



TEN YEARS OF PUBLIC POLICIES FOR EMPLOYEE OWNERSHIP IN EUROPE –PAST, PRESENT, FUTURE -

**For an European ESOP:
Specific needs and
expectations from
politics regarding
employees buyouts and
ESOPs**



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Brussels, 26 november 2010



PRIVILEGIATED SITUATION





HIGH POPULATION DENSITY

	BASQUE COUNTRY	GIPUZKOA
Area	7,200 km ²	1,990 km ²
Population	2,150,000 p	710,000 p
Population Density	295 p/km ²	360 p/km ²
Official language	Spanish and Basque	
Capital	Vitoria-Gasteiz	Donostia -San Sebastián
Airports	3	1
Main ports	2	1
R&D Centres	75	47
Technology parks	4	2



PARTICULAR ECONOMICAL STRUCTURE

	GIPUZKOA	BASQUE COUNTRY	EU-25
AGRICULTURE & FISHING	0,9%	1%	1,9%
INDUSTRY	33,2%	29,3%	20,4%
CONSTRUCTION	7,2%	8,9%	6%
SERVICES	58,7%	60,8%	71,7%

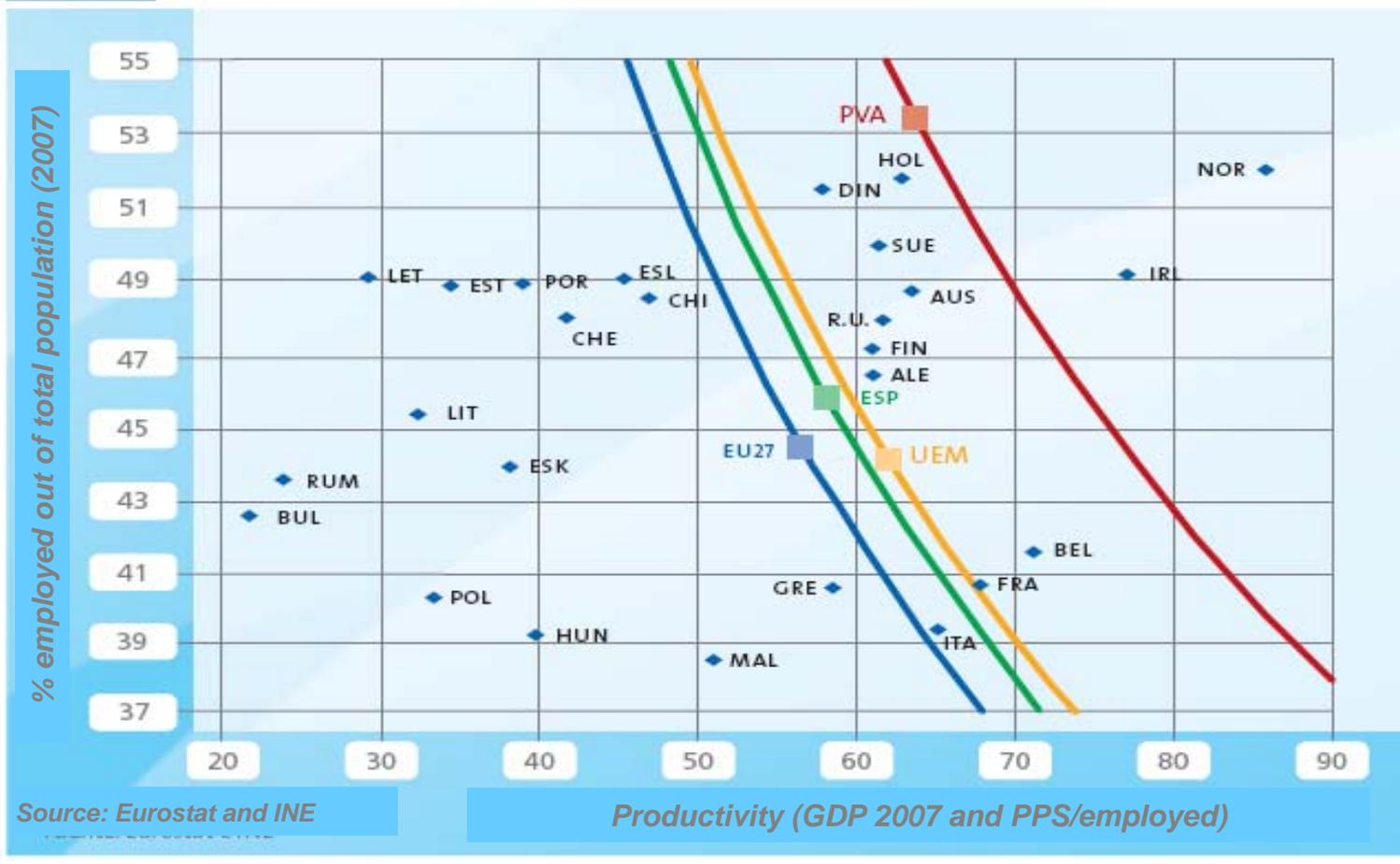
•Gross added value. Current prices.

Source: EUSTAT (Annual accounts for 2006) & EUROSTAT. OCDE



BREAK-DOWN OF PER CAPITA INCOME (2007)

