types of shares: with and without voting right.
How should this problem be solved?
How can a community's point of view be expressed?

16. Erik Poutsma

It is a very difficult and political question: the impact of the voting rights depends on the number of voting rights, it is necessary to try to obtain a majority, that does not prevent democracy.

The impact of the representation varies according to the number of shares held.
In some ESO associations, the representation is based on a voting right per person and a common strategy. The guiding principle of good practices is an equitable distribution for all.

Participants assembled in the room of the Convention centre in Bilbao.

Myriam Biot (EFES), the kingpin of the Meeting, and from left to right José Hernandez Dunabeitia, General manager of the Basque Federation of Sociedades Laborales ASLE, Javier San José Barriocanal, CEO of ASLE, Patxi Ormazabal, External Relations Manager of Mondragon Corporacion Cooperativa and Jesus Ispizua, General manager of the Social Economy of the Basque Government.

Thursday November 21 2002 (afternoon):

THE SOCIEDADES LABORALES MODEL

<u>Workshops 1 and 2:</u>

The Spanish and Basque model of Sociedades Laborales (SAL) allowed the creation of 15.000 firms and 100.000 jobs within a few years.

Why this success of Employee Share Ownership (ESO) in businesses creation? What are the legal bases, the history and the prospects?

In each area, the SAL are grouped together into federations of firms (for example ASLE in the Basque Country). They have created business and training centres in order to assist member enterprises in their management and development.

Miguel Millana, President of the CONFESAL (Spanish Confederation of Enterprises of Labour Limited companies (SAL).

<u>The SAL model</u>

<u>Definition:</u>
The SAL are self-managed firms whose principal actors are workers with limited resources, who combine their forces towards a common objective: maintaining stable employment.

<u>Characteristics:</u>
The SAL are limited companies with objectives of profitability and redistribution of dividends. They are integrated in the forms of commercial legal partnership: limited companies and limited liability companies but with own specificities.

The SAL statute provides for a whole series of conditions:

1 The authorized capital: 51% of the authorized capital must belong to the workers. Each member can only own a maximum of a third of the authorized capital. The aim is to avoid concentrations. Only one exception to this ceiling is provided for by the law : the public authorities and the non-profit-making associations can own up to 49% of the authorized capital of a SAL.
2 Two types of members: member-workers who in addition to their capital share are also bound to the firm by their employment contract, and the ordinary members who invest money in the firm but do not work there (they are a minority).
3 Limitation on the recruitment of non-member workers bound by permanent contracts, because all the workers must have an opportunity to become members. This limitation results from a calculation in percentage of the average of the total workforce annual worked hours. The number of hours which can be worked by non-member workers is calculated accordingly. This limitation does not apply to fixed-term contracts.

Animated discussion at the Convention centre of Bilbao, from left to right, Patxi Ormazabal (External Relations Manager of Mondragon Corporacion Cooperativa), Jesus Ispizua (General manager of the Social Economy in the Basque Government), Mr Joseba Azkarraga Rodero (Minister of Justice, Employment and Social Affairs of the Basque Government), José Hernandez Dunabeitia (General manager of the Basque Federation of Sociedades Laborales - ASLE), Javier San José Barriocanal (Manager of ASLE)

2 types of SAL:

1- limited companies: minimal capital of 60.000 euros
2- limited liability companies for type " laboral ": minimal capital of 3.000 euros; simpler and more flexible legal provisions. They are more numerous because more adapted to small firms.

Law applicable to the SAL:
The SAL fall under the ambit of limited company law with the exception of the provisions under the SAL statute of 1997. The same conditions apply to the SAL under limited liability company law.

<u>What are the concrete aspects of this law of 1997 on the SAL?</u>

1- Special provisions on shares transfer: it is related to the aim in view i.e. to facilitate capital acquisition by the workers of the firm.
It is a preferential shares acquisition right for the workers, in the order of priorities according to: non-member workers, member workers, not-worker members and temporary workers, other possible shareholders.
2- Member status is related to an active role in the firm: when a member leaves the firm (retirement, incapacity, voluntary departure, dismissal...): he has the legal duty to assign his shares. This provision takes account of the preferential acquisition right.

Decision-making bodies:
No specificities compared to the general law on the commercial companies.
The members general council : supreme body where fundamental decisions are made at authorized capital majority (different from the co-operatives).

Administrative bodies:
- either one-person body: the administration of the SAL lies in a single person's hands
- or a collective body: collective representation elected to form a Board of directors.

In the SAL, the workers are partners, none the less specific bodies such as works council, committee of staff or committee of hygiene and safety are set-up in accordance with labour law. These bodies represent all the workers, members or not.
Thus industrial and trade-union bodies co-exist.

SAL members' rights:
They obey two types of standards.
1- company law as shareholders;
2- labour law as workers.

Contradictions may arise.
Examples: right to dividend, right to take part in the firm liquidation, right to buy shares, right to attend the general meeting (voting rights proportional to owned capital), right of information and to convene meetings.

The obligations are similar to those of the other commercial companies but the reality of the SAL is different from that of the other firms.

Javier San José Barriocanal, member of the Management of ASLE (Agrupacion de Sociedades Laborales de Euskadi)

<u>ASLE Federation</u>

Several reasons explain the birth and consolidation of the SAL.
Initially the existence of organisations of support, which assist and strengthen these firms.
There are 17 representative associations of the SAL, one in each autonomous community of Spain. CONFESAL is the national confederation.
The ASLE is the body of the SAL in the Basque Country. It is twenty years old and was built as a result of the successful SAL model worked out in 1982.
To understand the emergence of these companies, it is necessary to take account of the historical aspect and the industrial crisis at the end of the 70's and at the beginning of the 80's in Spain. The mass redundancies and bankruptcies which followed were one of the reasons for the creation of the SAL.
For many years, the ASLE has helped the firms keep up with competition, negotiate financings and debts, manage investments, etc .

<u>The ten guiding principles of these entrepreneurship models (1992):</u>

1. The firm is the workers' property: the majority of the capital belongs to them and they make the decisions.
2. Any partner shareholder has rights and duties with regard to the collective interest and venture sustainability.
3. Democratic self-management.
4. Work organization designed to serve citizens and society in the respect of dignity.
5. Fair wages policy = wages allowing to live in dignity.
6. Principle of corporate collective solidarity through Employee Share Ownership. Participation of all the workers in the decision-making bodies.
7. Profit-driven but without speculative goals. Economic development through new partners admission.
8. Decent working conditions.
9. Development of training schemes for workers.
10. Balance between human development and company development.

<u>The ASLE is a democratic organization in the field of social economy whose aim is the development of the SAL:</u>

1. 300 associated firms (from 56 in 1962 to 300 in 2001).
2. 650 million euros
3. 9.200 workers (sectors: 30 % in services, 2% in construction, more than 50 % in industry).

<u>The company chart is not a pyramid but a circle.</u>
In the centre: the customer.
First circle: responsibility and autonomy of every person.
Second circle: the European model of total quality.

(ASLE was rewarded in 2002 with the European total quality prize of the European Union).

The ASLE is made up of a 27-person team scattered over 13 territories (20 women and 7 men).
The covered sectors are:

- institutional representation,
- business services to government,

- legal, economic, social, publishing, psychoanalysis and other sectors.

Customers comprise institutions, the government, administrations, associations, member firms.
In order to increase total quality, the ASLE provides a whole series of advice (total quality, legal and financial counsel, human resources, counsel in environment, risk prevention, etc…).

One of the reasons for the SAL success relies on organisations such as the ASLE which brings assistance and managing staff to SAL companies.

From left to right: Myriam Biot (EFES), José Hernandez Dunabeitia, General manager of the Basque Federation of Sociedades Laborales ASLE, Javier San José Barriocanal, Director of ASLE, Patxi Ormazabal, Director of the Relations Foreign of Mondragon Corporacion Cooperativa and Jesus Ispizua, General manager of the Social Economy of the Basque Government

Miguel Millana, President of the CONFESAL (Spanish Confederation of the Labour Limited companies (SAL).

<u>The SAL federation</u>

The sector of the social economy is especially divided into co-operatives and SAL and represents a large provider of employment especially in industry, agriculture, housing, and transport.

This type of enterprise dates back to the 70's, when the traditional relation between employee and employer proved its fragility in a period of crisis. In Spain, this change took place in a concurrent process of widespread democratisation and economic crisis.

Entrepreneurs demonstrate a preference for this legal framework because of the flexibility, the social added-value as well as the emphasis on capital and worker's role. This combination makes it possible to start up with abundant resources.

<u>The Confesal</u>

It was constituted in 1987 on a territorial basis. Each autonomous province has a parliament and a government. The SAL statute has a federal ambit like company law (limited companies and limited liability companies) to which it refers. Within this general legal framework, the CONFESAL is national.

1. Origin

In a context of economic and political crisis (1981, coup d'état attempt), the workers sought to take control of their firm to secure a stable employment. Example from 1997 to 2002, SAL growth accounted for 4% of Spain's GDP. In 2002, it dropped a little (2% of GDP).

