

FINAL REPORT

INTERNATIONAL HIGH-LEVEL
EXPERT COMMITTEE ON

DEMOCRACY AT WORK.



**International High-level Expert Committee on Democracy at Work
regarding Article 129.2 of the Constitution of Spain**

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Two Promises to Those Who Work: Voice and Ownership

**Report commissioned by the Second Vice-Presidency and
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Table of Contents

Table of Contents	3
Executive Summary	11
Comprehensive Summary	14
1. Diagnostic mission	16
History, Content, and Current Applications	16
Findings	17
Conclusion of the Diagnostic Mission	28
2. Strategic Mission	28
3. Practical Mission	30
<i>At the Level of Spain</i>	31
<i>At the European Level</i>	34
Closing Statement	35
Introduction	37
by Professor Isabelle Ferreras, Chair	37
The Vision	37
The Committee's Missions and the Report	38
Spain, Along with All Countries, has a Clear Mandate	39
Finding Hope for a Better Future	42
The Work of the Committee: Members, Meetings and Hearings	44
Part I: The Current State and Relevance of Democracy at Work in Spain and Beyond	48
I.A. A Half-Century of Unfulfilled Ambition	48
1. Labor Participation in Spain: Half a Century of Frustrated Ambition	49
<i>Summary</i>	49
<i>Introduction</i>	50
1. Article 129.2 of the Spanish Constitution of 1978: Content, Context, and Background	51
2. Legislation Favourable to Labor Participation in Companies	54
2.1 Participation Through the "Voice"	54
Derived from Labor Legislation	54
Derived from Labor Regulations That are Complementary to, or Integrated into, Commercial or Administrative Law	60
2.2. Participation Through Ownership	66
Cooperatives	66
Worker-Owned and Participated Companies	68
2.3. Other Institutional Initiatives	72
Failed, Limited or Unfinished Initiatives	72
Experiences Derived from Social Pacts, Collective Bargaining, and Legislation in Other Countries with Effects in Spain	74
<i>Conclusion: An Articulated Approach to Voice and Ownership</i>	76
<i>Bibliographical References</i>	79
2. The Avenue of Voice in a European Perspective	82
<i>Summary</i>	82
1. Access to Voice in Strategic Decisions at the Corporate Governance Level	84
Access to Voice at the Strategic Level: Worker Representation in Corporate Governance in Germany	89
Three Keys to German Co-determination	91

2. Access to Voice in Operational Matters	94
3. Access to Voice in Everyday Work Decisions, at the “Workplace” Level	96
Conclusion	97
Bibliographical References	98
3. The Avenue of Ownership: a Context of Transnational Financialized Capitalism	101
Summary	101
1. Corporate Concentration	101
2. Corporate Concentration Trends	101
Productivity and R&D Investment	102
Market Power and Inequality	103
Assessment	104
3. Shareholder and Financial Concentration	104
Who Owns Listed Corporate Equity?	105
Financial Institutions as Shareholders and the Shareholder Value Regime	107
Corporate Governance: Existing Limits to the Shareholder Value Regime	108
Who Owns Unlisted Companies?	108
4. The SME ‘Succession Crisis’: A Generational Opportunity for Private Equity	109
Bibliographical References	111
4. A Prefigurative Field of Experimentation: Firms in the Social-Economy are Practising the Constitutional Mandate	115
Summary	115
1. The Social Economy Sector, and the Smaller Share of Worker-Owned Companies	116
2. The Strengths of the Social Economy as They Pursue Multiple Objectives, and Internalize Externalities	120
3. Case Studies from Spain and Around the World	122
Mondragón, Spain	122
Stapelstein, Germany	124
Amul, India	125
Manos del Uruguay, Uruguay	126
A Growing Field of Alternative Business Models	126
Bibliographical References	128
I.B. From a Constitutional Commitment to Contemporary Relevance: Facing 9 Challenges	132
Challenge 1: The SME Succession Crisis	
129.2 as a Safeguard to Spain’s Productive Fabric	133
Summary	133
1. The SME Succession Challenge in Spain and in Europe	134
2. Employee Ownership as a Solution to the SME Succession Challenge	135
Bibliographical References	138
Challenge 2: The Competitiveness and Innovation Crisis	
129.2 as a Bridge to Better Job Quality and Closing the Innovation Gap	139
Summary	139
Introduction	140
1. Macro and Micro Explanations of Job Quality and Innovation	141
2. Worker Participation, Job Quality, and Innovation	144
3. Public Policies	145
4. Contributions to the Commission’s Work	148

<i>Appendix: Additional Evidence to Frame the Analysis of Job Quality</i>	150
ISEAK Study	154
Studies on Quality Promoted by the EU	159
<i>Bibliographical References</i>	161
Challenge 3: The A.I. Governance Crisis	
129.2 as a Tool to Co-construct the Future of Work	163
<i>Summary</i>	163
1. <i>Artificial Intelligence and the Future(s) of Work</i>	164
Exploring the Facets	165
2. <i>Algorithmic Management and Workplace Power</i>	165
AI as a Tool of Power and Surveillance	165
Countering Threats to Workplace Democracy and Fundamental Rights	166
The Workplace as a Democratic Blind Spot	167
Strengthening Collective Bargaining	168
3. <i>(Re-) Framing the AI-Labour Relationship</i>	168
Two Foundational Questions	168
An Optimistic Path Forward	169
From Worker Knowledge to Worker Voice	169
From Adversary to Strategic Partnership	170
Policy Responses	170
<i>Bibliographical References</i>	172
Challenge 4: The Crisis of Territorial Resilience	
129.2 as a Buttress for Territorial Flourishing	174
<i>Summary</i>	174
1. <i>Offshoring and its Effects on Territories</i>	175
Challenges and Opportunities of Workplace Democracy in the Face of Offshoring	176
2. <i>Challenges of Offshoring to Workplace Democracy in Light of Three Cases</i>	178
The IAG Group: The Difficulties in the Face of the Collective Redundancy Plan for 12,000 Employees	178
The Stellantis Group: Collective Mobilization to Renegotiate a Restructuring Plan	179
Volkswagen AG: The Commitment to Social Dialogue and Workplace Democracy Mechanisms	179
3. <i>The Situation of Offshoring in Spain</i>	180
The Nissan-Barcelona Case	181
4. <i>Workplace Democracy as a Driver of Territorial Resilience</i>	184
<i>Bibliographical References</i>	186
Challenge 5: The Crisis of Informality and Hidden Labour	
129.2 as an Instrument to Reconstruct the Global Value Chain (Behind AI)	187
<i>Summary</i>	187
1. <i>The Hidden Labour behind AI: Informality and Global Value Chains</i>	188
Defining Data Work	188
Data Workers and the Global North-South Divide	189
Mapping the Primary Data Labour Flow Patterns	189
Policy Responses	190
2. <i>Facing Informality and Unpaid Labor</i>	190
Policy Responses	194
<i>Bibliographical References</i>	196
Challenge 6: The Crisis of Civil Society	197

129.2 as a Resource for Union Renewal	197
<i>Summary</i>	197
1. <i>Unionism as an Agent of Economic and Social Progress</i>	198
2. <i>The Crisis and Marginalization of Unionism</i>	200
3. <i>The Recent Situation of Unionism in Spain</i>	201
4. <i>Unionism and the Democratization of Work and the Company</i>	204
<i>Conclusion: Democratize Work or Democratize the Company?</i>	205
Challenge 7: The Crisis of Poverty and Inequality	
129.2 as a Path to Greater Equality	207
<i>Summary</i>	207
1. <i>Poverty</i>	208
Explanation of Working Poverty	210
The Limits of Economic Growth and Redistribution to Eradicate Poverty	210
2. <i>Inequality</i>	212
Data on Economic Inequality	212
Explanations for Economic Inequality	214
Education and Technology	215
Market Power and Inequality	217
Technological Innovation and Inequality	218
Labor Relations, Participation, and Inequality	219
3. <i>How Could Improving Worker Participation Reduce Poverty and Inequality?</i>	220
Correcting Economic Inequality	221
<i>Conclusion</i>	221
Appendix	223
Bibliographical References	225
Challenge 8: The Crisis of Democracy	
129.2 as the Antidote to Democratic Fatigue	227
<i>Summary</i>	227
1. <i>Political Effects of the Organization of the World of Work</i>	229
2. <i>Favorable Working Conditions for Democratic Society and the Place of Work Democratization</i>	231
<i>Bibliographical References</i>	234
Challenge 9: The Crisis of the Planet	
129.2 as an Engine of Ecological Renewal	235
<i>Summary</i>	235
<i>Introduction: Navigating Global Sustainability</i>	236
1. <i>The Planetary Boundaries Framework: Defining Earth's Safe Operating Space</i>	236
2. <i>The Social Foundations Approach and the Doughnut</i>	238
3. <i>Integrating Boundaries and Foundations</i>	239
4. <i>Challenges to Transition: Decoupling, Business Actions, and Systemic Issues</i>	240
Decoupling GDP and Planetary Pressures	240
Prioritisation of Business Actions	240
Systemic Nature of the Problem and Obstacles to Transition	240
5. <i>The Path Forward: Key Strategies for Transition</i>	241
6. <i>The Transformations that Doughnut Economics Points Towards</i>	241
7. <i>Examples of Businesses Reorienting Their Mission</i>	243
<i>Conclusion: The Key Role of Labor Investors in Getting Humanity into the Doughnut</i>	246
<i>Bibliographical References</i>	248