PURCHASING POWER STANDARD, PPS

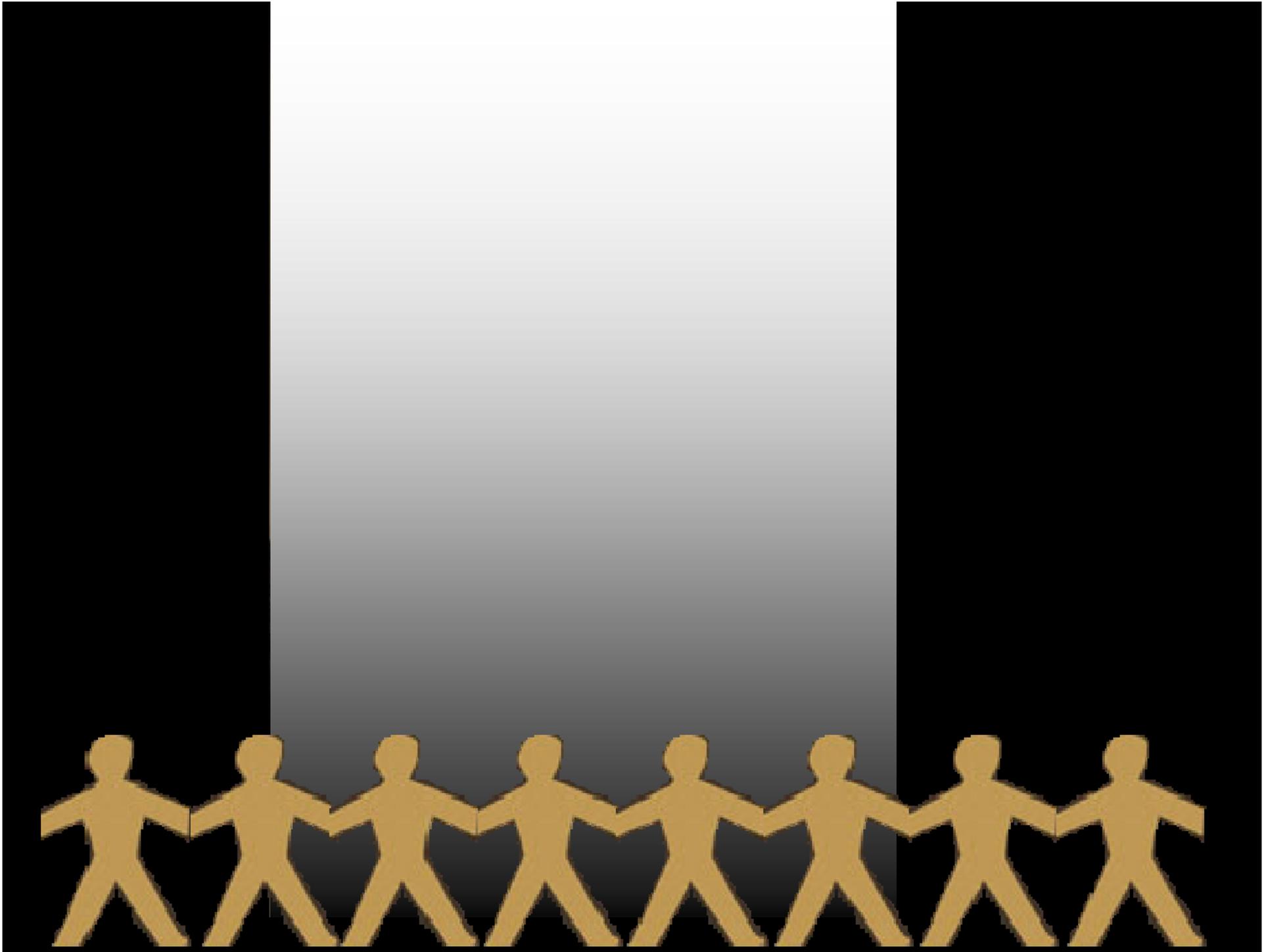




KNOWLEDGE

every know

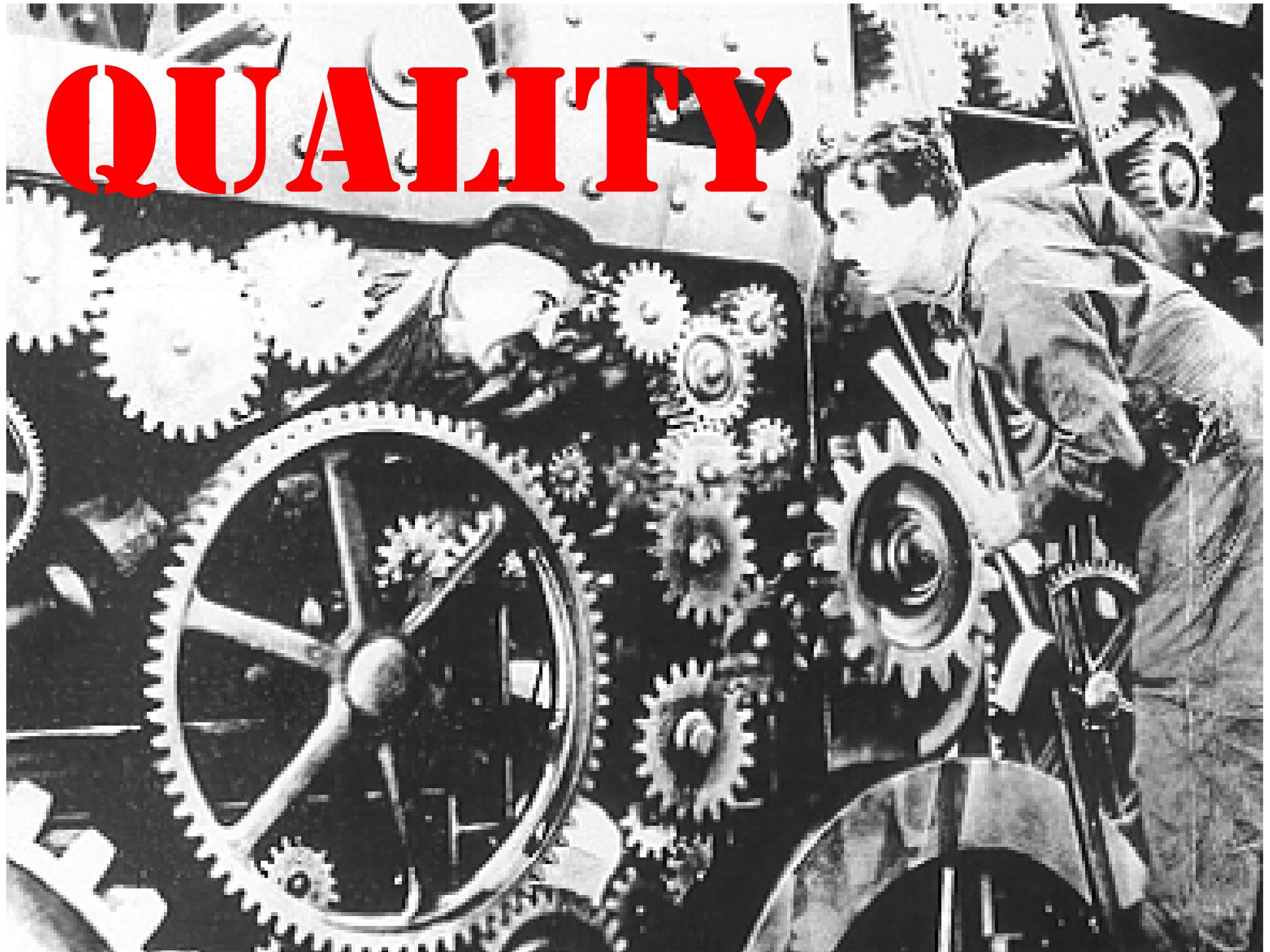