2. Shareholders types and motivations

- non speculative investors
- wages are the principal source of income = identification with the firm
- dividends are stimulating additional incomes
- no typical mentality of " owner or boss "
- employment stability = crucial element
- long-term profitability, no search for immediate profit.

The aim is to strengthen the firm on the financial level, the distribution of profits is secondary. Example: almost 100% of the profits are to be ploughed back.

This sector represents today: 16.000 firms, 105.000 employees, 6 billion euros.

3. Institutional framework

The overall political strategy for employment played a significant role in the development of the SAL.

In 1982, Felippe Gonzales comes into office, it is the first left-wing government in 60 years.
They have the political will to bring a solution to unemployment by taking into account the importance of the workers' role in the revival of firms through risk-taking in profit reinvestment.

Taken measures:
- release of public budgets.
- health care and unemployment benefits system. In 1984: a decree specifies that unemployed can receive at once the totality of the 24 months unemployment benefits they are entitled to after 6 years' occupation.
- policies of regional support that stimulate jobs and SAL creation.
- limited tax-breaks.

Existing legal framework and effective harmonization between federal and regional governments' policy.

4. Relations between trade unions and the SAL

Because of the circumstances of the political transition, the trade unions played a great role. Rapid legalization process of political parties and trade unions. The social influence of the latter is greater than the membership level.

The first self-managed firms were run by trade unions. The CONFESAL has a cooperation agreement with the two largest union groups of the country (UGC and CCOO).

Miguel Millana (President of CONFESAL), José Maria Algora and Francesco Abad Rigla, members of the management of CONFESAL

FIRMS TESTIMONIALS

Workshop 3: Concrete experiences of Limited labour companies (*Sociedad Anonymas Laborales* - SAL.)
Speakers: Borja Lopez Gallegos (Marketing Manager of Lagunak), Juan Shine Bonafuente (Manager of Betsaide) and Ana Isabel Yoldi Saralegui (ASLE)

Juan Luis Bonafuente starts with pointing out some fundamental principles of the SAL:

In most SAL, the firm belongs 100% to the employees. It occurs sometimes (it is rather rare) that an external investor acquires a part of the capital but his share cannot exceed 33%. The employee-partners are subjected to the same limitation. Each worker-partner takes part in the firm's decision-making and supervisory bodies. Concerning this principle, the SAL can develop their own methods of employee participation and consultation. Contrary to co-operatives where the principle "one man-one vote" prevails, at SAL meetings a share is equivalent to a voting right. The speakers of the workshop stress however the similarity between co-operative and SAL values, the two types of firm asserting their membership of the social economy (*economia social)* The SAL are firms employing from 3 to 500 workers.

The SAL find their origins in the industrial crisis of the 80's. Many firms, particularly in the secondary sector, were then enduring serious difficulties or were on the verge of bankruptcy. Thousands of workers threatened by unemployment decided to invest their savings to buy up their firm and thus to save their job. For them, it was less about pursuing a "social ideal" of participatory firm than the absolute necessity of preserving their job.

➢ Example 1: BETSAIDE

Foundry producing spare-parts for the automobile sector. 248 employees including 120 partners. Juan Luis Bonafuente, who worked before in a consultancy, is the manager. When taking over his position at Betsaide, there were not precise rules in the firm concerning ownership transfer.

The share price was arbitrarily fixed. Two essential questions then arose :
- What will a worker receive when retiring?
- What will pay a new worker wishing to buy the shares necessary to his representation in the firm?

Another major problem of this time was profit-sharing. Hitherto, the firm had not made any profit, this problem was consequently not discussed.

After a debate within the firm, which lasted several years, a " deed of partnership " (*contracto of sociedad* was established. The share value is determined by the domestic inflation rate. A worker wishing to buy shares will thus pay them at the " day's price ". A worker retiring will receive, the exact sum that he has invested at the beginning, although not index-linked to inflation.

Concerning profit-sharing, the deed of partnership demonstrates the will to differentiate oneself from capitalist principles. To understand that, it is necessary to go back to the time when the firm did not make any profit. When profits appeared, it was initially decided that the share value would evolve according to them. Some workers then left the firm while retaining their shares, hoping to make capital gains if the firm did well. It is on the grounds of this behaviour and the ensuing critique of the firm's speculative drift that some workers called for change.

At the end of the debate, it was decided to pool the profits and share them out between the associated workers in the form of dividends. In parallel, each partner worker can save up for his pension at a relatively high interest rate via an internal corporate pension fund. He will however be obliged to resell his shares when retiring. The funds constitute reserves that are also used to rebalance the firm's budget in the event of deficit.

These principles are not in the SAL statute. ASLE, which federates the Basque SAL, has established a model close to this one.

➢ Example 2: AUTOESCUELA LAGUNAK

Driving school employing 33 persons including 23 worker-partners. Borja Lopez Gallegos is the Marketing Manager. Founded by 5 young workers in 1981, the firm's profits increased constantly until 1995. During this period, the number of workers increased accordingly but most of them were not interested in the idea of becoming shareholders. In 1998, the firm had to face major deficits. The non-partner workers were in the situation of having to choose between closing down the company or becoming shareholders. Everybody chose the second solution. The workers decided collectively to reduce their wages by 20 % as a long as the firm would be in the red.

This significant change would also entail the set-up of the first board of directors. The firm had hitherto been entirely self-managed.

Some workers admit that they do not have the required competences (or the motivation) to run the firm on a daily basis. They leave this work to a few ones but important decisions are always jointly made. In the same way, the wages are equal for all. Borja Lopez Gallegos specifies that internal meetings are sometimes long and require much patience from everyone, in particular to overcome the conflicts between generations. Each worker must learn self-discipline and when a person's skills in a particular field are recognized, he rarely receives injunctions from the others. It is also important that workers be aware of the firm belonging to them.

In almost no time, Lagunak overcame its difficulties and profits reappeared. The firm was recently awarded the quality control standard ISO 9002, which only 2% of Spanish firms can prevail themselves of. In 2002, the number of driving licences granted to pupils of the 25 000 Spanish driving schools dropped by 17%. The same year, Lagunak recorded an increase of 20% in the number of driving licences granted to its pupils, despite its prices being higher than average! According to Borja Lopez Gallegos, this success is explained by the exceptional motivation of the worker-partners and Lagunak's focus on quality, which observe the European Foundation for Quality Management (EFQM)'s recommendations.

➢ The Regrouping of the Employee Owned Companies of the Basque Country (Agrupacion de Socidedad Anonymas Laborales - ASLE)

The ASLE offers its members varied services: management counsel, vocational training, legal and fiscal services, etc... The SAL federations exist in almost all the regions of Spain. However, Ana Isabel Yoldi Saralegui specifies that the SAL movement is particularly present in Catalonia and in the Basque Country. The ASLE is itself member of CONFESAL, the organization representative of the SAL at national level.

ASLE membership is not obligatory but 99% of the 300 SAL spread out across the Basque territory are members. The ASLE, itself legally a SAL, does not receive any subsidies and operates on annual contributions paid by its members. The contributions are fixed according to the size of the member-company.

On that subject, it is important to mention that the only tax-break the SAL benefit from is an exemption of the 1% tax on companies' authorized capital, levied on all the other firms (except for the co-operatives, which have their own taxation system). Ana Isabel Yoldi Saralegui stresses that this exemption does not constitute a real privilege and in so far as none of the SAL receive subsidies, one can regard the SAL as completely self-financed firms. She also indicates that firms of the social economy (SAL and co-operatives), account for 20% of the Basque GDP.

<u>Internet sites of the quoted firms:</u>
BETSAIDE: www.bestaide.com
LAGUNAK: www.lagunak.com
ASLE: www.asle.es

DEBATES ON THE MODEL OF SOCIEDADES LABORALES (SAL)

1. How is shares transfer carried out when workers leave the firm: who determines the share value and how?

The only obligation consists in selling one's shares. The seller, makes the price. But this price should correspond to the reality of the firm. The law is not very precise but it is necessary to examine whether there is an exaggeration compared to the actual value established by an expert.

If there is no purchaser, the ex-worker can remain member but that occurs more and more rarely due to the social instability generated within the firm.

Another example in the ASLE: " the deed of partnership " = voluntary agreement of all workers on the share purchase and sale price .

2. Is it legal for a company to buy up the worker's shares itself or to lend money to the workers for purchasing them?

In this case, there is no specific legislation, it is necessary to refer to company law.
For limited companies (SA): the law allows distinctive acquisition with a 10% ceiling of the authorized capital. All the additional shares beyond this quota must be transferred in the year or amortized.

In the SAL, one often sells to non-worker partners.
But often, one negotiates with the firm that acts as an intermediary.
The departing worker resorts to the board of directors to decide whom to sell his shares to.

For limited liability companies, law prohibits shares acquisition by the firm itself. Other solutions are then found on a case by case basis.

The law also prohibits loans for shares acquisition except for the worker himself.

3. D. Binns:
2% of the Spanish firms are SAL, but how many are there in the Basque Country? What is the largest SAL in terms of employment?