Part I. Conclusion: A Clear Need for a Regenerative Path for Spanish Firms through Worker Access to Voice and Ownership	252
<i>The Current State is Ill-equipped to Face Polycrisis</i>	252
<i>Beyond the Market and the State Dichotomy</i>	252
<i>A Resilient Economy Centered on Participatory Firms Embedded in a Renewed Democratic Architecture</i>	253
<i>A Dynamic Trajectory Anchored in Labor Investors' Access to Voice and Ownership</i>	254
Part II: Forging a New Trajectory for Democratization	255
II. A. The Proposal: A Comprehensive Strategy for All Firms to Embark on a Trajectory of Democratization on the Voice and Ownership Avenues	255
1. Reclaiming Corporate Governance in the Service of Voice and Ownership	256
<i>Introduction</i>	256
1. <i>Corporate Governance for an Era Where Intangible Assets are the Key to an Innovation-driven Economy</i>	257
Explaining the Differences in Labor Participation	261
2. <i>Social and Environmental Accountability in the Business World</i>	264
The Spiral of Corporate Profit-Seeking	265
The Evolution of the Corporation	265
The Corporation as a Capital Mint	266
3. <i>Legal Tools and the Codification of Capital</i>	266
Financialization and Private Equity	267
Erosion of Corporate Purpose	267
4. <i>The Regenerative Path: The Avenues of Voice and Ownership</i>	268
The Demos of the Firm: Who Enjoys the Political Rights to Govern the Firm	270
<i>Bibliographical References</i>	273
2. A Strategy for Strengthening Spanish Businesses on the Path to Worker Access to Voice and Ownership	277
<i>Summary</i>	277
<i>Framework for Implementing the Dual Constitutional Promise</i>	278
<i>Introduction: Objectives of the Reform: Responding to the Constitutional Ambition</i>	279
A. New Minimum Standards: Emulate the Best-practices in the European Union	282
A.1. <i>Access to Voice: Reinforcement of Existing Rights</i>	282
Reinforcement of the Competencies of the Works Council: The Legislator Should Strengthen the Competencies of the Existing Works Councils (Comités de Empresa)	283
Strengthening the Powers of Unitary Representation	284
Redefining Participation Rights	284
Expanding Consultation and Mandated Mediation	284
Extending Works Council Powers and Enforcing Compliance	284
Expert Support and Expert Remuneration	285
A.2. <i>Access to Voice: Workers on Board to Participate in Strategic Decisions</i>	285
Monist or Dual Governance Structure	287
Worker Representatives at Board-level	288
Election Procedures and Director Profile	288
Rights, Obligations, and Compliance for Worker Directors	289
Legal Status and Support	289
Enforceability and Voidance of Decisions	289
Enhanced Governance and Veto Points	289
Legislative Alignment	289

A.3. Access to Ownership: New Minimum to Open Access to Ownership	290
B. Dynamic Trajectory: Moving Forward with the Spanish Constitutional Mandate	291
B.1. The Corporate Democratic Development Index: Dual Participation Scoring Scales Measuring Worker Access to Voice and Ownership	291
B.2. The Role of Government, and the Reform's Impact on the Economy	294
B.3. Incentive Mechanisms	295
Corporate Income Tax: A Bonus/Malus System, a Public Policy Mechanism That has Proven Effective in Guiding Behaviour Could be Set Up Via the Corporate Income Tax.	295
Financial Instruments Depending on the Ministry of Labor	295
Targeted Financial Compensation	296
Total Contribution Exemptions	296
Incentives Tied to Long-Term Commitment	296
Sectoral and Regional Pilot Programs	296
B.4. Policy Instruments to Foster an Encouraging Environment for Firms Seeking to Strengthen Their Regenerative Approach	297
Funding Unions for Their Representative Work	297
Reforming Fiduciary Duties	298
Reforming Executive Compensation	298
The Policy Toolbox: see Part II. B.	299
To Conclude	299
C. Policy Context and Trajectory at the EU Level: the Role of the EU in Supporting Spain's Leadership	301
Introduction: The Policy Context at EU Level	301
C. 1. Competitiveness Compass, the EU Commission's New Policy Agenda	302
A 28th Regime for Innovative Companies	303
The Clean Industrial Deal	304
The Omnibus Simplification Package	305
The Multiannual Financial Framework	306
C. 2. Democracy at Work: A Significant Policy Trend in Brussels	307
European Works Councils (EWC) Directive	309
Social Dialogue	310
Social Economy	310
C.3. Social Conditionalities: Broad Agreement, Limited Progress	311
Conclusion: An Enabling Trajectory at the EU Level Toward a Regenerative Democracy	312
II. B. The Policy Toolbox: Policy Instruments and Cultural Transformation	315
New Reporting Tool: The Corporate Democratic Development Index based on the Two Participation Scoring Scales Measuring Labor Investors' Access to Voice and Ownership	316
1. At the Spanish Level	319
(1) Draft Legislation for the Promotion of Worker Access to Voice and Ownership in Companies	320
Explanatory Memorandum	320
CHAPTER I. General Provisions	325
CHAPTER II On the Participation of Workers in the Company's decision-making and on the Bodies Representing Workers	327
CHAPTER III On the Participation of Workers in the Governing Bodies of the Company	332
CHAPTER IV. Workers' Participation in the Ownership of the Company	336
CHAPTER V Other Measures to Promote Worker Participation in the Company	338
CHAPTER VI. Guarantees.	341
TRANSITIONAL PROVISIONS	342

REPEALING PROVISION	342
FINAL PROVISIONS	342
<i>(2) Example of Corporate Tax including a Malus/Bonus System to Incentivize the Democratization of Firms on the Voice and Ownership Avenues</i>	344
A. Purpose	345
B. Mechanism	346
C. Potential Benefits	349
D. Implementation Considerations	353
<i>(3) Public Procurement to Stimulate Workers' Access to Voice and Ownership</i>	357
A. Purpose	357
B. Mechanism	357
C. Benefits	358
D. Implementation Considerations	359
<i>(4) New Citizen Funds to Support Access to Ownership and Accelerate Transfer</i>	360
A. Purpose	360
B. Mechanism	362
C. Potential Benefits	363
D. Implementation Considerations	364
<i>(5) Accurate Identification of Labor Investors, and their Access to Voice and Ownership</i>	367
A. Purpose	367
B. Mechanism	367
C. Potential Benefits	368
D. Implementation Considerations	369
<i>(6) An Observatory on Access to Voice and Ownership</i>	371
<i>(7) Adaptation of Mobilising the Training Infrastructures to Empower Firms and Labor Investors for Participatory Governance</i>	372
A. Purpose	372
B. Mechanism	373
C. Potential Benefits	374
D. Implementation Considerations	375
2. At the Level of the European Union	376
<i>(1) A European Sovereign Fund to Address the Succession Crisis and Support Worker Buyouts</i>	377
A. Purpose	377
B. Mechanism	378
C. Potential Benefits	379
D. Implementation Considerations	380
<i>(2) Rights for European Works Councils to Shape and Consent to AI Deployment at Work</i>	382
A. Purpose	382
B. Mechanism	383
C. Potential Benefits	383
D. Implementation Considerations	384
<i>(3) Full and Fair Transposition of the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD)</i>	385
A. Purpose	385
B. Mechanism	385
C. Potential Benefits	386
D. Implementation Considerations	387

<i>(4) Building Consensus on a Unified European Corporate Income Tax Policy Anchored in the Dual Scoring Scale Measuring Worker Access to Voice and Property</i>	388
A. Purpose	388
B. Mechanism	388
C. Potential Benefits	389
D. Implementation Considerations	389
<i>(5) A Unified Incentive and Conditionality Mechanism Across all EU Funding, State Aid, and Public Procurement Pegged to the Corporate Democratic Development Index, Based on the Dual Labor Investors' Access to Voice and Ownership Scoring Scale</i>	390
A. Purpose	390
B. Mechanism	391
C. Potential Benefits	395
D. Implementation Considerations	396
<i>(6) A 28th Regime for European Democratic Firms</i>	399
A. Purpose	399
B. Mechanism	399
C. Potential Benefits	402
D. Implementation Considerations	403
<i>(7) Key Support Programmes to Help Stakeholders Thrive in the New Policy Environment, Including the Creation of the EU Observatory on Access to Voice and Ownership</i>	404
Creation of the EU Observatory on Access to Voice and Ownership	404
To Conclude	406

Executive Summary

The following Report was produced by the **High-Level Expert Committee on Democracy at Work**, convened by the **Second Vice-Presidency and the Ministry of Labor and Social Economy of Spain in February 2025**.

Despite remarkable achievements in recent years—most notably a multi-dimensional labor market reform that reduced unemployment and fueled economic growth, positioning Spain as a leading economy within the EU—the Spanish Government aims even higher. Indeed, the Constitution itself calls for greater ambition.

The Expert Committee was tasked with examining the application of Article 129.2 of the Spanish Constitution as a potential remedy for the situation of polycrisis faced by Spain and all of the world's nations, marked by increasing economic and social inequality and the depletion of natural resources, which threatens a sustainable future for all.

The work of the Expert Committee was divided into 3 mandates:

1. **Diagnosis:** Examine the history, content, and current applications of Article 129.2, and identify contemporary problems for which its application might offer solutions.
2. **Strategy:** Propose a trajectory for the application of Article 129.2 moving forward.
3. **Policy:** Identify legislative tools and other resources that offer rigorous, research-based solutions that are innovative, economical, and adaptable to Spain's territorial and economic diversity, as well as to the broader EU context.

Article 129.2 makes a dual promise to all workers in Spain: access to voice and access to ownership. The Expert study concluded that Article 129.2 is not currently being applied through effective legislation. Indeed, Spain is among the least developed countries in the European Union in terms of the recognition of workers as key constituents of the economy, measured both in terms of institutional structures that allow for democratic participation in the workplace and in terms of worker access to ownership of shares in companies. At the same time, the Committee also observed a number of Spanish enterprises that model exemplary applications of Article 129.2, notably worker cooperatives, which are some of the strongest in the world. Committee members concurred that a more rigorous application of Article 129.2 could prove to be highly effective in helping Spain to join the leaders of the EU in terms of best practice, and to move up the productivity ladder identified as the key challenge of the European Union by the Draghi Report (2024). In specific, the Committee recommended firm democratization as a means of enacting the mandates of Article 129.2 by opening a path for all labour investors to access voice and ownership, and marshalled factual evidence and robust economic and political arguments to explain the necessity of public intervention in this direction.