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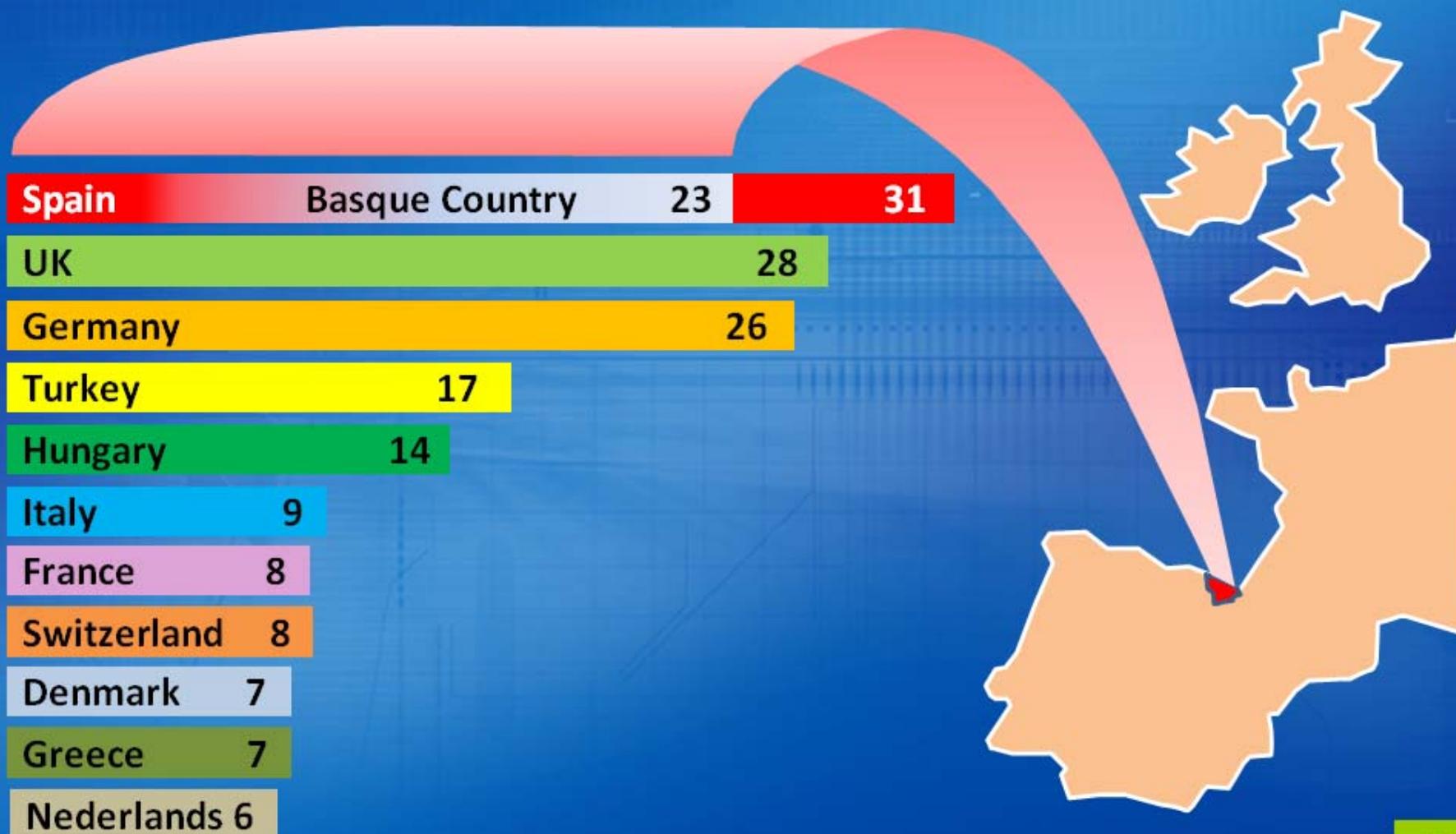
- KNOWLEDGE RESIDES IN PEOPLE
- THE INTERACTION BETWEEN PEOPLE IS THE SOURCE OF INNOVATION