In the Basque Country, participatory culture is significant. But the figures are relative: 13.000 workers (6% of employment) in the SAL and the co-operatives; a share of 3 or 4 % of the total of the firms and 6 % of GDP
But the government policy is to develop this model. The parliament has mandated the government to develop employees participation.

The figures show that the model has more impact for quality than for quantity. In addition, 35 % of the Basque firms have the ISO standard, 45 % of which are SAL.

4. What is the taxation difference between the 2 types of company?

Tax on profits is the same as for all companies except for co-operatives (21%). SA and SAL are taxed at 35% in the Basque Country.

5. Deborah Olson:
What is the role of the trade unions in the SAL? In the USA and in Europe, there are reserves vis-à-vis ESO, despite the role it plays in the rescue of firms, because " it is said to breach solidarity between workers ".

The standard wages result from collective bargaining between owners and trade unions. These collective agreements form the general framework for remuneration in the SAL.
There are two possible exceptions:

- when the economic situation is favourable, wages increase in the whole sector. There is often a limited increase in incomes in the SAL, with a view to remaining competitive.
- in the event of difficulties, there is much resilience to the possibility of job losses. In the SAL, workers are ready to make sacrifices over remuneration = firms financial buffer. In the same way, collectives of workers with capital structure guarantees, are more likely to obtain credit access.

In general, breach in solidarity does not pose any threat to trade unions because of the SAL wage conditions that are either equal or better than those of other firms in the same sector. It is likewise with regard to work quality level. There are fewer temporary and precarious jobs in the SAL. It should be stressed that in Spain, 33% of the workforce is still employed on a part-time basis, despite agreements signed between social partners to increase the share of full-time jobs (35% 4 years ago).

6. Marc Mathieu:
Why was a particular statute for the SAL necessary?
Are there any supporting bodies such as the ASLE for other categories of company?

The statute results from the public authorities' involvement in the design of a comprehensive employment policy and not merely from the need to create a new form of private company. The increase in jobs number and in jobs quality, together with legal safety are beneficial to entrepreneurs. We should remember that unemployment affected 23% of the working population (between 10 and 18 million people were concerned in the private sector). Radical liberal policies devoid of legal support could spark a social revolution.

The consolidation of social and economic trends requires legal standards. The 1st statute of 1986, amended in 1997, fixed the general characteristics of the SAL by incorporating a whole series of standards and characteristics already existing in firms in the 70's to support workers participation. The statute is not theoretical, it consolidates the experience on the ground.

There are other business groupings. But the success of the SAL is their linking, their closeness and their results.

7. Gojko Stanic:
Don't tax incentives depend on the type of company?
What do you think of the firm purchase limitation of 10% on the shares?
I think that it is too little. Sometimes ESO poses problem because there is too many or too few shares to buy. The role of the firm's management staff is to play the role of the market.
Is there a threshold of internal market?
Are there any trade unions in the SAL?
What is the wages level?
Is there any SAL in the high technology sector?

The example of high technology is good because it has recently made it possible to save a firm (ex-Ericsson) and employment in the Basque Country. It should be said that as a matter of course, the SAL have to be competitive in terms of products, of capacity, of quality etc... That applies to any type of firm.
When workers want to create a SAL, we establish a plan of viability for the firm.

Trade unions do not exist as such but the large trade-union groups can have members in the SAL. But the industrial claiming action does not exist as such in the SAL. How can one discuss with oneself? At CONFESAL, we think that trade-union representation makes it possible to express different points of view and to maintain good relationships.

Wages are in general higher than sector average but there are fluctuations depending on the economic situation.

In 2001, the State released 126 million euros of unemployment benefits. 11.950 people capitalized their allowances: 4.500 people entered a co-operative, 7.300 a SAL.
In 2002, 19.000 members integrated a SAL, always with a multiplier effect
Profitability and social impact are huge!

8. Why do the SAL regard themselves as a part of social economy?
What's about the relations between co-operatives federations and SAL federations?

There was a very serious debate in Spain on the SAL, which began within the well-structured co-operative movement. The SAL system was found effective.

The capitalist and person-based firm concentrates authorized capital and decision-making power on only one member's head.
The SAL are the product of an intermediate situation between orthodox " cooperativism " and capitalist companies, which we all know. The sociological basis is made up of workers, control lies also in workers' hands. The social and sociological interest is obvious.
We want federations to have a weight, to develop good relations and to exchange good practices with the purpose of upholding workers collective interest.

Friday November 22 2002:

MONDRAGON CORPORACION COOPERATIVA (MCC)

The **Mondragon Corporacion Cooperativa (MCC)** group is the first industrial group of the Basque Country and the 7th in Spain.

The first co-operative was created in 1956. In 1963, the polytechnic School was founded in 1959, credit and mutual insurance companies in 1969, the Eroski chain of supermarkets and other co-operatives in 1997, the University of Mondragon and vocational training centre.
The co-operative values which have made this expansion possible are cooperation, participation and responsibility-awareness in a spirit of solidarity.

The MCC head office perches on a hill near the town of Mondragon in the Basque Country, around 50 km from Bilbao.
It consists of:
- an administrative centre;
- a engineering centre;
- an IT centre;
- a research, innovation and technology centre (1000 researchers);
- the network of mutual insurance companies head office;
- the University (three university campuses - polytechnic, social sciences, economics) and vocational schools.
- a training college for co-operative management (on-site immersed students).

I. PRESENTATION OF MCC GROUP
Speaker: Adrian Celaya, Secretary-General of MCC group.

1. What is MCC?

- MCC is a group of co-operatives.
- It is not a holding company but an horizontal group = decision-making remains in each co-operative.
- It is a conglomerate with very diversified activities.

Principal characteristics:
- the firm is not based on capital but on participation (no link with the amount of capital-owned).
- the relations between members do not depend on capital (between workers, customers, partners, suppliers, etc).
- the decision-making sharing is balanced, on the principle " one man, one vote ".

The structure of the group is divided into three sectors: financial, industrial and distribution. The MCC administrative structure is horizontal.
Each co-operative sends representatives to each group sectional general meeting.

The group management structure is made up of a General Assembly (representatives of co-operatives by sector) which delegates to:
- A Board of directors (Governing Council) which gives instructions to a management team (management).
- The social Council (Social Council).

- A supervisory committee (Watchdog Committee).

This management structure is similar to that of another firm with the characteristic that in the centre, **an assembly of workers** elects representatives in the three managing bodies. The term of renewal of these authorities may vary from one co-operative to another. The elections of the General Assembly take place every four years with a renewal by half every two years. The Chairman can be re-elected for a maximum term of eight years.

Questions:

A. How are workers represented?

In MCC group, there are no trade unions for employee share owners (ESO), i.e. co-operatives members.
The non-members can be affiliated by sectors. The members are regarded as " independent " and do not fall within the scope of trade-union agreements.

For example:
1. Dismissal does not exist. Co-operatives legislation provides for precise rules of exclusion. Application to the General Assembly or the supervisory committee is possible but in practice, it is very rare.
2. Managers are often co-operative members and have a long work experience.

B. What is the health care system?

The co-operatives members are neither employers nor employees. They are covered by public health care systems. They have a special status.
MCC health care and mutual insurance companies are private. Their basic organisation is aligned with that of the Spanish national health care system.
MCC has its own hospital (sold today to the Basque Country government), it manages the whole staff, unemployment benefits, occupational pension schemes (reduced State share + contributions + profits capitalization).

C. What is the co-operatives managers' profile; is it based on diploma or experience?

The profile depends on the co-operatives size, the seniority, the participation and the workers involvement.
The MCC structure has been established according to the abovementioned criteria.
In the 1980's, the tendency was to centralize information and decision-making. In the 1990's, it went in the other direction in an attempt to maintain the local features and management.

D. Is the exit of the group by a co-operative possible? What is the interest of staying?

The exit is possible. In 1997, during the new configuring of MCC, eleven co-operatives left. They have returned since then. Why? The interest in MCC group lies in its image, its transparency, its knowledge and experience, and its corporate culture and institutional support. All these elements contribute to maintaining a qualitative business level.

E. What is the profile of the elected officials?

In the Social council, they are rather claiming. In the Board of directors, they rather have a strategic and business vision. In the supervisory committee, the profile is rather normative and legal. But that depends on the co-operative's history and context.

F. Does workers recruitment depend on other criteria than qualifications?

Professional competence is the first recruitment criterion. One also takes account of the human relations and the capacity to get integrated and take part in a co-operative organisation. The history of each co-operative and MCC show that the group contributed to the development of a whole region. The factors of responsibility-awareness and participation are very significant.

G. What would be the possibilities of integrating European co-operatives in MCC? The European legislation has changed and subsidies are granted to support co-operatives. Could MCC take in some of them?

The suggested normative criteria are very general. Concretely, the best way to integrate different firms will require some consideration. The integration of a new co-operative is a delicate subject and there is an ongoing debate about it within the General Meeting.
MCC is however interested in collaborating with co-operatives in other countries, for example to improve legislation on co-operatives and employees participation.

H. How is management remunerated?

General criteria are set out but it varies by sector. Limitations by sectors and co-operatives' statutes determine the amount of remunerations. The defined maximum ceiling is in general 30% lower than market average. As a rule, managers are also members, they consequently have other motivations than wages.