The Committee found that firm democratization offers important possibilities to address major challenges and reverse current negative trends, notably:

1. The **succession crisis** faced by Spanish SMEs (An estimated one third of SME owners will retire over the next decade, placing approximately 600,000 jobs at risk each year; a large majority have no plan for succession) ;
2. The **competitiveness lag** (Particularly in job quality and innovation; despite investments, the Spanish economy has struggled to harness innovations in ways that augment worker productivity, rather than simply replacing, outsourcing, or downgrading workers) ;
3. **Abuses and misuses of AI** in the workplace (Industries are implementing and undergoing massive change in ways that threaten worker autonomy and privacy with insufficient plans to involve workers in safely and effectively deploying new technologies) ;
4. **Loss of economic sovereignty and territorial resilience** (Transnational capital is mobile, while workers and local communities are largely anchored in a specific location, making regions bear a disproportionate amount of the risk from corporate investment and disinvestment decisions in which they have no say) ;
5. **Fragmentation of the value chain and job informality** (Distant investors extract profit via “coercive comparison” among fiscal regimes and from hidden and unpaid or poorly-paid workers) ;
6. **Weakening civil society and unions** (The marginalization of unions directly correlates with a rise in inequality and worsening working conditions and leaves governments and firms without constructive partners) ;
7. **Poverty and inequality** (Spain’s working poverty rate is 13.7%, and doubles among immigrants) ;
8. **Disillusionment with democratic institutions** (Democratic institutions are being weakened by the rise of authoritarianism and citizen disaffection which are fueled by non-participatory or autocratic management practices at work).
9. **Damage to the natural environment** (Of the nine biophysical limits within which humanity should safely interact with planet Earth, seven have now been transgressed, and non-democratized firms are responsible for a disproportionate amount of harm to the environment and global climate change –while ¾ of the Spanish territory is at risk of desertification) ;

In view of these conclusions, and drawing on scientific research and data, expert testimony, and comparisons with best practices in other EU countries, **the Committee identified practical options to balance social, environmental, and economic considerations in business organizations.** These are presented in the form of detailed research findings, draft legislation, and concrete policy proposals.

KEY RECOMMENDATIONS:

The Expert Committee on Democracy at Work recommends that the Spanish Government and its social partners implement the following strategic approach, **designed to transform Spanish firms into Europe's most participatory and innovative organizations**. This strategy promotes labor investors' participation structured around the two complementary pillars identified in Article 129.2: **voice and ownership** and provides tools and recommendations for use at the national and European levels.

VOICE:

1. Reinforcement and new legal requirements for **worker participation in company operational decisions**, including reinforcing the prerogatives of Works Councils and Employee Delegates in particular with a **new Co-decision Right to Shape and Consent to the deployment of AI at work**
2. **Inclusion of workers in strategic decisions via Boards, with minimum statutory thresholds** designed in alignment with, and seek to advance upon, European best practices in codetermination (1/3 of workers on board seats for firms with employees between 50 and 1000 employees, beyond 1000 employees: 1/2 of workers on board seats)

OWNERSHIP:

1. **Minimum statutory thresholds** starting with opening access to 2% of share ownership to workers.
2. New **Citizens' Funds designed to acquire shares and accelerate the transfer** in order to make Spanish firms more resilient, and less dependent on extractive financial actors, and a **transition plan supported by new ESOP-type financing mechanism for workers** to acquire their company' shares in anticipation of a founder or owner's retirement

IMPLEMENTATION: A Dynamic Incentive-based Trajectory for Every Firm

Beyond minimum legal compliance, the government should put in place mechanisms to encourage firms to progress along the proposed trajectory. **To this end the Committee has proposed a new reporting tool, the Corporate Democratic Development Index, based on two Participation Scoring Scales that measure labor investors' access to voice and ownership**. Data collected from the **Corporate Democratic Development Index** will then be used for a bonus/malus incentive-based mechanism designed to reward further levels of access to voice and ownership (and discourage lower levels). **It will steer a policy framework which will mobilize public subsidies, corporate tax rates, fiscal benefits, privileged access to public procurement etc. to incentivize further progress on this regenerative path.**

Comprehensive Summary

The Spanish Constitution opens, “The Spanish Nation, desiring to establish justice, liberty, and security, and to promote the well-being of all its members, in the exercise of its sovereignty, proclaims its will to: Guarantee democratic coexistence within the Constitution and the laws, in accordance with a fair economic and social order.” It goes on to assert the will of the Spanish nation to “Promote the progress of culture and of the economy to ensure a dignified quality of life for all,” and to “establish an advanced democratic society.”

The Constitution’s preliminary title clarifies: “It is the responsibility of the public authorities to promote conditions ensuring that freedom and equality of individuals and of the groups to which they belong are real and effective, to remove the obstacles preventing or hindering their full enjoyment, and to facilitate the participation of all citizens in political, economic, cultural and social life.”

Part VII of the Constitution develops these principles as they are to be applied to the Spanish economy and its finances. The first article of Part VII affirms, “The entire wealth of the country in its different forms, irrespective of ownership, shall be subordinated to the general interest;” and “Public initiative in economic activity is recognized. Essential resources or services may be reserved by law to the public sector especially in the case of monopolies. Likewise, State intervention in companies may be imposed when the public interest so demands.” Further on, **Part VII specifies in Article 129.2: “The public authorities shall effectively promote the various forms of participation in the firm and shall encourage, through appropriate legislation, cooperative businesses. They shall also establish the means to facilitate workers’ access to ownership of the means of production.”**

During the recent covid crisis and ever since, Spain has demonstrated significant resilience, consistently recording high GDP growth rates and outperforming other Eurozone economies. During 2023, Spain’s annual GDP growth rate stood notably above the Eurozone average, estimated around 2.5% compared to approximately 0.5% for the Eurozone as a whole. This sustained outperformance, often resulting in upward revisions of initial forecasts, positions Spain as a key driver of aggregate EU growth.¹

The Spanish labor market has undergone a notable structural recovery, resulting in historically high employment levels. The number of persons employed reached record highs, with the unemployment rate dropping significantly, often falling below 12% in recent quarters—a figure approaching pre-crisis levels, despite still exceeding the Eurozone average. This stability is partly due to the effects of the 2022 labor reform conducted by the Second Vice-President of the Government and Minister of Labour and Social Economy..²

¹ “How Spain Became Europe’s Fastest Growing Major Economy” (July 2025) *Goldman Sachs*. URL access:

<https://www.goldmansachs.com/insights/articles/how-spain-became-europes-fastest-growing-major-economy>

² “Spain’s GDP grew by 2.3 per cent in 2023, compared to 0.3 per cent in Britain. In 2024, UK growth was 1.1 per cent while the Spanish economy grew by 3.1 per cent. (...) Sánchez and his determined labour minister, Yolanda Díaz, have pushed through pro-worker fairness laws reducing the working week, axing zero-hours contracts, and introducing the so-called “Rider Law” stipulating that delivery workers have the same rights as full-time employees.” See: MacShane D. (28

Spain successfully achieved a faster deceleration of inflation relative to many peer nations in the Eurozone, particularly concerning the Harmonised Index of Consumer Prices (HICP). In the latter half of 2023 and early 2024, Spain's HICP inflation frequently stood below the 3% mark, remaining consistently lower than the Eurozone average by a margin of several percentage points. This relative price stability has been crucial in safeguarding real household purchasing power.³

The rapid and substantial rebound of the tourism sector has been a primary engine of economic acceleration. International tourist arrivals and tourism revenue have not only recovered but have often surpassed 2019 pre-pandemic levels. Revenue figures regularly show year-on-year increases exceeding 15% in key periods, significantly contributing to the current account surplus.⁴

The Government of Spain has worked efficiently for its country to be a leading beneficiary of the EU NextGenerationEU instrument,⁵ with substantial committed funds. The effective mobilization of this public investment has known high execution rates for grants, which directly stimulate investment in strategic industrial and digital transformation projects (PERTEs), thereby boosting the national growth figures.

Despite these successes, highlighted by the latest OECD Economic Survey⁶: “Spain’s economy has grown steadily in the last years, surpassing European peers. Growth has been supported by strong investment, rising service exports, and an expanding labour force,” **the Government of Spain is not yet satisfied.** It sought to benefit from the academic knowledge about an area of the country’s Constitution that it recognizes as central to its economic model of prosperity: the dual promise made to workers through Article 129.2 of its Constitution – **“The public authorities shall effectively promote the various forms of participation in the firm and shall encourage, through appropriate legislation, cooperative businesses. They shall also establish the means to facilitate workers' access to ownership of the means of production.”**

In light of this promise to the people of Spain, in an era of growing and interconnected crises, and with the aim of bolstering the real and effective participation of its citizens in the life of their nation, the Second Vice-Presidency and the Ministry of Labour and Social Economy of Spain convened an International High-level Expert Committee on Democracy at Work to examine current applications of Article 129.2 and propose avenues and resources to align Spanish legislation with its constitutional promise.

November 2025) “Sir Keir Starmer Wants Growth—Perhaps He Should Learn Spanish” in Social Europe. URL access: <https://www.socialeurope.eu/sir-keir-starmer-wants-growth-perhaps-he-should-learn-spanish>

³ URL access:

<https://cpram.com/fra/en/individual/publications/experts/article/spain-a-growth-rate-significantly-higher-than-the-euro-pean-average>

⁴ URL access:

<https://www.caixabankresearch.com/en/sectoral-analysis/tourism/current-state-and-outlook-tourism-spain-strength-and-resilience>

⁵ URL access: https://ec.europa.eu/commission/presscorner/detail/en/ip_25_1761

⁶ OECD Economic Surveys: *Spain 2025* (26 November 2025). URL access:

https://www.oecd.org/en/publications/oecd-economic-surveys-spain-2025_abc5c435-en.html

The Committee's mission was divided into 3 mandates:

1. **Diagnosis:** To examine the history, content, and current applications of Article 129.2, and to identify contemporary problems for which its application might offer solutions: *What is the scope of its promise?*
2. **Strategy:** To propose a trajectory for the application of Article 129.2 moving forward: *How can this promise be kept?*
3. **Policy recommendations:** To identify legislative tools and other resources that offer rigorous, research-based solutions that are innovative, economical, and adaptable to Spain's culture of territorial and economic diversity.