QUALITY

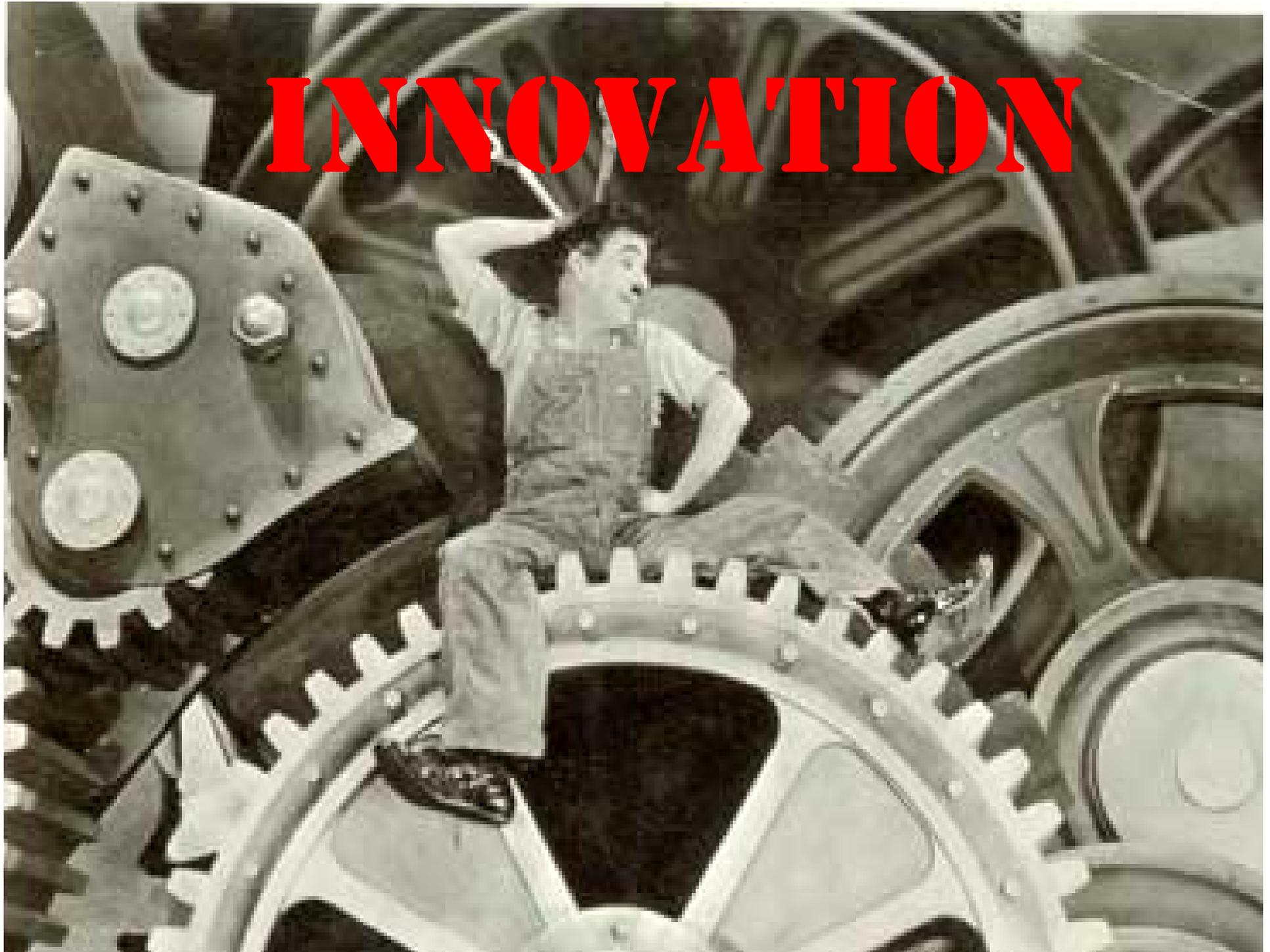




EFQM EXCELLENCE AWARDS 2000-2010 (FINALISTS, PRIZES, AWARDS)



INNOVATION





➤ **NEED FOR EVOLUTION**

➤ **MUTUAL COMMITMENT TO
THE COMPANY-INDIVIDUAL
PROJECT**



PARTICIPATION

PLANNING



OWNERSHIP



MANAGEMENT



RESULTS





THE COMMITMENT OF GIPUZKOA

– MANAGEMENT PLAN 2007-2001

- PROMOTION OF PARTICIPATION IN THE AREA OF ORGANISATION (INCLUDES COMPANIES)

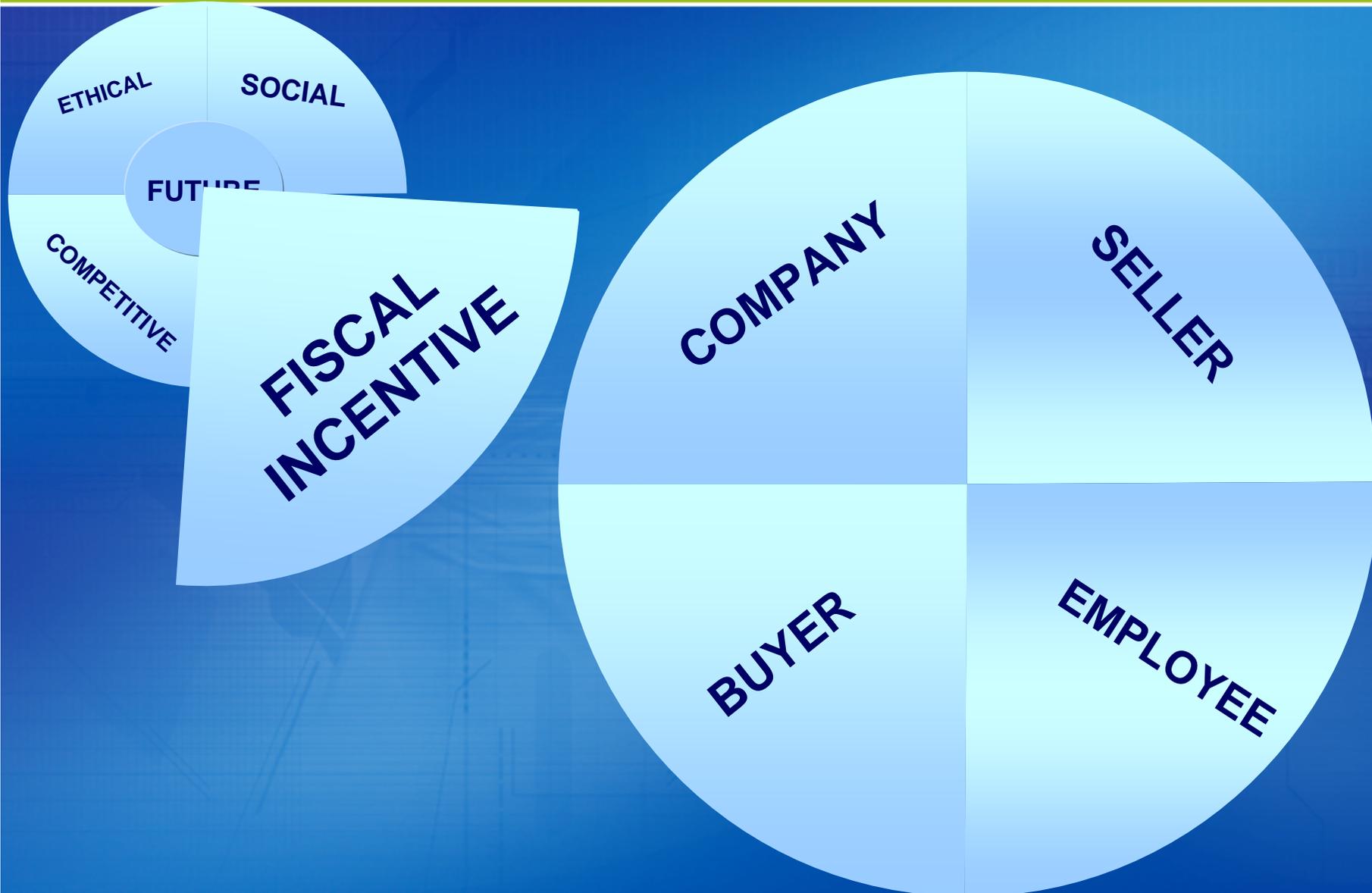
– STRATEGIC REFLECTION PROCESS (GIPUZKOA +20)