I. How to find a balance between the following factors: a strong growth, a sense of community, a link with the local community, environmental issues?

Balance between personal incentive, community, and environment, concerns the co-operatives' corporate culture. Balance between general and specific interests may vary. There is always a tension. Today, we are experiencing an evolutional tendency towards a more individualistic " cooperativism ". The question of how to find a balance between profit-sharing, labour and social community's interests remains. There are various corporate cultures within MCC that depend on the sector (banking, foodstuff, etc…).

Adrian Celaya, Secretary General of Mondragon

2. MCC financial commitments

A. Profits participation: more than 50% of the profits are used to achieve objectives such as employment protection and projects development.
B. A central fund for inter-cooperatives cooperation.
C. Distribution and capitalization of dividends: between 30% and 70% of profits are saved up with a view to benefiting from economic development opportunities.
D. Maintenance of wages levels according to the economic situation.

After-tax profit distribution:
A. 10% in educational and social advancement.
B. 45% in collective savings.
C. 45% in workers' savings (which cannot be used before departure or retirement).

A successful factor of Mondragon has relied on mobilizing the regions' labour forces and subsequently developing a coherent corporate culture favoured by geographical concentration.
MCC encounters two difficulties: R & D financing and direct co-operatives financing.

3. Co-operative values

Before 1995, standards were first and foremost legal. In 1995, a statement of principle laid down co-operative rules based on a definition, principles, and values.

<u>Definition:</u>
A co-operative is an association of people who voluntarily enter a partnership with a view to satisfying their aspirations and their economic, social and cultural needs on the basis of a collective company.

Principles and standards to be adopted vary according to industry sector, functions and objectives.

<u>The values are based on:</u>

A Mutual assistance (self-help)
B Democracy
C Personal responsibility
D Equality
E Equity
F Solidarity

4. MCC basic values and guiding principles

MCC principal mission consists in acting as a coherent instrument for an association of co-operatives. The sectional groups as well as the basic co-operatives also have their own principles and values.
Note: one should not confuse co-operative values with co-operatives members' values.

MCC upholds participation, innovation, social responsibility and co-operation.

The Mondragon corporate culture shares common features but also differences with the culture of member co-operatives of the group. The various entities adhere to these cultural differences and defend their mutual interests in the long run.

Guiding principles:

1. An open access
MCC is opened to any person with the professional skills required for the jobs that the group creates.
2. A democratic organization
Based on the principle " one member, one vote ", equality of all the partner workers, in the respect of their rights to personal development, property, and knowledge.
3. Labour sovereignty
Labour like principal tool of transformation of natural resources and society as well as of personal development. Labour is thus a wealth creator.
4. Capital as instrument and means
Capital is a subordinate instrument to work and necessary to economic development. It is generator of a fair remuneration. The latter is not dependent on profit fluctuations.
5. Participatory management
This supposes a progressive development of self-management and decision-making participation of partner-workers.
6. Solidarity
According to the possibilities of each co-operative, solidarity mechanisms function inside and outside the firm.
7. Inter-cooperatives co-operation
Search for synergies, profits pooling, partner-workers transfer are elements of co-operation between the group's co-operatives.
8. Social transformation
Reinvesting most of the profits, creating co-operatives and employment, endorsing initiatives of community development, contribute to transforming society.
9. Universality
MCC stands by all those who work for social democracy, who pursue peaceful objectives of justice and development.
10. Education
Allocating sufficient human and economic resources to vocational training and further education.

Values:

1. Cooperation
"Being member and taking part in the firm's management means that we regard the company as ours. We go through its ups and downs, its problems and successes. We regard ourselves as being directly and personally in charge of the firm".
2. Participation
The commitment management and participation is the basis of the socio-economic model developed by MCC. Its solidity results from the members participation in three fields: capital, profits, and participatory management.
3. Social responsibility
The solidarity-based distribution of the generated wealth supposes the defence of collective interests. In addition to the fight for the maintenance of the firms, it is an expression of solidarity.
Labour is not only regarded as a source of income. It is also a means of satisfaction for the community's private needs and development. That supposes on the one hand, a compatibility between personal objectives and those of the firm, and on the other hand, a compatibility between the firm's objectives and its involvement into the community' s structures.

4. Innovation

The capacity of change supposes a constant research and renewal of the choices in the fields where MCC operates. It is a necessary condition to achieve Mondragon's economic and societal goals.

<u>Missions:</u>

1. MCC is anchored in the Basque Country's socio-economic and cultural context. The group was created by the people for the people. It takes as a starting point the guiding principles of co-operative management. The commitments of MCC cover environment, competitiveness improvement, customer satisfaction with the purpose of generating wealth for economic development and jobs creation.
2. MCC bases itself on commitments to solidarity and democratic practices in its organization and management. The group encourages workers participation in management, participation in shareholding and profits of their firms, in order to develop a collective and harmonious project based on social, economic and personal development.
3. MCC bolsters training and innovation by developing human and technological capacities. The group implements its own model of management to achieve its goals and to promote co-operation.

MONDRAGON
CORPORACION COOPERATIVA

II. INDUSTRIAL CO-OPERATIVES AND EMPLOYEE OWNERSHIP IN THE LIGHT OF THE MONDRAGON MODEL

Speakers:

Robert Oakeshott JOL (Job Ownership Ldt, The United Kingdom).
Shann Turnbull AEOA (Australian Employee Ownership Association).
David Erdal (Baxi Partnership Limited, The United Kingdom).
Dan Bell COG (Capital Ownership Group, The USA).
José Maria Algora Jimenez (FEANSAL; CONFESAL; CECOP - European Confederation of Associated Industrial and Labour Co-operatives, of Social Co-operatives and Participatory Firms).

The Mondragon model has become one of the European references for the Employee Share Ownership, in particular in the Anglo-Saxon countries. A project of international study of of Mondragon has been launched. The MCC model makes it possible to highlight the kinship aspects between industrial co-operatives and Employee Share Ownership, their similarities and their differences.

1. Introduction

Robert Oakeshott gives a negative example of employee ownership with the bankruptcies of United Airlines (45 % of employee share ownership) and other American companies. Why, in spite of ESO, did these firms go out of business?

His analysis compares these examples with Mondragon where participatory economic management is based on sustainable values. Mondragon stems from the social catholic Movement based on moral and social values. This is all the difference with firms centred on individualism. The corporate culture and spirit consolidate the economic and social model.

2. The Imola example

David Erdal refers to a study conducted in the town of Imola in Italy. There too, the model of the co-operatives has an obvious social impact. The relation between the economic performances and social success is due to the co-operative values.
A certain social moral and co-operatives economic results have produced positive social indicators.

For example, it has been observed that the co-operatives positive financial results increase the overall income per capita. A whole series of other indicators show an improvement in the quality of life, on the level of health and education, as well as a reduction in criminality.
There is more social commitment, more mutual assistance, more participation, more motivation and personal development in such a socio-economic context.
The Mondragon example is more evocative for the whole of Europe.

3. Participatory management

Shann Turnbull finds an interesting comparison between management models of the management team.
In the USA and in the Anglo-Saxon countries, all the decision-making power is concentrated. The " Chief executive " makes the decisions and his remuneration is high and set according to his clout.

In Mondragon, instead of having a brains trust which controls the decisions and the organization, the power is divided.

Admittedly, that introduced a certain complexity which is also due to the structure of the group. MCC shares out decision making between various people who come from the various entities of the group. At each decision-making level within the organisation, one combines specificity and responsibility for individual work and participation in management. This manner of operating is very effective.

The complexity of management due to the complexity of the structure can be simplified by comparing with the organization systems in nature (biology, chemistry or society).
Various systems can be complex while being effectively simple.
A proposal for an operation is **governance in circle**

<u>Structure:</u>

- Individuals create local firms and assume their position: personal responsibility.
- They elect governing groups that run the co-operative. At the local level, there is a general assembly of workers and groups of elected managers.
- The system can be reproduced for a group of co-operatives.

From the simplest to the most complex, is the system of Mondragon. It is an effective social organization approach which can extend to local, regional, national or global level.

<u>In addition to his presentation in Mondragon, in an article of the 1st December 2002 on his analysis of the development of the MCC, Shann Turnbull highlighted the occurrence of six major changes over the ten last years.</u>

1 Growth is now predominantly sustained by purchase, rather than by creation of new firms.
2 The consequence is that about half of the 60.000 people who work for MCC are employees and not partners.
3 Commercial considerations and requirements take the place of values and original social objectives of creation of a satisfactory job.
4 A consequence is that, currently, at least half of the co-operatives have shareholders who are not individuals.
5 The size of the firms is not limited any more to 500 workers.
6 It is MCC and not the mutual fund " Caja Laboral " which constitutes the link with the associated companies.

Shann Turnbull challenges MCC on the relevance of the following analysis:

1. These changes seem to have sustained MCC fast growth over the last years.
2. The commercial requirement of firms acquisition, to the detriment of the creation of new ones with a social objective, seems to contradict the four fundamental values stated in the MCC 2001 annual report " MCC 2001 Annual Report of Cooperation, Participation, Social Commitment and Innovation ".
3. The primal MCC social integrity seems to have been diluted, cut-off from its basis, and degraded because of a contract of association which no longer control the member firms, their investments and partnerships with other associated companies.