The Committee comprised twelve scientific experts from a range of disciplines, was chaired by Professor Isabelle Ferreras (FNRS/University of Louvain, senior researcher at Harvard and Oxford Universities) and supported by a dedicated research team. It convened for a total of fifteen meetings between December 2024 and September 2025 and held a series of hearings with internationally recognized scholars, field experts, business and union leaders, social partners, and relevant representatives of Spanish civil society to examine Article 129.2, its history, its application, its meaning and scope, its pertinence in the current context, and relevant mechanisms used in other EU countries. The Committee examined what has changed in the world since Article 129.2 was drafted and how a broadened application might help to advance the core commitments of the Constitution. The Committee worked together to propose a trajectory for a more thorough application of Article 129.2, with legislative and policy tools that are innovative, ethical, economical, and historically grounded, to make them easily actionable by the country's different regions and autonomous communities, empowering regional governments to work with the Constitution's provisions in ways that provide real benefits on the ground. They produced a detailed report that charts a straightforward path with maximum support to workers and businesses without depleting the government's coffers, with an array of tools to build a better economic future for Spain and its citizens.

This summary report provides an overview of the Committee's Full Report, whose findings and recommendations include a thorough historical survey, careful rundowns of each of the Article's fields of application, comprehensive definitions, an expansive bibliography, accounts of all hearings, a detailed policy proposal, and draft legislation.

1. Diagnostic mission

- To examine the history, content, and current applications of Article 129.2, and to identify contemporary problems for which its application might offer solutions: What is the scope of its promise?

History, Content, and Current Applications

Article 129.2 sets out three distinct mandates for public authorities – to promote worker participation in companies, to encourage cooperatives, and to facilitate worker access to ownership

of the means of production. This summary report thus begins by calling attention to these distinct mandates, which underpin the Committee's investigations and proposals:

Worker participation is understood to describe the various ways in which individuals take part in the life of the company, be it at the level of the management or *governance* of the workplace (*operational decisions* regarding workplace safety, organization and logistics, remuneration, etc.) or at the level of *government* (*strategic decisions* regarding the goals, the rules, and decisions of the company as a whole).

Cooperatives are understood to be business entities owned and democratically controlled by their members, who use the services or goods they produce, with a legal personality distinct from that of their members, who all have the same voting rights within the entity (principle of 1 person, 1 vote).

Ownership of the means of production is understood to mean access, via property rights, to the possession of shares in entities producing goods, products, services, or other forms of economic value.

Readers are further reminded that Article 129.2 uses the word “worker” (*trabajador*), not “employee” (*empleado*) – in other words, it recognizes *individuals* working outside traditional salaried positions. Collective rights (assembly, association, petition, union, strike, collective bargaining and dispute measures, etc.) are recognized separately, in Title I. Spanish labor legislation preserves this distinction, formally recognizing workers’ rights to information, consultation, and participation in the company through representative bodies *without prejudice to other forms of participation*.

While the three considerations set out in Article 129.2 are tightly interlinked, the Committee sought to orient this phase of its work with these distinctions in mind, collecting data on the degree to which Spain is *currently* fulfilling its constitutional mandate.

Findings

Despite the programmatic tenor of Article 129.2, there is no general law to address its application at the national level, and despite the important role played by regional and autonomous governments, there is also no provision in the law for establishing appropriate coordination among different levels of government. As a result, application of Article 129.2 is limited at best. Workers in Spain have largely superficial access to participation and scant access to ownership, measured in both concrete terms (the application of legislative and policy tools currently in place in Spain at the national, regional, and EU levels relative to other EU countries) and in theoretical ones (the stated intent of the Constitution). The number of cooperatives in Spain has actually declined slightly in recent years.

Participation: Beyond the union rights and freedoms regulated by Organic Law 11/1985, of August 2, 1985, on Trade Union Freedom (LOLS) (arts. 2.2.d) and 8 and following), which, as noted, are provided for elsewhere in the Constitution, two main laws set the current parameters of worker

participation in the workplace: the Workers' Statute (ET), approved by Law 8/1980 of March 10, whose revised text, currently in force, was approved by Royal Legislative Decree 2/2015 of October 23; and Law 31/1995 on Occupational Risk Prevention (Articles 12, 18, and 34), which extends workers' rights slightly beyond those provided for in the Workers' Statute.

The Workers' Statute – “without prejudice to other forms of participation” – provides for an individual's right to information, consultation, and participation in the company for which they work via elections of staff representatives in companies or workplaces with more than 10 and fewer than 50 employees (or more than 6 if decided on by a majority of workers) and via works councils and (where applicable) inter-site committees for companies with 50 or more employees. There are no provisions for participation at any other levels of companies. Information and consultation are non-binding and cover a wide range of topics, from economic forecasts and environmental considerations to well-being measures and disaster preparedness. In certain cases, the law recognizes rights and responsibilities for works councils that are similar to those of unions (striking, collective bargaining). Law 31/1995 expands these rights in the realm of occupational risk prevention. In particular, Article 18 specifically mentions “worker participation” in decisions affecting safety and health at work, including the right to propose ideas to the employer and to participate via elected or delegated representatives in bodies provided for by law.

While a majority of EU countries have legally recognized rights for workers to participate in corporate governance through representation on company boards (co-management), Spain is one of just six countries in which co-management is limited to state-owned entities. Spanish law does transpose European regulations regarding European companies (both public limited and cooperative) such that participation rights that exist within such companies at the company level may be transferred to employees working in their Spanish business units or subsidiaries, allowing employees of these companies in Spain the opportunity to participate in the appointment of members of their board of directors and/or supervisory boards. However, the transposition is intended to provide the greatest degree of flexibility in the choice of governance structures from one EU country to another, rather than seeking to standardize worker participation at the board level.

The Committee found that application of existing laws is extremely weak: labor representation in companies through the channels established by Spanish law is around half of what it could be if the possibilities provided for in current legislation were exhausted. Moreover, concrete experiences of labor representation that reach past the minimum structures and thresholds of worker representation provided for in Spanish law; for example, on the boards of state-owned and multinational companies, were scarce. They existed because of foreign legislation, collective bargaining, or social pacts, rather than in fulfillment of any programmatic legislative initiative based in the constitutional mandate.

Cooperatives: Spanish law recognizes several types of cooperative company, not all of which are “pure” cooperatives in the sense of being fully owned by their workers, governed by a general assembly and functioning on the principle of 1 person, 1 vote. These include associated workers' cooperatives, labor companies, and worker-owned “participated” companies. In addition to identifying certain issues related to worker participation in these companies, most notably which

workers are allowed to participate (members and non-members, directly employed and sub-contracted workers, etc.) the committee noted the potential risk of associating ownership *and* participation in the same entity, pointing out that ownership of the means of production should not necessarily be limited to the company for which one works (diversified share ownership is a prudent investment principle). While incentives (in particular fiscal incentives) exist at the regional and national levels, they appear to have stagnated in terms of encouraging significant growth of the cooperative form.

Ownership of the means of production: Since Article 129.2 specifies worker access to ownership of the means of production as distinct from the encouragement of cooperative enterprise, the Committee turned to legislation, policy, and data in Spain and the EU relating to employee participation in various forms of company financial share ownership (individual, ESOP-type share ownership plans, profit sharing, etc.). The EU has promoted and supported these forms of worker ownership since the 1990s, notably through its PEPPER program (Promotion of Employee Participation in Profits and Enterprise Results). Data showed that there is an upward trend across the EU for percentages of workers included in profit-sharing schemes. While Spain has followed this upward trend, other indicators show that the proportion of workers involved in such schemes in Spain is markedly lower than in leading EU countries; indeed, Spain is the country with the greatest difference between the proportion of companies that have profit-sharing schemes and the number of workers who benefit from them. This suggests that Spanish companies with profit-sharing schemes include a relatively small number of workers in the actual sharing. Moreover, the Committee found that the global upward trend of market and ownership concentration in shares, fund shares, and business assets in both publicly listed and privately held companies is strongly present in Spain, meaning that, functionally, only a handful of families, individuals, and funds (with an increasing preponderance of foreign asset management firms) hold the vast majority of capital – in other words, the means of production.

Spain's "Social Economy"

This broader lack of participation and ownership can obscure the fact that Spain has many models and resources to utilize in its own territory. The Committee found that numerous companies in Spain do embody the goals articulated in Article 129.2, comprising an active and productive sector of its economy broadly known as the "Social Economy," which counts over 369,000 entities which employ more than 1.3 million people. Enterprises in this sector are notable for addressing issues that other companies treat as functional externalities (environmental impact, poverty, economic and social resilience, etc.) upstream, within their business models, which, notably, focus on employee education, democratic governance, and wage solidarity. This is most directly observable in their minimization of low-paid jobs and informality, empowering workers to advocate for their own interests, reducing wage inequality by capping income disparities or developing more inclusive mechanisms that combat poverty among women, for example. Worker cooperatives across the Spanish territory provide such excellent and enduring examples. The Committee noted that in addition to proving that multiple viable alternatives exist in the field of firm governance, these companies provide valuable tools and models for legislators and policymakers.

Conclusion: A majority of European countries, in addition to rights to information and consultation, legally recognize workers' rights to be represented on company boards and to participate in strategic decisions at the level of corporate governance, a practice known as co-determination. In 13 European countries, these rights extend to both private and state-owned companies. Spain is in a minority group of countries where these rights are not recognized in legislation and only exist in practice within some public companies. This, alongside the weak exercise of existing information and consultation rights and the lack of a broader legislative framework, places Spain in stark contrast to most other EU and OECD countries, which have more established legal frameworks. Although Spain does have a dual system of labor representation with works councils and unions and institutional participation in public bodies, this lack of legislative mandate for worker representation at the strategic, board-level of private firms **puts Spain at a significant disadvantage**; empirical literature demonstrates the positive impact of worker board representation on innovation, productivity, investment, and employment. Studies of the German co-determination model show that it fosters cooperation and information exchange and can lead to small but demonstrable positive impacts on firm productivity and performance. Studies indicate that different levels of labor representation, such as a works council and board-level representation, are more effective when they are coordinated, while research on worker behavior in the social economy shows that when workers have a voice, they tend to minimize precarious and poorly paid jobs, limit outsourcing, and increase investment in training to expand skills in their workforce. Research also shows that healthy social dialogue contributes to productivity gains and ensures that all workers benefit from technological and economic changes. Direct participation in workplace management has also been shown to enrich workers' sense of purpose and self-worth, boosting productivity. A study based on ETUI's 2018 survey of European Works Councils (EWCs) found that EWC members who communicated with worker representatives on their company boards reported better functioning in the EWC itself, access to more useful and timely information within the EWC, and more openness to negotiation on the part of management. Based on all of these findings, **the Committee concludes that the lack of comprehensive legislation is not only a shortcoming with regard to the Spanish Constitution: it may encumber the progress of the Spanish economy.**

In fulfillment of the second half of its diagnostic mission, the Committee explored ways in which a legislative initiative that mandates worker representation on company boards could align Spain with its European peers; serve as a lever for improving innovation, productivity, and social cohesion; and produce effective responses to the complex and interlocking challenges Spain currently faces.