- SCENARIO-COMMITMENT: TRANSFORMATION OF BUSINESS MODEL
- STRATEGIC OBJECTIVE 2030: PROMOTE BROAD-BASED PARTICIPATION OF EMPLOYEES
- LINE OF ACTION:
 - FOSTER INNOVATION IN ORGANISATION MODELS
 - PROMOTE PARTICIPATION AND CO-RESPONSIBILITY OF EMPLOYEES











TAX LEVEL POSIBILITIES

- Individual Income Tax (IRPF) and Corporation Tax (IS)
- Inheritance tax (ISD)
- Valued Added Tax (VAT)
- Capital Gains Tax (ITP)



THE EUROPEAN WAVE (I)

EUROPE 2020

- **PRIORITIES: :**
 - INTELLIGENT GROWTH (DEVELOPMENT OF A KNOWLEDGE AND INNOVATION-BASED ECONOMY)
 - INCLUSIVE GROWTH (HIGH LEVEL OF EMPLOYMENT WITH SOCIAL AND TERRITORIAL COHESION)
- **EMBLEMATIC INITIATIVES**
 - INSTITUTIONAL POLICY FOR THE AGE OF GLOBALISATION (RSE)
 - AN AGENDA FOR NEW QUALIFICATIONS AND JOBS (MODERNISING LABOUR MARKETS)



THE EUROPEAN WAVE (II)

- **EUROPA PROJECT 2030.** Challenges and Opportunities: reforming the labour market is fundamental to create more and better jobs. Three key aspects of their labour markets: flexibility and security of its working population (flexi-security), job mobility, and the culture and management methods of the companies.
- **Milestone initiatives of Europe 2020.** “Union by innovation”, to review and consolidate the role of the EU instruments aimed at supporting innovation. This could be achieved by establishing a specific section to foster innovation in business management, that is, new models of participation management and organisation models, in other words, based on people.



ESKERRIK ASKO ! THANK YOU FOR YOUR ATTENTION !

LOOKING FOR SHARING
EXPERIENCES IN EUROPE

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Employee Ownership in Gipuzkoa (Basque Country)

0. Introduction

To better understand the reasons behind the impetus that we seek to give to employee ownership in Gipuzkoa and in the Basque Country, I am going to describe a number of the key characteristics of the **economic context of Gipuzkoa**.

- ✚ **Gipuzkoa** has 710,000 inhabitants, and is one of the 3 provinces that make up the Basque Autonomous Community with 2.2 million inhabitants. The Basque Autonomous Community, along with Navarra and Iparralde make up the Historical Basque Country with 3.0 million inhabitants.
- ✚ Gipuzkoa and the other Basque Provinces have **fiscal autonomy** within the Spanish tax system. Gipuzkoa and the other Basque provinces collect their own taxes and then send a portion to the Spanish Government and to the Basque Government, according to the responsibilities assumed by both governments respectively. Roughly **70%** of the taxes collected are currently transferred to the **Basque Government**, **3% to the Spanish Government**, **11% to the local councils** and the remaining **16%** is used by the provincial government (the **Provincial Council**) for its own activities.
- ✚ Gipuzkoa and the Basque Country are **highly industrialized regions**. Industry accounts for **33% of the GDP** of Gipuzkoa, which is among the highest percentages in the European Union.
- ✚ Given this economic structure and the internationalisation of our economy, the Basque Country, in general, and Gipuzkoa, in particular, have unemployment rates that are on a par with the most advanced European countries, even though we have been immersed in a deep economic downturn over the last two years, that has doubled our unemployment rate, with the ensuing devastating effects. **The latest unemployment figures for Gipuzkoa** vary, depending on the statistical source used, between **6.7%** (Eustat) and **8.14%** (Spanish Statistics Office - INE), substantially lower than the rate for Spain as a whole (19.79%, according to the INE).
- ✚ **Gipuzkoa invests 2.40% of its GDP in R&D**, a much higher percentage than the European average (**1.90%**), and this rate has risen significantly every year since 2001.
- ✚ In Gipuzkoa, the **GDP per capita** is roughly **140%** of the European average.



- ✚ In Gipuzkoa, the **Social Economy plays a key role**, both in the form of industrial, financial and service **cooperatives** (a tradition dating back to when José María Arizmendiarieta laid the foundations for what is today **MONDRAGON GROUP**), and in the form of **Employee-owned Societies** - **Sociedades Laborales**- (where the workers hold a minimum stake of 51%, and which have been under the umbrella of **ASLE**, the Basque Federation of Employee-owned Companies, for many years). The **Social Economy** accounts for **10% of employment in Gipuzkoa**. Roughly 50% of this employment is in manufacturing. In Gipuzkoa, there are **15 jobs in the Social Economy per square kilometre**: which I suspect is among the highest rates around the world, in the same way that, with respect to fine restaurants, the **number of Michelin stars per square kilometre** is the highest in the world.
- ✚ On the other hand, significant progress has been made in the management system and specifically in an employee-owned management system. The work of our Basque companies has been recognised by different international forums, including the 23 European EFQM recognitions, a high number if we take into account that there are only 2.5 million inhabitants.
- ✚ Given the reality of the Social Economy just described Gipuzkoa feels the need and also has the opportunity to open up **new channels for people to participate in the ownership of their businesses**, new channels that differ from the already well-established ones of Cooperatives and Employee-owned Societies, **more flexible** channels that are capable of successfully addressing intergenerational ownership succession situations. At the same time, we would be advancing towards fourth-generation **organisational structures and management systems, by establishing broad, mutual commitments between enterprises and the people involved in them**. These channels would provide for a **different and differentiated ways out of the current crisis**.