Jose Arizmendiarrieta's motto *"building the road while we are journeying"* is constantly quoted to explain the implementation process of the co-operatives model of Mondragon. It seems to be time for MCC "to rebuild the road on which it has been journeying " provided that this does not lead to another multinational where employees participation is minority.

When the MCC group was presented, S. Turnbull appreciated very much that the video broadcast and the report were intended to trade partners and not to internal members. He wonders whether the six points of his findings can be submitted to the members.

He raises the issue because after reading the 2001 annual report (English version, distributed in Mondragon during the conference of November 22), these facts do not appear.

Although the MCC report do not need to comply with publicity and transparency standards required of reports intended to company's shareholders, S.Turnbull finds that it imitates them without much success. Moreover, the English version contains some misleading points.

For example, the Chairman of the General Council, quoted in the introduction on page 6, said " Our Group of companies have performed well, with a sales increase of 14.7% and the creation of 6.800 new jobs ". S.Turnbull wonders whether a number of these " new " jobs are actually created or correspond to existing jobs in the newly affiliated firms to the group.

On page 44, the owners of the firms Aro Leasing and Caja Laboral are not revealed whereas 51 owners out of the other 155 listed entities on the following pages are. S. Turnbull would like to obtain, if there is one, a full report in English, which lists the owners of each entity of MCC group, their shares, their turnover, their total capital equity, the number of employees. He wonders whether this type of information is communicated to the members of the General Assembly.
The MCC report does not disclose any information on incomes and incentives of the General Assembly members listed in the company annual report.

It was also said that Employee Share Ownership was introduced into a number of firms and that it replaced the traditional shareholding practised in the past. The report does not mention this information. Do certain firms combine traditional shareholding and Employee Share Ownership?

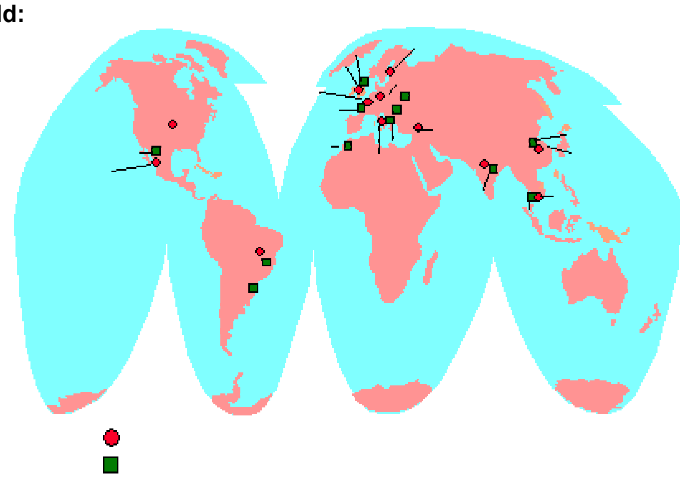
Personally, S. Turnbull suggests, in order to *"rebuild the road on which MCC is journeying"* to amend the contract of association between the affiliated firms and those which form the "hard core " of the system initiated by Arizmendiarrieta. The contract should prohibit a member firm from taking over another firm unless the acquired firm adopts the basic MCC charter on participation or any other similar commitment approved by the MCC.

He also suggests that the firms adopt a charter of Ownership Transfer Corporations, and that they see to the transfer of all the firm's collective shareholding being carried out between 10

and 20 years, without payment to individual members of the recipient community that would be either suppliers, workers, customers, or employed by suppliers or customers.
In this way, MCC could show how to use the globalisation forces to locate shareholding, control trade, feed democracy and life quality.

It is the basis for the "Overall Community Investment Code" Shann Turnbull works on for the COG and that he presented in Bilbao on November 23 2002 (cf. report on workshop 3 of November 23).

Mondragon in the world:



<u>References of work of S. Turnbull:</u>
COG cuts posted in their virtual library has Copy of his box study one the MCC that is based one information that is now ten years old. Refer to ' Innovations in Corporate Governance: The Mondragon Experience', *Corporate Governance: International year Review* 3:3, 167-180, July, 1995, Blackwell, Oxford. Full text At http://cog.kent.edu/lib/Turnbull6.htm

The Shann Turnbull' S presentation one Friday November 22 used this ten year old information and was based one two other papers: ' Grounding sociology in cybernetics', presented to the Research Committee 51 in Socio-cybernetics, Meeting 5, New paradigms for understanding society, XVth World Congress of Sociology, International Sociology Association, Brisbane, Australia, July 13, 2002 < http://ssrn.com/abstract_id=321203 > and ' The science of corporate governance' *Corporate Governance: International year Review* 10:4, 256-72, October, 2002 < http://ssrn.com/abstract_id=316939 >. The full text of the electronic Copy of S.Turnbull 2002 public policy pocket book " *A New Way to Govern: Organizations and society after Enron* that use the MCC ace has model edge Be obtained from < http://ssrn.com/abstract_id=319867 >. The academic working paper from which it was developed that includes references, figures and tables has the truncated name of *A New Way to Govern* is At < http://papers.ssrn.com/sol3/papers.cfm?abstract_id=310263 >. This paper was developed from has to skirt paper one ' Design criteria for has overall brain', The First Global Brain Workshop (Gbrain O), Vrije Universiteit Brussel, Brussels, Belgium, Thursday, July 5, 2001. < http://papers.ssrn.com/sol3/papers.cfm?abstract_id=283715 > Video of presentation linked to < http://www.comdig.de/Conf/GB0/pr010705327.html >.
Details of S. Turnbull' S proposal " Overall Community Investment Codes " in ' Should Ownership Last Forever?', *Newspaper of Socio-Economics,* 27:3, pp. 341-363, 1998 < http://papers.ssrn.com/paper.taf?abstract_id=137382 > and ' Stakeholder Governance: With cybernetic and property rights analysis', < http://cog.kent.edu/lib/turnbull6/turnbull6.html > pp. 401-13 in *Corporate Governance: The history of management thought,* R.I. Tricker, ED, Ashgate Publishing, 2000, London.

4. Co-operation and participation

For **David Erdal** the question is to know how to transform multinational companies into employee ownership companies.
It is not easy but certain criteria can be used, such as for example:

A. The tension between collective interest and individual interest.
It is necessary to find a balance between these two interests: the collective one which can ensure a stability and the individual one which can stimulate participation and motivation.

B. The strong cohesion between the various groups of co-operatives and the federative body.
The training possibilities, the exchange of experiences as well as of management expertise constitute an appreciable strength.

C. A rich ideology
The market ideology is reduced to the economic interest. But in reality, human nature is social. Motivation in cooperation and participation is very strong. This encourages us to trying reproducing this model of co-operation and participation elsewhere.

5. Expressing an experience

Dan Bell speaks about his experience of living in Chile under the dictatorship of Pinochet, among the poor and the outcasts and of the difficulty of telling it on his return to the USA. He thought in another language (in Spanish) and felt out of step with his fellow countrymen's real life.
He draws an analogy between this difficulty in describing his experience in another context and the possibility of applying the Mondragon model to the USA. One cited the example of United Airlines. We cannot simply transpose a model to make things better even if Mondragon's philosophical values seem ideal.

<u>Phase-in proposals for the model transposition:</u>
A. *Tension between ideology and business*
Democracy, values of common goals and solidarity, corporate participation do not need transposing as such but we have to demonstrate how these values can serve economic goals.
B. *Motivation*
At the beginning, workers buy their firm to save their employment and avoid being out of work. One can face two extremes: an ideological motivation or an economic motivation.
In Mondragon, the economic and social impact had been gradual until the end of 1990.

In Ohio, the creation of the ESOP network (Employee Stock Ownership Plans) has been as progressive as to reach today nearly 60 companies. The impact has been obvious on training participation and development of Employee Share Ownership. That has inspired other firms.