Expanding Application, Adapting to Present and Future Needs

To identify contemporary problems for which a more robust application of Article 129.2 might offer solutions, the Committee identified 9 themes around which to orient its inquiry: SME succession, competitiveness, AI governance, territorial resilience, informal work and the value chain, civil society, poverty and inequality, democracy, and the planet. The Committee concluded that a legislative initiative in application of Article 129.2 that broadens worker participation and

ownership in companies, including but not limited to representation on company boards, could act as a lever for improving innovation, productivity, social cohesion while helping to provide responses to environmental pressures. In the interest of clarity, the Committee will present the challenges it identified in order of “granularity,” from local to global and from concentrated to diffuse impact, flagging certain key points of interconnection along the way.

Challenge 1: The SME Succession Crisis: 129.2 as a Safeguard to Spain's Productive Fabric

Small- and medium- sized enterprises (SMEs) are the backbone of Spain's economy, and of Europe's, as well: SMEs account for more than half of total value added, two-thirds of private-sector employment, and fully 70% of employment growth in the non-financial sector. Over the next decade, one-third of SME owners are expected to retire, placing an estimated 600,000 jobs at risk annually.

An overwhelming majority of Spanish family businesses do not have a formal succession plan (between 70% and 90%). Available data indicates that as many as 175,000 companies in Spain will be directly affected by unplanned succession in the coming years, posing a threat to the continuity of these businesses as well as to the local, national, and international economies in which they are embedded. It has been well documented that the sale of businesses to private equity funds and other strategic investors tends to favor short-term business decisions that disrupt relational capital and exert unfavorable pressure on wages, product quality, and workplace safety. Such sales are also unlikely to take into account impacts and positive secondary effects at the local level. Just as important, a rapid rise in foreign acquisitions raises serious concerns about the loss of economic sovereignty and decision-making power across key sectors of the European economy. In Spain, foreign investors already own 49% of the stock on the Spanish Stock Exchange.

The urgent need for the EU and its member countries to have effective succession strategies in place to preserve economic sovereignty and the integrity of each nation's economic fabric has been the focus of studies, initiatives, and reports at the EU level, many of which have highlighted the strong potential of employee ownership as an effective way to accomplish this.

Structural barriers represent a major impediment to implementing this as a solution, particularly in situations where the pressures of age, family needs, or impending retirement may push business owners to seek the most rapid options. Worker buyouts are more successful when they are achieved through gradual conversions. Moreover, worker-based succession plans face a chronic lack of access to financing, as commercial banks show limited interest in such transactions.

This is a clear field of application for the mandate articulated in Article 129.2, through which public authorities can promote access to ownership of the means of production in a manner beneficial to workers and business owners alike, bolstering regional and national sovereignty in accordance with a fair economic and social order.

Challenge 2: The Competitiveness Crisis: 129.2 as a Bridge to Better Job Quality and Closing the Innovation Gap

Like many European countries, Spain has prioritized R&D spending; however, it has so far been able to achieve only modest gains in productivity and innovation, and lags behind the United States and certain East Asian economies in this regard. Excessive regulation, lack of financial and fiscal integration, and insufficiently ambitious industrial policies have often been identified as the culprits, but there is mounting evidence that market concentration is a major stumbling block to economic competitiveness. Market concentration increases market power for a small number of firms, weakening competition and creating patterns of monopoly and monopsony that drive consumer prices up and wages down. One result of these patterns is decreased job quality. A quality job has been broadly recognized as one that provides sufficient pay to allow for a stable and comfortable standard of living, does not harm workers' physical or mental wellbeing, and provides opportunities for professional development. Job quality has also been linked to a sense of purpose, fairness, and trust in the workplace. Most significantly to the investigation conducted by the Committee, it has also been linked to worker participation. Job quality is of concern to the public interest because of the social externalities that result from it, and to businesses because it bolsters productivity and innovation, not least by helping to maintain a stable workforce.

The Committee's core finding was that a relationship was observed between worker participation, job quality, and innovation, which may be summarized as follows: worker participation improves job quality, increasing the social and intrinsic value of work while it is being performed, and often the business value of the results obtained from that work, as well.

The experts interviewed by the Committee cautioned that current approaches to restoring job quality tend to limit their focus to "re-industrializing" economies or expanding recourse to existing mechanisms such as collective bargaining or training and education. They noted that firms currently lack access to alternative models and do not have clear support or incentives to change their governance structures to expand worker participation.

The negative externalities of poor-quality jobs are sufficient to justify the implementation of public policy from the State's perspective, and worker participation has been shown to have demonstrable positive impact in terms of these externalities while also offering advantages to businesses in terms of productivity and innovation. This is a second clear field of application for the mandate articulated in Article 129.2, providing public authorities a lever to spur innovation while helping to ensure a dignified quality of life for all.

Challenge 3: The AI Governance Crisis: 129.2 as a Tool to Co-construct the Future of Work

While fears of widespread unemployment driven by the rapidly expanding use of artificial intelligence (AI) have so far proven unfounded, AI intensifies the problem of job quality discussed in the previous section. In particular, algorithmic resource management (ARM), which automates traditional employer functions, is already intensifying managerial control and surveillance, with limited human oversight, ongoing threats to privacy, and little transparency in the way decisions are made. In this sense, the expanded capacity of employers to monitor and sanction employees

poses a threat to existing worker participation. At the same time, experts interviewed by the Committee pointed out that this threat to worker participation is a potential problem for companies as much as workers, due to the risks inherent in using AI systems created by outside parties with little to no input from workers with fine-grained knowledge of their jobs, work environments, and industries. Since workers possess crucial tacit knowledge about contextual, day-to-day problems that external engineers typically lack, insufficient worker participation in the implementation of AI systems may at best lead to waste and inefficiency, and, at worst, safety issues.

If properly deployed, these experts noted that AI has the potential to enhance worker productivity, extend human capabilities, improve occupational safety, and even expand worker participation through specific AI tools currently in development. They cautioned that the sense of disempowerment pervasive in companies where workers have no input in the adoption of new technologies leads to stress, alienation, and feelings of worthlessness detrimental in the workplace and to society as a whole. All of the experts interviewed by the Committee agreed that AI requires updated employment laws to effectively balance power relationships in firms, place appropriate checks on employers' authority, and protect democratic principles in and outside the workplace.

The Committee observes that the mandate articulated in Article 129.2 to promote participation in companies appears not only applicable but urgent in the field of AI, to safeguard workers' well-being and privacy, to guarantee democratic coexistence by preserving a healthy balance of power in the workplace, and to ensure that this new and powerful technology is implemented in ways beneficial to all citizens.

Challenge 4: The Crisis of Territorial Resilience: 129.2 as a Buttress for Territorial Flourishing

The organizational model of transnational companies concentrates strategic and operational corporate decisions within a single entity. Their investment or disinvestment decisions, which can affect entire regions or sectors of activity, are made according to financial calculations structured around share value. Workers and territories alike are vulnerable to decisions by firms that exploit differences in labor, tax, and environmental regulations across countries in order to bolster financial profit. This tactic, known as “regulatory arbitrage” or “productive offshoring,” pits territories against each other in a downward spiral. Spain is not alone in lacking an adequate regulatory framework to address this problem. While capital is mobile, workers and local communities are not, and neither local governments nor traditional labor institutions are equipped to address the financial and strategic decisions made by transnational holdings, which are designed to operate on a scale beyond their reach.

As in other countries, negotiations undertaken with transnational companies by public authorities or worker representatives have often led to concessions (public expenditures, job quality, etc.) that ultimately fail to stave off the losses they were made to forestall. In cases in which transnational companies do have cross-border institutions that foster labor participation, such as those provided for in EU regulations, these institutions are not designed or equipped to respond to these dynamic asset management approaches, and labor representatives often lack competent interlocutors. Both workers and territorial governments are further hampered by the absence of efficient sanction

mechanisms for companies that fail to comply with their legal obligations; in cases where organizations or public authorities have had recourse to courts of law to weigh on the decisions of transnational employers, rulings have come too late to repair the damage done by lost jobs and other negative effects caused by corporate restructuring.

Here, Article 129.2's commitment to promoting worker participation has multiple applications. For example, the committee noted that productive offshoring is often preceded by smaller organizational changes, including minor production transfers, which progressively weaken operational capacities. Worker participation upstream would, conservatively, provide longer lead times to confront the effects of offshoring, and in a best-case scenario offer workers greater latitude to identify and advocate for alternatives to offshoring, grounded in their own knowledge of productive processes and local realities. More broadly, the Committee noted that worker representatives would likely be more committed to bringing long-term considerations rooted in their local communities to discussions related to their employers' offshoring decisions. Participation in company governance is not only a matter of social justice, however. In terms of economic efficiencies, workers who feel heard and valued are more likely to commit to improving productivity and innovation, making local operations more competitive. Fostering worker participation could thus provide an opportunity to forge more productive links between transnational firms and territories.

Challenge 5: The Crisis of Informality: 129.2 as an Instrument to Reconstruct the Value Chain

The informal economy, broadly stated, comprises all people performing labor unprotected by labor rights. This category includes many forms of critical labor, such as unpaid care work that takes place in the context of home or family, unpaid work associated with various forms of self-employment, work performed by undocumented migrants, “digital tournaments” in which a small number of high-performing workers capture all or a disproportionate share of income, tasks performed by data workers for nothing or nearly nothing in AI production systems, and simply, wage theft.

Since Article 129.2 includes all workers without specifying whether or not they are protected by formal employment contracts, the Committee interviewed experts on a range of these types of work in its hearings.

Since research shows that when workers have a voice, they tend to minimize precarious and poorly paid jobs, limit outsourcing, and increase investment in training to expand skills in their workforce, the main question raised was not whether but *how* constitutional protections could be extended to these workers. The experts interviewed pointed out that some of these abuses are intensified by a vicious cycle in which excessive market concentration is facilitated by access to informal labor, often outside of Spain's borders, creating unfair and destabilizing competition with companies that do not resort to it.