This paper is a summary on the presentation at the International Conference on Employee Ownership and Participation held in San Sebastián on 6 October, 2010. The speakers at the conference included Loren Rodgers (NCEO, The National Center for Employee Ownership in the USA), Chris Parr (Tullis Rusell Group, an employee-owned firm from the UK) and Norm Kokol (from Mapes & Sprowl Steel, a, American ESOP Company).

I am going to consider 6 points:

- ✚ Knowledge organisations in the knowledge society of the 21st century
- ✚ Management practice over the last 2 decades and its need to evolve
- ✚ Participation, the key to the present and the future
- ✚ The ESOP, a world of opportunities for social and economic progress
- ✚ The European Wave
- ✚ Positioning of Gipuzkoa Provincial Council for progress to occur



1. The knowledge organisations in the knowledge society of the 21st century

Organisations are immersed in a pleiad of signals with the development of technology and of the information and communication systems. The problem now lies in extracting the important information, interpreting it and transforming it into value for the client and that requires knowledge. Knowledge is taken to be the capacity to transform the signals into value for the client. Seen in that way, knowledge only lies in people and, therefore, in an early 21st-century society, with our companies and organisations immersed in a world overrun with signals/information, the critical element for their competitiveness will lie in the knowledge deployed by the workers overall, as the sole contribution of their managers will not be sufficient, as it has been and continues to be in Taylorist, hierarchical and departmentalised companies. We are convinced that in the Basque Country, in Europe, only those organisations will survive that construct a business project that pool the will of all the workers, combining them in an organisational structure that gives meaning to the work of each individual and which encourages their commitment to the project.

In this situation, competitive management requires highly decentralised organisations, with widely distributed decision-taking capacities and with a leadership style that includes the intelligent management of emotions, with individuals that feel part of the business project and committed to it. **They have to feel as if they have a key role.**

We likewise understand, that along with knowledge being in the individuals, innovation occurs in the interaction between the individuals and that therefore the greater the quality, the quantity and speed with which the interrelations and communication occur between the employees of an organisation and those between people in one organisation and another, we will be in more competitive environments. These are the principles that underpin the measures taken to govern at the Gipuzkoa Provincial Council.

2. Management over the last 2 decades and its need to evolve

In the last decade of the last century, the 1990s, management was characterised by its emphasis on quality systems and the efficiency of operations. Some called it the Quality Era and others called it Lean Manufacturing. It was a decade with lower labour costs – we were a “low cost” country – than the countries with which we competed (Germany, France, Italy...) and Basque industry made very significant competitive advances: There was an unemployment rate of 24.5% in the Basque Country in 1993. The so-called 1st Great Basque Transformation of Industry took place and it can be said that it was successful.



Throughout this decade, the situation has changed radically: low cost was other – the emerging – countries and we had to compete with the same advanced countries as before in addition to the emerging ones (China, Brazil, Eastern Europe...). Even though Basque companies have made significant progress in the areas of quality and improved efficiency, that was not, and is not, enough to continue to be competitive. The requirements of the Quality Era – Total Quality Management – were necessary but not sufficient. We threw ourselves wholeheartedly into the **Innovation Era**. We made a serious commitment to R&D, to new technologies, to advancing towards products and processes with greater value added. We moved from selling products and services to selling increasingly more integral solutions, with the business models also been transformed in many cases.

In my opinion, Basque industry **has also successfully taken on the challenges of the Innovation Era**: an internationalised industrial sector, competitive on the world stage, that represents a third of our GDP in Gipuzkoa and has withstood the Crisis about as well as leading European countries.

Yet at the end of the first decade of the new century, we find that emerging countries are again evolving, but this time towards cutting-edge technologies worldwide. Even if we only consider China, due to its size, its commitment to R&D and to new technologies has been so great in recent years and is going to continue to be so in the coming years, that the **competitive conditions in the world have changed and are going to continue to change radically**: the emerging countries no longer only compete based on price: they now sell technologically advanced products, on a par with ours, around the world.

We are back in the same situation as at the end of the last century: what we did in the Quality Era was necessary and continues to be necessary but not sufficient, **what we have done in the Innovation Era continues to be necessary but not sufficient**: In our opinion, one of the key core areas for our companies to be competitive shall involve participation, something that is **intrinsic to the natural yearnings of human beings**: we like to be part of the different projects, facts and actions that are taking place in the settings where we live our lives.

3. Participation, the key to the present and the future

Given the situation and the contexts set out in the previous points, making significant progress is absolutely necessary in the different spheres where participation can come into play, a point that I will discuss later.

Highly participative and committed management and the agility and rapidity that flow from it can play a key role in being competitive, from the smallest companies to largest multinationals and great countries around the world, which sometimes over rely on their inertia.

Real participation of all the people of an organisation in all those projects that affect them is a key factor for generating **mutual commitments** between the business project



and the people of the organisation. **At the same time** participation generates **satisfaction**, as people feel part of working towards a better future.

Furthermore, in the Basque industrial setting, a number of firms in the second, third or fourth generation of family ownership need a mechanism to facilitate ownership succession. This ownership transition occur in such a way that, wherever possible, the ownership and the decision-taking power remains here.

As an opportunity, we must be aware of the fact that participation and proximity relational networks are strongly rooted in Gipuzkoa, where the associationism phenomenon has been and continues to be well established tradition. The strong presence of the cooperatives and the employee-owned limited companies in the Basque Country is no accident and the scope of the social economy in our province is therefore a world benchmark. Participation is likewise widely present in numerous limited companies in our sphere.

There are four areas where participation can and does occur and I believe that **the more areas that are developed and to a greater extent in each of them, the better.**

Participation at the start, that is, in the incubating of different types of projects that affect me, whether they are strategic reflection processes of the business project itself or establishing the targets of the work team of which I am a member or deciding small changes to the process in my work environment. If I am involved in incubating the advances to be implemented, I will take them on board as my own, willingly and will carry them out more efficiently and more quickly. How many strategic plans, with detailed deployment plans still have not been implemented or have been implemented only very partially years after they were initially approved?

Participation in management, uly organised, of all the projects that affect me, with the necessary transparent information at all stages.