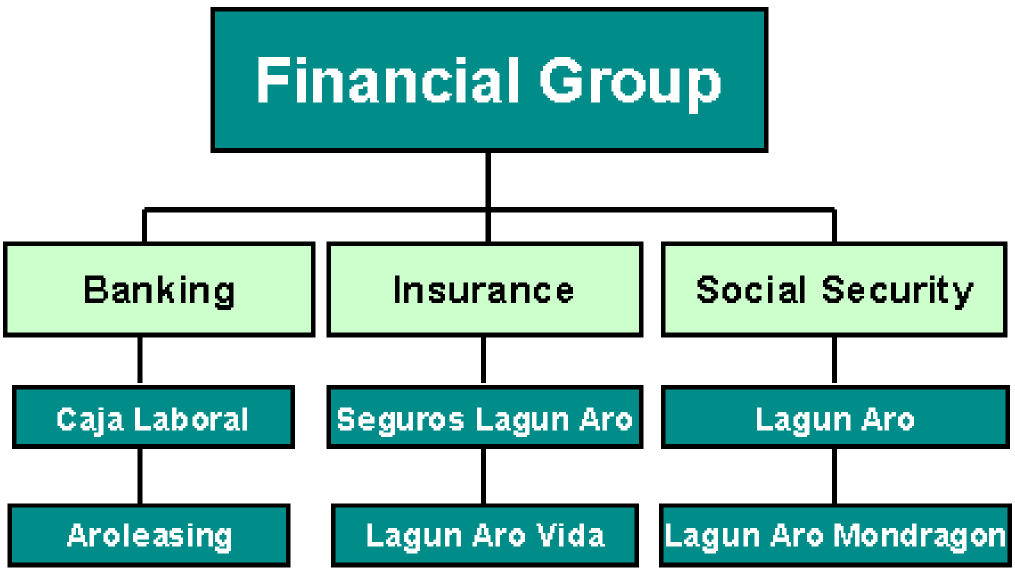
In 1991, after the launching of ESOP, a network developed between firms: the OEOC (Ohio Employee Ownership Centre. Out of an association of consultants, the ESOP network became a representative body for ESOP companies. One of the best pinned down practices is the co-operatives size: people can easily get in touch with each other and keep contact. Exchanges are always possible.

Employee participation and collective management have a good image (in the USA and in Russia). When transposing the Mondragon model, we have to remain vigilant of not killing individuality.
It is a significant element for the USA: we have to define the contents of "individualism with collective responsibility".

6. A social economy

José Maria Algora Jimenez explains that the Mondragon model can be a reference of social economy. Ideological affinities exist between the EFES and Mondragon.
MCC brought economic prosperity and took part in the democratic transition.
The two models of social economy are the co-operatives and the SAL (Sociedades Laborales).

What are the important elements of the Mondragon model?
1. The financial and banking instruments,
2. The health care system and the pension schemes
3. The maintenance of employment in urban and rural areas,
4. The maintenance of economic activity and stability of the local economies in the face of industrial relocations and globalisation,
5. The co-operatives and the SAL which are legal models frequently used in the agricultural sector. They made it possible to maintain a rural production level.
    6. The promotion of these models at European level is very important because the European Union's priority is to develop the social economy (cf. Green Paper of the Economic and Social Committee, White Paper of the Commission). It is the role of the EFES.



III DEBATES

1. Deborah Olson draws a parallel between the Mondragon model which comes from the catholic social movement with the example of the kiboutz in Israel. Solidarity between people is important when they are poor and have to struggle for their survival. But solidarity withers away with the following generation. In Mondragon, there is an example of mutual aid and sustainability.

2. One cannot take the Mondragon model and apply it somewhere else because the circumstances and the political context have generated this very particular model.

3. Can we regard the Mondragon model as effective because of its relation to Basque culture? Admittedly, the context matters. But it is difficult and very complex to decipher the combination of circumstances.
   The elements at work can be as numerous as those of solidarity, community culture, specific leadership, socio-economic environment. In the case of Mondragon, the policy of repression and the economic recession strengthened the bonds of solidarity. In another context, those might very well have been devastating.

4. Another example is given: Valencia region where, in 1976, the first co-operatives were created. They were twelve and employed 6.000 workers. Today, co-operatives are to be found in every sector (industrial, consumers, distribution, etc), with training centres and a significant economic activity, even if Mondragon remains the "typical example".

5. Vincent Dutfoy insists on the fundamental difference between co-operatives, SAL and Employee Share Ownership. The aim of the first two is self-management, the last one aims at participation in the company's decision-making process.
   The Crédit Lyonnais example is significant. Management had the majority of the shares. The ESO became majority but maintained the management team in place because of its long experience. The difference is that they are no longer owners. In addition, we observed that individually the employee shareholders voted in favour of a new issue of capital and collectively against.

6. Why would a balance not be possible by maintaining good governance and employees participation (through associations, trustees, etc...)? Why wouldn't we be able to rectify capitalism's travails by learning a lesson from positive experiences like that of Mondragon?

7. The example of Denmark can give an interesting perspective: until the end of the 1990's, the Welfare State worked. It was the time of collectivism and co-operatives. You can find an impact of all these social elements in today's society, especially in education.
   The remark that Mondragon raises is that human and community values are often opposed to economic values. Do we want, as members of society, to build a better society?

8. In the example of Mondragon, economy and profits are important but society is even more important. The economy is the means to achieve precise objectives, to work for a better society and future.

9. Bob Cannell explains that there are similarities between Mondragon's values and principles and the system of co-operatives developed in the north of Great Britain.
   With MCC, success results from a precise strategy and a very well planned long-term work, which have led to a very strong expansion.

In Great Britain, progress is made step by step, year by year because the industrial structure and the former structuring of society by parties and trade unions have collapsed.
It is then necessary to find a new way of community and social consolidation in a post-industrial society.

10. Patrick Guiol mentions that the key of MCC success has been the presence of a charismatic leader. Very often, co-operatives disappear on the founder's death.
    An example in France: the Godin company operated during one century with a great economic expansion, a profits-sharing scheme. The founder bequeathed the firm to the workmen provided that they create a co-operative. That lasted 70 years. After the crisis of May 1968, the general meeting of workers considered that they could no longer run a socialistic company in a capitalist society and voted the dissolution of the firm.
    For P.Guiol, it is an ideological issue and not an economic one. The experiences of participation after a period of war or crisis, in difficult political or economic circumstances, developed thanks to a charismatic leader.

Conclusion: Do we believe in what we are doing?

Mr José Cobos CEO of MCC, closes the session insisting on the principal resource of Mondragon and the key of its success: **the people who work there.**
The future is to invest into sustainable development for the whole region and especially for the youth. The Information Centre is also design to explore development capabilities into modernity. Exodus towards large cities and relocations of firms are less severe than anywhere else.

At MCC, workers can benefit from promotion possibilities and mobility opportunities between co-operatives. 25 million dollars are invested into vocational training.
People are proud to be members of MCC. They know they work for the improvement of both their well-being and that of the community, and that they are building the future.

Saturday November 23 2002

A STRATEGY FOR THE PROMOTION OF EMPLOYEE SHARE OWNERSHIP IN EUROPE

Plenary session

Welcome of the participants by **Robert Oakeshott**

Marc Mathieu opens the work session by recalling the items on the agenda. After having studied the good and bad practices of Employee Share Ownership (ESO), after having discovered the model of Sociedas Laborales and the co-operatives of Mondragon, the participants are invited to work out a strategy of promotion of Employee Share Ownership (ESO) in Europe.
It will make up the basis of the EFES program of action in the coming years.

Progress:

1. European Commission:
The publication of the Communication includes a statement in favour of ESO. The commitment is stronger than in the previous statement.
Proposal: working on the Communication and considering what should be improved.

2. Economic and Social Committee: (ESC, social partners and civil society).
Marc Mathieu has been appointed as expert to give the position of the EFES. For the first time in Europe, the ESC will discuss ESO and will publish its opinion, presumably in March 2003.

3. The European Parliament (EP):
The EP is not very satisfied with the Communication from the Commission and wants to go further.
For example by demonstrating the impact of ESO on companies' performance. This issue is currently under discussion. Virginie Perrotin has been appointed as expert at the EP and will submit a report on her findings.

4. European funding:
The UE is likely to finance national conferences. For this reason, it would be relevant to stage events in countries where ESO is not yet developed and discuss a future program for the EFES (e.g. in March 2003, conference in Belgium).

5. Research:
There are various proposals to develop research on ESO. For example: Euro Academy; a study on the impact of ESO on public health, etc…

6. Training:
It is important for the EFES to define a European Training Program.

7 International Labour Organization (ILO):
The ILO has made a statement on the associated workers (co-operatives and ESO).
It is important to follow up on ILO stance.

Workshops:

Workshop 1: How to motivate and create interest in Employee Ownership in the European countries that are lagging behind?

Workshop 2: Defining European Training Programmes for Employee Ownership.

Workshop 3: What are the new priorities for Employee Ownership following the European Commission new "Communication and action plan"?

Workshop 4: Presentation of the French project of Shared-management companies (SAGP).

Workshop 5: How to communicate on Employee Share Ownership?

Which priorities for the EFES in the future? Robert Oakeshott, Chairman of the Meeting (Job Ownership Ltd, the United Kingdom) in great conversation with Pierre Vanrijkel, President of the EFES

Conclusions of workshops

Workshop 1: How to motivate and create interest in Employee Ownership in the European countries that are lagging behind?

Rapporteur Gorm Winther

In several EU countries, Employee Share Ownership is little known and little developed. These countries are not very interested in Employee Share Ownership (ESO) and its development. This position tends to slow down the whole of the EU and maintain cross-border obstacles that block ESO development. How to motivate and create interest in the European countries that lag behind?

Represented countries: Denmark, the Czech Republic, Italy, Slovenia, the United Kingdom

Marc MATHIEU opens the workshop by announcing that the European Commission will, in theory, finance national conferences on Employee Share Ownership. Nevertheless, 7 or 8 countries are currently not interested in the concept. The Commission is likely to backtrack if these countries do not change opinion.