Concrete steps to identify all the labour investors throughout the value chain of lead companies and to include them in information, consultation, and decision-making could offer an opportunity to locate and limit such competition “leaks”; at the same time, workers' practical experience and

knowledge of each step in the value chain could offer businesses valuable information to sharpen productivity and competitiveness. Developing tools and incentives to help workers in more informal categories of the economy (platform workers, gig workers, care workers) form and join cooperatives offers another promising avenue for broadening worker access to the means of production while mitigating certain risks, for example in sectors where these workers, if companies are left to decide on their own, must make capital investments in the form of delivery vehicles or communication devices.

Challenge 6: The Crisis of Civil Society: 129.2 as a Resource for Union Renewal

Historically, unions are the motor for more than negotiations involving wages or working conditions: they have also driven social, economic and democratic progress. However, unions and union culture have faced marginalization due to the fragmentation of the labor market, economic shifts away from manufacturing, and lobbying and political strategies that have reduced their rights. An extensive body of research has shown that the marginalization of unions is directly correlated with a rise in inequality. Spanish unionism has in the past prioritized collective action and focused on the regulatory function of collective bargaining agreements, rather than advocating for participation in corporate management or governance bodies. More broadly, unions tend to represent workers as a whole across companies within a given sector, rather than structuring individual participation in individual companies.

For these reasons, the Committee observed that a more thorough application Article 129.2 has two implications for unions: first, the protection of the status of unions should be explicitly included in comprehensive legislation; and second, other applications of Article 129.2, in the form of worker representation in governing and management bodies of the firm, would act as a complement to the work of unions.

Challenge 7: The Crisis of Poverty and Inequality: 129.2 as a Path to Greater Equality

As noted previously, there is an inverse relationship between the market power of firms and market competition, and market power has negative effects on activity, employment, and investment; in particular, it drives down wages. Moreover, it reduces the *share* of wages in national income while increasing the share of capital income. The result is increased economic inequality: today, the richest 10% in Europe own 55% of all wealth, while the poorest 50% own barely 5%. This is exacerbated by phenomena such as technological innovation, which is a key mechanism for gaining market power; here again, the Committee noted the harmful effects of market concentration among a few influential companies. Low wages and wage stagnation lead to what is known as working poverty, a problem that is particularly acute in Spain, which has the third highest in-work poverty rate in Europe, with 13.7% of Spanish workers and active jobseekers living at or below the poverty line. This number more than doubles among migrants to 29.5%, as it does in the agricultural and domestic work sectors, where it sits at around 30%. For many Spanish workers, having a job, or even several jobs, does not guarantee a decent standard of living, or even meet basic needs. Economic data shows that the traditional strategy of relying on economic growth and redistribution (taxes and subsidies) is proving to be an incomplete solution and suggests that

pre-distributive strategies are needed as a complement, to more equitably distribute wealth when and where it is created.

Fostering worker access to ownership via various forms of share participation schemes is an evident pre-distribution strategy, and research has shown its positive effects. Moreover, as this summary has already noted, research on worker participation shows it helps to limit in-company pay differences, minimize low-paid and precarious jobs, and increase investment in training for low-skilled workers, making it a promising pre-distributive strategy, as well. Moreover, while worker participation is not a direct cause of egalitarian market rent distribution, it is correlated with institutional factors that reflect a stronger redistributive welfare state, and countries with high worker participation have more equal rates of income distribution. Article 129.2 thus has a clear mandate in this arena, both in terms of access to ownership of the means of production via share participation, and in terms of promoting worker participation.

Challenge 8: The Crisis of Democracy: 129.2 as the Antidote to Democratic Fatigue

The precariousness and volatility of contemporary work environments are mirrored in a political world with weakened structures for sustained public involvement. Citizen disaffection, political marginalization, and declining participation in civic activities⁷ are all symptoms of a rapidly growing crisis of engagement and trust in democratic institutions.

Five prerequisites for civic and political participation are linked to work: economic independence, free time, self-esteem, creative flexibility, and a spirit of cooperation. Research has shown that an absence of these in the work world, particularly when correlated with high levels of surveillance and a lack of autonomy in the workplace, can lead to political disinterest and a lack of confidence, including in one's own civic voice, and even a measurable tendency to distrust democratic and social institutions in favor of authoritarian political stances. The opposite is also true: economic research underlines strong positive correlations between the atmosphere of generalized trust in a country's social context and the degree of autonomy and participation granted to workers in companies. Precarious work, poor quality work, and working poverty all further affect aptitude and appetite for various forms of civic engagement. The Constitutional promise of citizenship through equal voice, participation, and a just distribution of resources, rights, and responsibilities in the public sphere stands in direct contradiction with experienced realities in the majority of workplaces, which are characterized by subordination and the absence of these practices. Research has shown that beyond the most basic material considerations (adequate compensation, safety), workers rank a sense of justice in the workplace as one of the most important determinants of perceived job quality, making participation – once again – a factor to consider as a means of boosting productivity and competitiveness.

⁷ Source: Eurostat, “European quality of life indicators” – October 2024

https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Quality_of_life_indicators_-_governance_and_basic_rights#:~:text=In%202022%2C%2012.3%25%20of%20the%20EU%20adult%20population%20aged%2016,this%20data%20was%20last%20collected.

For these reasons, the committee argues that a broader application of Article 129.2 has the potential to create virtuous cycles of participation in and outside the workplace that could help to bolster confidence and participation in Spain's democratic and civic life.

Challenge 9: The Crisis of the Planet: 129.2 as an Engine of Ecological Renewal

Given the urgency of ecological pressures on populations, the economy, and the planet as a whole, and given the importance of the ecological footprint of business activities, the Committee concluded by examining the question of whether and how Article 129.2 might be applied to mitigating these pressures. This situation is particularly relevant for Spain, as a recent publication of Bank of Spain certifies: "Spain is also one of the Western countries most vulnerable to climate change, facing serious threats from desertification and wildfires alike. With nearly three-quarters of its territory consisting of arid land prone to desertification, Spain is one of Europe's most exposed countries to this risk. Meanwhile, wildfires have become increasingly destructive in recent years, placing Spain as one of the most affected countries in Europe. Indeed, in 2022 around 40% of the hectares ravaged by forest fires in the EU were within Spain's borders."⁸

Research highlights that a relatively small number of transnational corporations are responsible for a significant proportion of global environmental impacts, in particular greenhouse gas emissions and biodiversity loss. Governance models that give majority or exclusive decision-making power to shareholders and managers who are largely distant from the impacts caused by a company's business activities, and whose very design favors capital growth over protecting populations or territories have little or no incentive on their own to curb or change their practices. The participation of workers, who are more likely to live and work in areas where the full effects of environmental impacts are experienced, would at the very least be expected to diversify the criteria used by firms to make decisions. More concretely, there is significant and mounting evidence⁹ that labor-centered solutions such as design changes to passive design (low carbon) systems, efficiency improvements including routine maintenance work, and basic retrofitting operations could slash energy consumption by nearly three quarters. Here, it is even more likely that worker participation would encourage companies to widen their environmental focus to include a broader palette of practical responses to environmental pressures, particularly where they create jobs.

Successful models in the social economy that combine worker participation and ownership with an idea of mission that is larger than mere return on capital investment, for example, including ecological considerations, offer a considerable range of organizational options for structuring governance that could help labor investors – along with stakeholders – to ensure that business activities are aligned with the long-term wellbeing of people and the planet.

Since any serious approaches to limiting further damage to our environment and regenerating communities and territories affected by current damages must necessarily be systemic, it is logical

⁸ Álvarez L., Broto C., Hubert O., Mayordomo S. (2025), "Desertification and wildfires in Spain. The impact of climate change on bank lending," *Banco de España Blog*, 05/09/2025, URL: <https://www.bde.es/wbe/en/noticias-eventos/blog/desertificacion-e-incendios-en-espana-el-impacto-del-cambio-climatico-sobre-el-credito-bancario.html>

⁹ Cullen J.M., Allwood J.M., Borgstein E.H. (2021) "Reducing Energy Demand: What Are the Practical Limits?" *Environ Sci Technol.* Feb 15; 45 (4):1711-8.

to use the tools offered by Article 129.2 to craft legislation that includes incentives for business models that are less extractive with regard to labor investors and the planet.

Conclusion of the Diagnostic Mission

Our societies are facing a series of interrelated challenges, all of which are directly or indirectly linked to the absence or inadequacy of worker participation in firms. **The Spanish Constitution, more broadly in its Preamble and Preliminary title, and then explicitly in Part VII, Article 129.2, contains a clear mandate to intervene in favor of worker access to voice and ownership. Given the systemic nature of these challenges, the Ministry of Labor is justified in identifying and advocating for systemic solutions, including policy interventions and programmatic legislation to give workers a voice in the strategic decisions of their firms, ensure a more balanced and equitable economic future, and allow Spain to act as a model for other countries seeking to build more resilient and just economies that better serve their citizens.** The Committee notes that these systemic solutions should be based on an economic approach that works from the ground up, prioritizing trust-building in the work environment, strategic collaboration with regions, autonomous territories, and businesses to maintain and create quality jobs, particularly in the service sector, and leverage technology to complement and enrich (to 'augment,' in industry parlance), rather than replace, human labor. By promoting substantive worker participation, a more robust application of Article 129.2 could provide concrete tools to help public authorities and businesses to develop economic models with functional succession plans that help maintain territorial resilience and safeguard the conditions necessary for human growth and shared prosperity.

2. Strategic Mission

- To propose a trajectory for the application of Article 129.2 moving forward: *How can this promise be kept?*

Rethinking Corporate Governance in the Service of Voice and Ownership

In the second part of its mission, the Committee turned its attention to the nuts and bolts of expanding worker voice and ownership: the firm. It noted that the legal structure of firms is not neutral: firms are political entities that exercise power and inside which power is exercised. Firms, in their current, most prevalent form, are designed to prioritize the interests of capital investors and create power asymmetries in their favor, extracting the maximum value from all available resources, including human resources, while externalizing risk onto workers, state governments, society, and the environment.