Participation in business performance. If everyone in the organisation participates in the business and is committed and working hard to achieve it, they cannot be absent in the distribution any ensuing profits.

Participation in the ownership of the company. Apart from being an potentially new channel for intergenerational business succession, and for keeping decision-making local, it is a way of providing practical coherence to participation as a competitive key for success.

The aim is therefore to set up innovative and efficient organisational models, based on people, co-responsibility and commitment, with widely distributed shared leadership, which includes the intelligent management of emotions, thus generating the necessary environments of trust. Cooperative organisational models, capable of adapting to radically changing complex environments, capable of reconciling work and family life. In short, contexts that generate first-rate organisational, environmental, emotional and technological work settings.



Gipuzkoa therefore seeks to affirm our commitment to foster new management and organisation models of the companies based on individuals.

Thus from the operational point of view, we are committed to our Management Plan (2007/2011) from an approach aimed at reinforcing values and creating social capital by fostering participation in the organisational sphere (including companies); and from an approach aimed at territorial competitiveness by means of commitment towards competitiveness, innovation and social development, by overcoming the specifically economic spheres towards the set of social spaces and of the Public Administrations themselves, fostering values of participation, ongoing learning, opening up to change, entrepreneurship and business cooperation.

And, from a strategic point of view (Gipuzkoa +20), a scenario-commitment consisting of the “Transformation of the Business Model” has been designed. In other word, the current business model of Gipuzkoa has been transformed by means of developing new organisational structures, fostering cooperation and shared projects, the participation of individuals in business projects.

4. The ESOP, a world of opportunities for social and economic progress

In March this year, a Basque Country delegation led by Mr. Guridi was in Chicago. We have seen the role that the ESOPs have played and continue to play in the United States. This experience has established **a positive and proven track record** over the 36 years since it was initially introduced. The **social, economic, business and tax profitability is obviously** much higher in the case of the ESOPs, compared to non-ESOP companies.

The broad political agreement on ESOPs from the start and in the successive legislative improvements is remarkable, along with the widespread initial trade union rejection that has turned into broad support, given the results, with some exceptions that continue to reject it.

The experience has a sufficient proven track record for us to learn from it in order to add relevant aspects to our current situation regarding employee stock ownership in company, by responding the challenges, needs and opportunities set out in the previous points.

The ESOP experience provides us with opportunities to generate **highly flexible formulas** for the generational business transitions. It enables the sale by owners who wish to do so, all of part of the company, with the possibility of long-term partial financing by the vendor, options of an MBO type of sale, expanded MBO type of sale or a sale to all the employees, and the sale in successive phases, etc.. This will all ensure that **the local decision power is maintained, along with the mutual undertaking between the people and the business project.**



5. The European Wave

Coinciding with our approach, there is a “wave” in Europe that is moving in **this same direction**. A opinion on “Financial Participation of Workers in Europe” has recently been approved by the Social and Economic Committee in Gipuzkoa and in the Basque Country.

The project states **that the aim is “to foster the competitiveness of European SMEs” and to be “a model for transferring ownership of companies”**.

At the same time, **“it urges European institutions to find solutions”**, strongly emphasising the ESOP approach and its clearly positive results and recognising the cooperative model as an well-established, proven one.

“A third of EU entrepreneurs will retire over the next 10 years, which will mean that there could be up to 690,000 ownership transfers”, stresses the document.

It considers **tax incentives to be “an efficient instrument to foster its dissemination and to accelerate the processes”** and the Scottish Tullis Russell Group, whose Chairman attended our conference held on 6 October, is one of the 10 cases of good practices quoted in the document.

6. Positioning of Gipuzkoa Provincial Council for progress to occur

We are facing a **complex** matter, where there are different points of view, that we respect and where different **cautions** have to be established. And we are, possibly, facing an issue where we have to be the trend setters.

The proposal put forward on 6 October triggered a debate in order to reach **far-reaching agreements**, far-reaching agreements between political, institutional groups (with other Provincial Councils and with the Basque Government) and, in general, with all social and economic stakeholders.

Before specifying a tax proposal for the progress, I would like to raise a few prior considerations that involve a certain social and ethical conception of human relations and competitiveness and of the required social cohesion.

ETHICAL: The participation of individuals in the company (or other organisations) must be based on solid principles that move towards universal values such as freedom, equal opportunities or justice. Human development, progress must go in that direction as it is the way to reduce differences and avoid the disenchantment and the marginalization of certain more deprived collectives, which could be a calamity in itself.



SOCIAL: Therefore, it must not be seen as a pure technical advance, but rather a step forward in valuing the individuals, in fostering their technical and emotional capacities and skills, strengthening their self esteem or building harmonious relationships with their peers or improving their quality of life. Our societies will therefore be noted for a high standard of living and quality human relationships and to benefit of all, young and old alike, creating a chain of understanding, solidarity and social cohesion.

COMPETITIVE: This will also make us more competitive since, unlike those who continue to grow by means of a low-costs or high quantity strategy, we will do so through creativity and open innovation, thanks to motivation, a far-reaching deployment of creative interrelations, to communication, to transparency, in short, to a climate of mutual confidence and to the great capacity of our people to adapt, who will know why they are doing something, as they will have participated in the decisions that affect them.

TAX: An instrument to accelerate this process and motivate the potential sellers and purchasers, and the companies, are the tax incentives that can facilitate that transition towards different participative company models and that can help us to remain as world leaders, given the size of our territory, the prevailing culture and the existing extensive participative deployment.

From the fiscal point of view, we propose establishing a series of incentives for selling companies to its workers, thus helping to keep local decision-taking.

A minimum of the ownership to be sold, to order to be able to qualify for the incentives would have to be established, a minimum of, for example, 25%.

Increasing incentives for the seller, as the number of people to whom the offer is made increases. Greater incentives if the sale is open to all employees, than if it is a "expanded MBO", or a simple "MBO". And there should be more incentives for the seller if he or she provides long-term financing (e.g. over 10 years) for a percentage of the sale (for example 50%).

Incentives for the company workers who take part in the purchase of their company, equivalent to the incentives for investing in an EPSV (Voluntary Social Protection Entity) or pension plan, so that the part of the income invested in purchasing ownership in the company in which they work is not taxed. The income from the investment is taxed when the contract is terminated with the company on retirement, due to disability or for other reasons.