A national conference has recently been held in Luxembourg, under the auspices of Luxembourg's Minister for the Economy. It included a round table with the country's social partner. The results of this conference were very positive and the debate on Employee Share Ownership will continue within national bodies whose mission is to facilitate the social dialogue.

The next Presidency of the European Union will take place in Italy, which provides an opportunity to make progress in this country. In Greece, the next Olympic Games constitute also a major international event we should take advantage of.

Gorm WINTHER (Denmark) would like to set-up a national network composed of people interested in Employee Share Ownership. It is currently difficult to obtain figures on the subject in Denmark. He also stresses that a national coordination requires means that people currently interested in the concept do not have yet.

Still concerning Denmark, debates between social partners have taken place but trade unions proved to be rather sceptical. None the less, even if Employee Share Ownership is still marginal, "participatory management", which aims at employee participation in decision-making processes has been adopted by many firms.

Robert Oakeshott (United Kingdom), stresses that the British government has been engaging in an effort to promote Employee Share Ownership for two years, mainly in the tertiary sector. He also notes that the British co-operative movement is currently well coordinated, which gives rise to legislative reforms facilitating its development. The privatisation of several social services, in particular in the field of health care, is certainly not foreign to the revival of the co-operative movement in this country.

Hugh DONNELLY (the United Kingdom, Scotland) explains how British private trusts considerably facilitate the buy-out of ailing companies by the employees. He thinks that a European model of private trust would constitute an invaluable tool for the promoters of Employee Share Ownership in Europe.

Fabrizio GARBERI (FIADA, Italy) points out that his country lags fairly behind as regards Employee Share Ownership. The FIADA organises on a regular basis round tables on the topic. He has recently written to the President of the Italian Council, Silvio Berlusconi, as well as to the President of the European Commission, Romano Prodi, to ask them to use the Italian Presidency of the Council of the European Union as an opportunity to harmonize European rules concerning Employee Share Ownership. There currently is no legislative framework on Employee Share Ownership in Italy.

In Slovenia, when the law on privatisations was adopted, 30 % of the national firms belonged to their employees. This figure has kept on decreasing since then. Slovenian employers , resorting to an effective communication campaign, have convinced the majority of employees to sell their shares, with the result that many firms of this country are today in foreign investors' hands. However 50% of the capital of one of the country's largest companies is still held by the employees. Slovenian organizations advocating Employee Share Ownership are currently trying to persuade the government to adopt a two-years old bill based on the French model.

In the Czech Republic and Slovakia, Employee Share Ownership lacks media coverage. In spite of that, the country counts many co-operatives, in particular in the agricultural sector where 70% of the firms belong to the workers. The representation principle of these firms is " one share/one voting right " but the number of shares per shareholder is limited.

As a rule, Eastern European countries, particularly Slovenia and the Czech Republic where efforts have already been made, need the support of countries having fewer financial difficulties to promote Employee Share Ownership.

Janos Lukacs, Director of Share Participation Foundation (Hungary)

Workshop 2: Defining European Training Programmes for Employee Ownership.

Rapporteur Janos Lukacs

The first duty of the EFES has been to organize an international information exchange system. Shareholders also need training. Numerous training programmes exist in some countries. How to define the specifications of European training schemes?

A. The participants introduce themselves and specify their fields of work:

1. SAL – ASLE Agrupacion de Sociedades Laborales of EUSKADI (www.asle.es)
   Javier San José Barriocanal
2. Daniel Bell – Ohio Employee Ownership Centre
   Gives an example (information on the Internet site of the COG): Employee Shares Owners benefit from a training programme in a firm of the metal industry.
   Characteristics:
   - Workers manage the program
   - Continuous training
   - Role-play about firm management
   - Giving employees a real sense of participation

3. Patrick Dolan – JOL
   He wrote a handbook entitled " How to manage employee ownership firms?", which was translated into Rumanian, Slovenian, Polish, Bulgarian.
   Member of the British Deming Association (quality improvement)
   He has set up a three-day training module for employees:
   - The managers are the trainers
   - Voluntary basis, employees can follow the training during working hours
   - Results: mutual training on the basis of respect
   - The managers begin and finish the meetings.

   The courses:
   - The basic material can be international
   - The courses can be participatory based
   - There is an unquestionable benefit for all if the managers teach.
4. Veronique Haché – Suez – Shareholders Business School: two years training scheme.
5. Ohio Cooperatives (agriculture, food)
   A training scheme is their main goal.
6. Eric Poutsma, Nijmegen Business School
   European MBA on Employee Participation. Nijmegen Business School is developing a training scheme with certification, supported by the organizations of Employee Share Ownership.
7. UNIA – Jacek Lipinski + Tomasz Bogacz – have been developing training modules since 1990 for more than 200 companies which practise Employee Share Ownership.
   Involvement in NGOs and non-profit-making associations.
8. Ryszard Stocki – Solidarity, Business Literacy training
   He expresses the request of teaching equipment for training modules on ESO and seeks partners to develop these programmes.
9. Angelica L Bucur
   Training experience in SMEs, does a research on existing programmes.
10. Mothié – FAS (France, 40.000 members)
    The FAS accounts for 1/3 of ESOS in the industrial sector. It published a guide on ESO translated into Spanish and German. Its web site gives information on the legislation.
    It stresses that there is a gap between the world of workers and that of business.

11. Dezap – Zvone Zupan
    Since 1995, in charge of Employee Share Ownership in his firm (PAP-Telematika).
12. Janos Lukacs
    Training scheme for the creation of ESOP centred especially on management (participation and profit-sharing).
    He has developed a General Programme that can be adapted to various countries:
    - Firm management concepts: implementation from archetype company to specific company
    - How to collaborate: Involvement / Participation
    - The firm and its environment
    - Social environment
    - Local specificities: companies, taxation, labour law...
14. Deborah Olson – COG:
    - There is an MBA certificate on employee participation and management
    - In Ohio: programme sanctioned by a certification
    - E-learning: training modules applicable to various firms
    - Info on the Internet.

B. Expectations:

The EFES should implement:
1 A groundwork for training
2 An MBA programme centred on employee participation
3 Training for employees: Concepts of firms management
4 Training on employee participation must be participatory

C. Specific proposals:
1 Development of a data base on trainers, programmes, experts, existing best practices
2 Gathering public documentation with basic materials on these training programmes and fund-raising to finance this action.
3 Delivery of a "quality" certification for the training schemes.

D. Training schemes principles:
1. Data from internal trainers
2. Courses syllabi should be free of charge if the programme is certified by the EFES
3. Developing the training of trainers
4. Starting with the training of the trainers
5. The EFES shall propose its own training modules
6. The EFES shall run a data base on vocational trainings accessible to public
7. The EFES shall conduct a study which identifies the needs for development and research
8. The EFES shall identify and propose various needs and objectives
9. The concept of involvement in management is essential.

E. Proposals:
The EFES should set up **an Exploratory Committee** charged with working out proposals on:
1. Certification
2. Trainings: short modules and university curricula
3. Employees training
4. Organization and forthcoming projects development.

It is proposed that **the Exploratory Committee** (maximum of 12 members) be composed of the participants in the workshop plus those who are interested in it (ex: Gurli Jakobsen). The e-mail addresses are to be communicated to all the members. The Exploratory Committee must appoint a chairman.

Addresses:
Javier San José Barriocanal - jsj@asle.es
Daniel Bell - dbell@kent.edu
Patrick Dolan – patrick.dolan@brinternet.com
Veronique Haché - v.hache@suez.be
Tomasz Bogacz - tbogacz@ipsiz.com.pl
Ryszard Stocki - ryszard_stocki@tdrs.com.pl
Jean-Claude Mothié - Jean-claude.mothie@fr.thalesgroup.com
Zvone Zupan - zvone.zupan@pap-telematika.si
Janos Lukacs – janos.lukacs@axelero.hu
Deborah Olson - dgo@esoplaw.com
Gurli Jakobsen - gj@loskolen.dk

Other resources:
COG Web-site (features in the USA)
FAS Web-site (features in France)
European Foundation for the Improvement of Living & Working Conditions (www.eurofound.eu.int)
Centre for Vocational Training in Greece

Practical example: Presentation of Euro Academy by Hugh Donnelly
" EURO ACADEMY PROJECT "

The conclusions of the Communication from the Commission called for a greater diffusion, an improvement of information on employee financial participation, an intensification of the exchange of information as well as an identification of best practices, in particular through network - building.

The latter will have as a finality to promote research and studies in the field and thereby, to encourage the continuation of social dialogue. A growing number of academic studies centred on Employee Share Ownership have been undertaken across the European Union. Nevertheless so far, these studies have mainly resulted from various researchers' personal interests.

Therefore, this project will be the first attempt to implement an flexible and structuring framework for this work. The gathering for the first time, of academic specialists in Employee Share Ownership will aim at determining the configurations of a network, its work top priorities, the fields of the joint initiatives preliminary research and the procedures of interaction between the network and social partners across the European Union.

Lastly, the purpose of the network would be to impose itself to political and social partners as a reliable and authoritative information source. By diffusing the knowledge obtained on employee participation progression and innovative developments or on the study of the various approaches adopted in various firms and States, the network would thus contribute to the practical application of the Lisbon objectives of a competitive and dynamic Europe.