Exclusive shareholder control has been justified in the past with the argument that shareholders or owners are the only actors naturally incentivized to increase the value of the company, as they are the residual beneficiaries of the company's profits after all contractual obligations have been met. Moreover, this argument goes, capital investors are subject to the greatest risk and are more

prudent than workers, whose natural tendency is to convert the company's assets into ever-higher wages to the detriment of further investment. This line of reasoning ignores the other types of investment that, alongside capital investments, are required for a firm to function. These are best grouped into the category of "labor investment." As firms come to rely more and more on intangible assets, ranging from brand identities to intellectual property to accumulated knowledge and highly specialized skills to organizational capital, structuring firms with such an exclusive focus on the power and interests of capital investors appears not only outmoded, but efficient only at generating return on investment for the capital investors.

As the Committee has already established, the Spanish Constitution gives a clear mandate to lessen these asymmetries. Since research has shown that there is no economic downside to legally mandated participation, it would have been sufficient to conclude that promoting greater worker participation in firms is entirely justified for reasons of democracy, dignity, and distribution. However, as has already been observed, potential advantages of shifting firms' power structures to include more participants (labor investors as well as capital investors) at all levels are diverse. Economic research has shown that more decentralized firms with higher levels of worker participation are more productive and innovative.

Legal frameworks create the foundations for the dominant governance structure of the firm, which favors asset protection, rent extraction, and hierarchical governance. Corporate lobbies have long sought to shape the law with arguments in favor of the indirect effects of capital accrual. The case of Lehman Brothers is emblematic, both of the success of these lobbies, and their failure to produce positive indirect effects: the legal structures through which Lehman Brothers created a network of over 200 subsidiaries, special-purpose vehicles, and trust entities allowed the firm to silo risk, maintain favourable credit ratings, and funnel profits upward to its holding company; its collapse contributed to a global financial crisis whose adverse effects were felt intensely by the majority of the world population. The legal principles underpinning these structures are not limited to financial firms and increasingly apply across sectors.

Across jurisdictions, however, there is a growing interest in alternative forms of business organization that seek to embed social missions as core considerations and broaden governance beyond capital investors. These forms and legal structures include cooperatives, foundation-owned firms, benefit corporations, employee-owned enterprises, and steward-owned enterprises, as well as innovations in governance such as golden shares or the inclusion of a representative of nature on company boards to ensure that capital contributors cannot unilaterally override social or environmental commitments.

If legal innovations and governmental leadership have shaped firms in the past, they are equally capable of identifying and supporting other models more adapted to the times and to the constitutional mandate of Article 129.2.

The Committee identified a broad range of historical and contemporary examples in Spain, the EU, and beyond, models which are not just socially and environmentally desirable, but have proven to be commercially viable. Different models leverage ownership, participation, control, accountability, and mission preservation in different ways, some with a greater focus on worker participation,

some with a greater focus on worker ownership, and some with an equal focus on both. This wide degree of experimentation allowed the Committee to investigate a range of possibilities in order to offer an innovative set of resources, tools, and policy suggestions. Based on data from other countries, the Committee concluded that fulfilling the Constitution's promise to workers requires a mandatory minimum threshold to guarantee worker access to participation and ownership. This should be accompanied by a dynamic policy paradigm that incentivizes firms to move toward these goals, in a way that leaves territories, businesses, and citizens flexibility to adapt requirements to their specific needs while building a more resilient, equitable, and democratic economic future.

3. Practical Mission

– To identify legislative tools and other resources that offer rigorous, research-based solutions that are innovative, economical, and adaptable to Spain's culture of territorial and economic diversity.

After reviewing the risks and shortcomings of the current legal framework, the Committee set out to address potential amendments and corrections to it based on the mandates of the Spanish Constitution. Building on these insights, the Committee has assembled a set of policy proposals and reforms that can help better align companies with the Constitution's promises to Spain's workers, using best practices in fellow EU countries, with the goal of creating benchmarks and support mechanisms at the European level.

First, the Committee identified two distinct sets of minimum thresholds for access to voice and ownership, in line with European best practices. Second, it suggested a set of tools to promote, encourage, and incentivize further progress to continue the trajectory toward larger worker access to voice and ownership. In both cases, the Committee relied on concrete mechanisms to guide every firm, regardless of size or status, toward this more robust application of the Constitutional mandate. Third, the Committee provided recommendations for relevant policy instruments at the European level.

In light of the scale of the challenges Spain faces today, particularly in the face of climate change and threats of democratic collapse, **the Committee understands the enabling role of the State in fostering shared capability among individual firms and social actors to orient their behavior in a desirable direction and to level the playing field so that businesses and workers can thrive. The strategy for the democratization of firms proposed herein could lay the cornerstone of a more innovative, just, and sustainable Spanish economy. By rewarding cooperation, collective intelligence, and resilience, Spain could become a model in Europe for an economic transition that benefits everyone.**

It is not within the scope of this executive summary to provide an exhaustive report on the Committee's detailed and comprehensive proposal; for informational purposes, a brief overview is provided below:

At the Level of Spain

Strengthened standards for Works Councils aligned with EU best practices, particularly in terms of rights to information and consultation: The scope of Works Council competencies should be expanded to include the right to information and consultation in decision-making processes regarding reconfigurations of its organizational or production models, in particular where they aim to achieve greater efficiency, environmental sustainability, and corporate social responsibility. Participation in management should take place according to procedures agreed upon by both parties. To support workers' participation in Works Councils and increase their understanding of the stakes, the Committee recommends that they have the right and the financial means to receive advice from 2 experts in the course of their deliberations, one of whom will be expert on AI systems at work, the other on the impact of the business practices on the nine planetary boundaries that in return shape the environment in which businesses operate.

A New Codecision Right for Works Councils to Shape and Consent to AI: The magnitude of the impact on workers by the introduction of AI Systems justifies a right to shape and consent to AI tools, which the Committee recommends be exercised by the Works Council, with the right to veto, if necessary, all decisions related to the deployment and introduction of Artificial Intelligence (AI) systems. This suggestion is also made at the level of European Works Councils.

Introducing Workers on Boards: minimum legal thresholds based on workforce size, again, aligned with EU best practices, adapted to recognized thresholds in the Spanish system of industrial relations: for companies with 50 to 1,000 employees, one third of the seats on the board are to be allotted to employee representatives; for companies with more than 1,000 employees, one half. Firms can choose, via collective agreement, among three options to organize this representation: including worker representatives directly in the existing Board independent of Works Councils; giving the Works Council the fitting voting weight next to the weight given to the Board; or including the exact number of workers already represented on Works Council in the existing Board, meaning these workers have a dual appointment.

New minimum thresholds for worker access to ownership: for companies with 25 to 1,000 employees, more than 2% of shares must be owned and/or administered by workers (via trust or other appropriate vehicle); for companies with more than 1,000 employees, more than 10% of shares must be owned and/or administered by workers.

Reporting tool: Since the Constitution does not set a firm ceiling, but rather an intention, tools are required to assess how well the nation's commitments and policies align with the Constitution's provisions. Specifically, the Committee proposes two scoring scales to measure companies' alignment with the Constitutional mandates to promote participation and ownership in terms of worker presence in decision-making bodies as well as their share of the firm's capital.

Corporate Democratic Development Index

based on the Two Participation Scoring Scales

Rating	The Voice Scale (V) Categories	Rating	The Ownership Scale (O) Categories
0	A company in which those who work hold 0 of the voting rights to 1 seat on the company board (by which we mean the committee in charge of the strategic decisions or legislative branch)	C	0% of shares held by the workers of the firm
1	A company in which workers hold from 2 seats to less than 1/3 of the voting rights on the company board	B	More than 0 to less than 2% of shares held by the workers
2	A company in which workers hold from 1/3 of the voting rights to less than 1/2 on the board (or the works council is equivalent to a college weighing at least 30% of the votes of the company board to less than 1/2) (codetermination)	Ba	Between 2% and less than 25% of shares are owned and/or administered by the workers
3	A company in which workers hold 1/2 of the voting rights on the company board (or the works council is equivalent to a college holding 50% of the votes on the company board (aka German Montan Codetermination))	A	Between 25% and less than 50% of the shares are owned and/or administered by the workers
4	A company in which the company board operates under a dual majority rule (codecision) , where at least one of the majorities is exercised by worker representatives organized as a college of voters or by the works council (aka Economic bicameralism).	Aa	50% of the shares are owned and/or administered by the workers
5	A company in which workers hold all the voting rights on the company board (aka workers' cooperative or a <i>laborist company/sociedad laboral</i>)	Aaa	More than 50% of the shares are owned and/or administered by workers, and all the rest is owned and/or administered by other workers or "steward owners"

Example:	Voice Score (V) for a specific firm = 4		Ownership Score (O) for a specific firm = A
Corporate Democratic Development Total Rating for this specific firm = 4 ^V A ^O = 4A			

Each company will be given a rating which will situate its achievements along the two scales. The **Corporate Democratic Development Index** will then be used for a bonus/malus incentive-based mechanism designed to reward further levels of access to voice and ownership (and discourage lower levels). **It will steer a policy framework** which will mobilize public subsidies, corporate tax rates, fiscal benefits, privileged access to public procurement etc. to incentivize further progress, encouraging less democratic firms in the country to transform their organizational structures further.

Worker- and citizen-controlled investment funds can help SMEs manage the succession crisis through democratic ownership and to gradually acquire and administer majority holdings in medium and large companies. This is an opportunity to promote a more balanced and decentralized financial landscape that fosters widespread prosperity rooted in local territories, encourages innovation, and aids in the transition beyond the shareholder-value-centered model of corporate governance. Moreover, it diversifies the investment risks associated with employees owning shares only in the companies for which they work. This new financial instrument would open worker ownership to shares in other companies, as well as offering the people of Spain access to diversified, democratically run investment funds.

Fiduciary duties should be reformed to encompass more than obligations to shareholders, so that they include a duty of deliberation regarding workers, shareholders, and the environment. Directors would account for these different interests in their decisions, note their consideration of alternative options, and describe the associated outcomes for each group.