Incentives in the company, in the form of corporation tax deductions, due to its contributions to the stock ownership fund of the workers.

Incentives for the capital increases subscribed by the company's workers.



Based on the above, 4 tax lines have already been introduced for the 2011 tax year that will specifically affect:

- 1.- Individual Income Tax (IRPF) and Corporation Tax (IS)
- 2.- Inheritance tax (ISD)
- 3.- Valued Added Tax (VAT)
- 4.- Capital Gains Tax (ITP)

1.- Individual Income Tax (IRPF) and Corporation Tax (IS)

- **Company that hands over shares to workers**, as part of the remuneration for their work, free of charge or at a price under their real value.

In this case, **the company** will be able to enter the handing over of shares as a deductible expense (staff cost) in its Corporation Tax return.

Pursuant to what is envisaged in the IRPF, the amount received by each of **the workers** is not taxed in their tax returns up to the limit of 12,000 euros per year.

- **Company that gives stock options to the workers.**

The IRPF legislation envisages preferential tax treatment for the **worker**.

In the case of the worker, this preferential tax treatment involves exempting 60% of the gains if the aforementioned period is over 2 years and by 50% if is over 5 years. In other words, the tax incentive consists of considering the irregular gains.

- **When the handing over of the shares or stakes or the exercising of the options has not been carried out free-of-charge.**

In this case, the worker can deduct an amount in his income tax return, for an employee stake in the company. The amount paid to acquire the shares will be the base on which a deduction of 10 per cent will be applied up to an annual limit of 1,8000 euros.

There are different conditions laid down to apply the aforementioned deduction, including:

- that the company whose shares are purchased is a SME.
- that the acquisition arising from an offer made to all workers, under the same conditions.

This deduction is not reflected in the tax system of the **company**.



- Transfer of shareholding stakes to workers

The transferor **entrepreneur** is not required to pay income tax on the capital gains that may have been generated from transferring the business, provided that, among other conditions, an offer has been made to all the workers of the company under the same conditions and that the transferees keep the business for at least five years after the transfer.

The entrepreneurs and workers may agree to carry out the transfer for value or as profit-producing. In the later case, the transferees are subrogated in the position of the transferor, in other words, the transferee replaces the transferor in the position that he held.

Therefore, the most important tax benefit, in this case, is for the entrepreneur, not for the company. And indirectly for the workers, as, from a tax point of view, the entrepreneur prefers to transfer his shares to the workers than to other possible transferees.

2.- Inheritance tax (ISD)

This establishes certain tax benefits for the acquisitions by family members. Given the significant weight that small family-run companies have in the business structure of Gipuzkoa and the significant work input from the family groups involved, any benefits may have an impact in the case of handing over business such as the one proposed.

They do not have to pay ISD on the part of the company that they acquire, as its acquisition is exempt from ISD if any of the workers that acquire the business are the spouse or common-law partner of the transferor, or his/her relatives in ascending/descending lines.

The other measure envisaged in the ISD is applicable in the cases of "mortis causa" transfer of business and professional firms, together with certain shareholding stakes in companies to collateral relatives to the third degree of kinship of the deceased individual, and results in a 95% reduction of the taxable base.

3.- Valued Added Tax (VAT)

The Value Added Tax (VAT) legislation is not envisage VAT being applicable in the cases of the global transfer of the professional or business equity as in the case being considered. This measure is justified for reasons of simplification: the global transfer of the professional or business equity is understood not to have been a true transfer, but rather a replacement in the ownership of the company.

The conditions for VAT not to be applicable include the transferee being required to accredit the intention to keep the elements acquired as part of a going business or professional concern.



 **.- NEW LEGISLATION to encourage employee ownership: 4 proposals**

1) Related party transactions

The gains, to certain limits, of the investment capital received by companies associated to the tax payer, would be considered as savings income.

2) Stock options

Replace the requirement that the option is offered to ALL workers, by OFFERING IT TO WORKERS within the salary policy of the company. Or even, within a plan for employer ownership in the company, with certain requirements.

3) Handing over of shares or shareholding stakes (with limits) to its workers not treated as earnings in kind.

Replace the reference to the general salary policy of the company by another to a plan for the employee ownership in the company, with certain requirements.

4) Tax deduction for acquiring shares or shareholding stakes of the company where they work.

Replace the requirement that the option is offered to all workers under the same conditions by a reference to the salary policy of the company. Or even, within a plan for employer ownership in the company, with certain requirements.

 **.- Proposals to encourage employee ownership (currently being studied).**

Measures aimed at commercial companies and associations whose social purpose is to hold shares on behalf of its workers.

Study the nominal rate of the Corporation Tax and bring it in line or on a level pegging with the rate for Cooperatives (nominal rate of 20%), for those companies where the workers have a stake over a certain percentage in the share capital.

New incentives for the income in kind that are aimed at becoming a shareholder or partner.



But we want to go even further, we want to use our social and provincial situation to establish the approaches to a new future that we must build together. In particular, this must be based on two of the three Europa 2020 priorities: intelligent growth (developing an economy based on knowledge and innovation) and integrator growth (fostering an economy with high employment that has social and territorial cohesion). Moreover, we believe that our undertaking is coherent with some of the milestone initiatives proposed: **“an industrial policy for the globalisation era”** (renewing the EU strategy of fostering the social responsibility of companies as a key element for the long-term confidence of the working and consumer populations); **“an agenda for new skills and jobs”** (creating conditions to modernise the labour markets in order to increase employment and guarantee the continuity of our social models).

We should also recall the proposals of the Report to the European Council by the Reflection Group on the Future of the EU in 2030 (EUROPA PROJECT 2030. Challenges and Opportunities: reforming the labour market is fundamental to create more and better jobs. The Member States must try to improve three key aspects of their labour markets: flexibility and security of its working population (flexi-security), job mobility, and the culture and management methods of the companies.

In short, we believe that it could be interesting, given the current targets of the structural funds, specifically the ERDF and ESF, by means of their innovative measures or making use of one of the **milestone initiatives of Europe 2020, specifically, the “Union by innovation”**, to review and consolidate the role of the EU instruments aimed at supporting innovation. This could be achieved by establishing a specific section to foster innovation in business management, that is, new models of participation management and organisation models, in other words, based on people.

26 November 2010

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