<u>Workshop 3: What are the new priorities for Employee Ownership following the European Commission new "Communication and action plan"?</u>

Rapporteur Henk Kool

DEBATES:
A. The majority of participants ask questions about European Commission's position.

What is the European stance? What are the budgets? What are the concrete steps to be taken to fit into these objectives and benefit from the released funds? What is the priority (SME, large companies, etc.)
What do Member States have to do?
For example, the representative of the Basque government wants explanations on the financial support granted to employee financial participation. He has the impression that nothing goes forth. He wants to know how the UE supports the EFES and what the budgets to be solicited are (structural funds, financial measures of support to employment...)?

General information is swapped on the European positions with reference to the Internet web site of the EFES but **the participants wish to be better informed on the budgetary headings, the guidelines on university research, the information flow and the harmonization criteria.**

Hugh Donnelly gives leads on the budget line B3-4000 (Social dialogue) but he says that the implementation policy of the European funds is not clear. Henk Kool wonders about what is done apart from the declaration of intent and why representatives of the UE have not taken part in the Bilbao conference. He suggests that the EFES organize in each country a rotating conference with the same contents, gathering government, trade unions, owners, and firms developing ESO. He proposes the same agenda for every country and that the EFES set up this strategy, organize the conferences and obtain funds from the UE. The participants' interest for these European issues is obvious.

B. Bosnia's statement:

As new members of the EFES, we want to draw your attention to the following points.
The political and geo-strategic context of our country and the region is very difficult and unstable in comparison with that of Mondragon. We want to organize a meeting to denounce what is going on in our country, because information circulates badly
Context: In practice, nothing has been done since the 1960's. In no time at all, the employee owners rescued the firms (3.000 employees who provide subsistence for 100.000 people).
These companies depended on the Yugoslav federal government, functioned well and was nationalized in 1994. The managers were sent to prison for many years, the civil war then broke out between fundamentalists and liberals. They were treated like prisoners of war and were sentenced to 20 years in prison.
In ESO history, it is the first time that those who have fought for their own property have ended up in prison. The ESOs' association invites the participants to come over and proposes a meeting in March-April 2003.
The aim is a national meeting financed by the UE and the creation of an international network of associations.

C. Shann TURNBULL suggests the EFES to lobby in favour of a European legislation on 5 points:

1. Creating legal and democratic structures (as in Spain or Italy).

2. Creating a " democratic trusteeship law" so that the vote of ESO trustees take not only account of the financial criteria, but also of the firm's social, economic and environmental criteria.
(Note: The ESOs are 2 ^{2nd} class shareholders whose interests are seldom taken into account!. Sometimes, ESO associations exist in listed companies. We need a statute for the companies, a statute for the pension schemes...)

3. Granting a fiscal preferential treatment on health care system contributions and taxation to the democratic structures supporting ESO and answering the minima criteria of participation established by the EU (e.g. SAL).

4. Supporting bank loans classified as reserve assets to create new loans. These unlimited loans are to be granted to democratic firms on other criteria that those of capital.

5. A European Investment code (Global Community Investment Code) where tax relief would be granted to national and multinational firms whose shareholders would transfer their voting rights to employee shareholders.

D. Reactions to Shann Turnbull's proposals:

1. It would be necessary that the EP create an institution with a European vision of ESO because it is difficult to conceive the long-term developments and a system for the whole Europe.

2. Vincent Dutfoy: Uniformity generates boredom. There are scores of specificities in ESO and he disagrees with solely integrating those of the co-operatives, SAL etc.
On the other hand, we can introduce the concept of democracy into capitalist firms.
He agrees with these proposals if they are only implemented in small firms. Note: USA pension funds cannot only invest in triple A rated companies (SMEs are excluded).
He suggests that harmonization be carried out top-down on the basis of the best criteria.

3. David Binns: He agrees with the proposals but for 2 remarks: The criteria for vesting social objectives in pensions funds go further than ESO. Changing the criteria of bank loans may cause reactions... this wanders away from the objectives of ESO.
4. Hugh Donnely: Trustees are an Anglo-Saxon concept. They do not mean anything in France. He points out that nothing in British law prevents from making decisions against the employees shareholders.

Shann Turnbull stresses that in the British law on trustees, the recipients do not have any protection. He proposes to work on these specific proposals. Because the question is to establish a solid common framework with lowest common denominator to facilitate the implementation of ESO both for multinationals and for their employees.

In short:

1. The EFES should continue lobbying the European institutions about ESO.

2. The EFES should organise national conferences to promote ESO across Europe.

3. The EFES should organise a European conference on consultancy organizations active in the promotion of ESO.

4. The EFES should lobby on the development of a European legislation on 5 axes (proposals of Shann Turnbull).

Henk Kool, General manager of Nederlands Participatie Instituut

Workshop 4: Presentation of the French project on Shared-management companies (SAGP).

Rapporteur Patrick Guiol.

Preconditions:

1. The report of the EFES to the European Commission concludes that financial participation has an effective impact only if related to participatory management.

2. At the time of the conference of Brussels of November 23 2001, Mr. Freeman also showed the impact of employee participation on productivity.

3. A survey of the FAS (France) reveals that 80 % of ESOs wish to be represented in the Work's council. In fact the same questions appeared during the discussion on the Enron's bankruptcy, the first day of our conference.

There are various procedures of employees representation in the 15 European Union countries. We can broke them down into three areas:

1 The Nordic area where employees representation is more or less accepted.
2 The Anglo-Saxon area where democratic representation is more effective for shareholders than for employees.
3 The Latin area where there is little co-determination except for the public sector.

The project of Shared-management companies (SAGP).

In France, a project to increase the representation of employees in the company management is in progress. It is not about creating another statute of company but establishing a means of adapting the existing mechanisms.
It is the project of " Shared management company "
Subject to certain criteria, the SAGP is a kind of label for a whole series of tax, legal and social measures.

Examples of criteria:
1 A minimal blocking minority in accordance with the sector and the legislation (average of 33%).
2 Incentives to support the simplified representation of employees.
3 A voluntary system based on tax, legal, social incentive measures.
4 decision-making and risk sharing.

Project novelty:
1 Approval system, certification.
2 An independent association that benefits from public authorities support.

Next stage:
A conference at the Economic and Social Committee in Paris is to be organised and will be opened to foreign participants. This marks the end of field research and the beginning of the political and lobbying phase.

Workshop 5: How to communicate on Employee Share Ownership?

By Robin Blagburn (Unity Bank Trust) and Didier Robert (EFES)

The communication is an essential element for the development and promotion of Employee Share Ownership. The present conclusions are based on conclusive experiences on the ground.

Target audience:
Managers, employees, jobless, students, part-time workers, trade-unions, politicians, public authorities...

Objectives of the communication:

1. Arousing interest for participation and Employee Share Ownership
2. Informing on tax breaks
3. Informing on the improvement of productivity
4. Informing on the overall benefits of ESO for companies

Tools to be used:

1. Seminars and meetings with experts of ESO. The target audience must be reached via up to date data bases and telemarketing.
2. Specific actions directed to journalists through invitations to meetings consisting of explanations about ESO and showcases of best practices.
3. Videos and DVD providing info on ESO, examples of best practices, interviews (but also brochures, newsletters, books, articles, success stories).
4. A lobbying priority directed to trade unions and political circles, taking account of each country's specificities.
5. Using Chambers of Commerce as a source and relay of information.

Robin Blagburn (Unity Bank Trust) at the sides of Zvone Zupan, President of the Slovène Federation of the Employee Share Ownership (DEZAP)

CONCLUSIONS OF THE CONFERENCE

The Fourth European Meeting of Employee Share Ownership was a major event, gathering some 150 people from more than fifteen countries.

This event offered the participants exceptional opportunities to share experiences, learn and improve practices whilst concurrently inviting political, economic and social actors to familiarise with Employee Share Ownership

During three days, Bilbao has been the main spot of meeting and interaction between employee shareholders, researchers, practitioners, consultants, organisations and trade unions representatives interested in contributing to the promotion and development of Employee Share Ownership.

The first two days allowed to exchange experiences on the best and bad practices in the field of Employee Ownership.

After the Enron affair, many discussions had been going on in the USA as well as in Europe about Employee Ownership and its American model.

On the other hand, Europe has developed some successful and original employee ownership models – particularly in Spain and in the Basque Country where two main employee ownership models have developed: the Sociedades Anonymas Laborales (SAL = Labour limited companies) and the Mondragon workers' co-operatives

The last day focused on the definition of a European strategy to promote Employee Ownership and increase participation. As a result, the EFES will launch an information campaign in countries lacking familiarity with Employee Ownership, and develop European training programmes.

Report:
Angela Scillia
Terra Negra asbl
Liedekerke Street 82
B-1210 Brussels
Tel/fax: +32 (0)2 640 13 04
E-mail: terra.negra@wanadoo.be

Translation and lay-out:
Fabrice Pourceau
L'Associatif Financier asbl

The meeting proceedings, the working papers, the presentations and the photographs are all directly accessible on www.efesonline.org