Reforms to executive compensation. Rather than purely financial considerations in the service of shareholder value maximization, the Committee recommends redesigning executive compensation to reflect firm impacts on worker and environmental outcomes alongside financial ones. Such compensation structures should be informed by existing third-party standards for worker well-being, such as those constructed by the Global Reporting Initiative and B Lab as well as by existing work on measuring environmental performance. It is further recommended that capping pay ratios between CEOs and the firms' lowest-paid workers be considered to ensure a fairer distribution of firm profits.

Implementing training programs for union leaders, workers, and managers to support their work as catalysts for positive democratic change: since skills suitable for working in, managing, and negotiating with more democratic firms are necessarily different from those developed in the context of firms structured solely around shareholder profit, a successful move toward greater worker participation and ownership will depend on building these new skills. The Committee has therefore proposed methods to adapt the existing training infrastructure strategically adapted to prepare workers, unions, and employers for this transition.

Compensation for union and other worker representatives: the extensive experience of unions in the collective organization of workers is essential to a more thorough application of Article 129.2, and the committee recommends that in parallel with the implementation of adapted strategic training programs, the work of union members should be properly compensated.

New reporting obligation that identify all labor investors: because current legal and corporate arrangements are characterized by outsourcing and complex value chains, often leaving a significant portion of a firm's labor investors outside the formal borders of labor law, and thus potentially excluding them from participation and ownership, the Committee proposes reporting standards that properly identify all who invest their labor into the company.

Establishing an Observatory on Access to Voice and Ownership under the supervision of social partners, scientists, and relevant stakeholders. This observatory would ensure continuous

monitoring of workers' access to voice and ownership across Spanish firms. Its work would involve measuring progress (using metrics such as the six-level scoring scales), identifying good practices, and highlighting structural obstacles. Through producing, systematizing, and disseminating innovative research of high scientific quality, its insights would be crucial for informing science-based policymaking and fostering informed public debate.

Promoting worker participation as a key award criterion in public tendering to help public procurement and State aid serve as levers to implementing Article 129.2 and strengthening worker voice and ownership.

The Committee emphasized that, above the new legal minimum that the Government would set in place, each firm should **choose its own pace on this trajectory of democratization, encouraged by government incentives**, in acknowledgement of the diversity of business models and the need for a gradual, flexible transition adapted to organizational structures and corporate cultures.

The reform is not intended to increase the overall tax burden on firms but instead to redistribute it more equitably between “positive impact” and “negative impact” firms. The goal is to create a system that is **revenue-neutral from the perspective of the budget of the State by setting bonus and malus rates to balance revenues**.

Rather than imposing a rigid law, the Committee notes that **the government can proceed by announcing time-bound objectives, giving firms latitude to adapt their structures and culture**.

Scope: The reform would apply to 100% of Spanish firms, with a possible exemption on the voice scale/standards for small and medium-sized enterprises (SMEs) with fewer than 50 employees.

Reporting mechanism and validation: Firm scores should be measured annually and validated by the Works Council of the firm. AI reporting tools already exist to alleviate firms' reporting burden and to smooth and streamline the process. An appeal structure housed at the Ministry of Labour would validate scores if they were contested by workers or firm management.

Expected outcomes: According to macroeconomic simulations, such a bonus-malus system, combined with an associated regulatory framework, could generate positive economic effects including an increase in business activity, investments, and wages; a drop in unemployment; and a potential reduction in public debt.

At the European Level

The Committee notes that concrete policy instruments are necessary at the European level, as well, and recommends that, as a response to this pressing need, Spain promotes seven policy instruments which we refer to as **the European Regenerative Democracy Compass**, which complements the **European Competitiveness Compass**. Used together, these two tools could bolster the consistency and robustness of European economic policy. Anchored in the **new reporting tool: The Corporate Democratic Development Index, measuring workers' dual access to voice and to ownership**,

1. **A European Sovereign Fund to address the succession crisis and support worker buyouts**
2. **Rights for European Works Councils to shape and consent to AI deployment at Work**
3. **Full and fair transposition of the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD)**
4. **Building consensus on a unified European corporate income tax policy anchored in the dual scoring scale of worker access to voice and property**
5. **A unified incentive and conditionality mechanism across all EU funding, state aid, and public procurement pegged to the Corporate Democratic Development Index, based on the two Labor Investors' Access to Voice and Ownership Scoring Scales**
6. **A 28th regime for European democratic firms**
7. **Key support programs to help stakeholders thrive in the new policy environment, including the creation of the EU Observatory on Access to Voice and Ownership**

Closing Statement

The Spanish Constitution obligates Spain's government to promote *conditions ensuring that the freedom and equality of individuals and of the groups to which they belong are real and effective and to facilitate their participation in political, economic, cultural and social life* in order to ensure a dignified quality of life for all. As we investigated the question of what could be done to safeguard and advance these conditions, the central commitments made by the Constitution to Spanish workers, certain observations were incontrovertible: **Spain – and every country in the world – is facing an unprecedented and interlocking set of multi-layered crises to which our legal frameworks and the organizational structures of our economies are not prepared to adequately respond.**

And yet it is with real hope that the Committee wishes to remind readers of this report that Spain's Constitution contains clear mandates to guide legislators through such times of tension and crisis. Coordinated work across all sectors of the Spanish government will be necessary to identify and implement suitable responses to these crises, and it was with this fact in mind that the Second Vice-Presidency and the Ministry of Labour and Social Economy of Spain: to provide the Ministry of Labor with a tailored and scientifically rigorous approach grounded in Constitutional Article 129.2, in order to orient its work.

Article 129.2 outlines a mandate to ensure citizens a life of freedom and equality in an advanced democratic society in three specific ways: 1) the effective and efficient promotion of the *various forms of participation in firms*, 2) the encouragement of *cooperative businesses*, and 3) the facilitation of *access by workers to ownership of the means of production*. In light of this mandate, the findings and recommendations laid out by the Committee in this Summary and in its report

speak for themselves: **the Spanish government has a historic opportunity to lead the world in taking concrete steps to safeguard its productive fabric, improve job quality, close the innovation gap, co-construct the future of work with safe and adaptive technologies, support territorial flourishing, reconstruct the value chain, reinforce equality, strengthen democracy, and spur ecological renewal. The findings and policy recommendations of this Committee are not utopian. Certainly, they are optimistic, but they are also realistic, rooted not only in careful research, but in tools, approaches, and practices long present on Spanish soil.** Findings and policy recommendations are the tools of researchers and scientists, and when they do their job well, the results serve the people. We hope that the results of our work will help Spain's lawmakers and public authorities advance the task of guaranteeing the freedom and equality of all in a just and democratic economic and social order.

Spain's leadership will be vital at the EU level, as the Union sits at the crossroads between a run toward the degradation of social and environmental standards that the US and China are better positioned to win, or a just transition, anchored in ethical, social and environmental standards that will power Spain –and Europe's innovation capability, while protecting her businesses, in the pursuit of a sustainable and democratic future.

Introduction

by Professor Isabelle Ferreras, Chair

The Vision

This Report is presented in response to a **historic commitment by the Government of Spain to finally address Article 129.2 of the Constitution**, a programmatic provision that has awaited full enactment for almost half a century. The central ambition of this work is to lay out a compelling proposal for building a new economic future that moves beyond the crises of the present **to inaugurate a virtuous cycle of regeneration for the planet and prosperity for all**. Amid rapid advancements in AI and significant global political instability, Nobel Laureates Daron Acemoglu and Simon Johnson's *Power and Progress*¹⁰ provides a critical warning: **the consequences of technological breakthroughs are neither predetermined nor inherently beneficial for all**. Instead, the future depends on our collective capacity to govern technological change and its deployment. In what has traditionally been defined as the realm of the distribution of power, **rights and institutions—specifically the design of the corporation—lies our ability to determine these outcomes in a way that fits our democratic expectations**.

The report is structured in two parts in order to provide an overview of the applicability of the Constitutional mandate to the challenges Spain faces, and a practical, actionable plan for the democratization of firms via two avenues, voice and ownership.

Part I of the Report provides a comprehensive diagnosis of the critical crises confronting Spain and economies around the world today, from the erosion of democratic institutions and the rise of inequality to the instability of offshoring and the threat of climate collapse. These challenges are interconnected and impede progress. If left unaddressed, they threaten the very stability of our economic and social systems. This analysis serves as a constructive point of departure, showing that **the current extractive trajectory of the economy is not sustainable or desirable, as it is detrimental to Spain, its people, its democracy, and our planet**.

Part II shifts the focus from diagnosis to offer a strategic roadmap for change. It proposes a comprehensive strategy for the democratization of every firm by opening up access to voice and ownership for all firm workers, which the Report recognizes as labor investors. This is the **regenerative trajectory** the International High Level Expert Committee on Democracy at Work suggests. It allows firms to internalize social and environmental externalities, foster a culture of cooperation and innovation, and continue to work in ways that are not only profitable but also equitable and sustainable.

The cornerstone of the proposed strategy is **a new instrument, the Corporate Democratic Development Index, based on two scoring scales that tracks Labor Investors' Dual Access to Voice and Ownership**, the two promises made by the Spanish Constitution to every worker. Because voice and ownership are distinct (if interlocking) considerations for a business

¹⁰ Acemoglu D. and S. Johnson (2023) *Power and Progress*. NYC: Public Affairs.

organization, and because Article 129.2 of the Constitution addresses them separately, we propose two six-level scales, one for voice and one for ownership. The Voice scale measures the degree of worker access to voice in a firm, ranging from a non-democratic, capital-governed firm (Rating 0) to a firm in which labor investors govern, via a *Sociedad laboral* or a worker cooperative (Rating 5). The Ownership scale measures the degree of worker participation in capital, from no shares held by labor investors (Rating C) to full worker ownership (Rating Aaa). **After the State has defined minimum thresholds that firms should reach to ensure the Constitutional mandate (we suggest Ratings 2 on the Voice Scale and Ba on the Ownership Scale), a comprehensive set of incentive mechanisms (bonus/malus) should be mobilized by the public authorities to ensure that businesses feel supported as they move along the scales toward higher scores.**

The Report will show that it is possible to move away from extractive business models for firms if we make the right collective choices. **It is *by design* that firms are vulnerable to the crises covered in this Report, and by choosing new designs they can employ regenerative business models grounded in worker access to voice and ownership.** Article 129.2 gives a clear mandate to public authorities to make legislative and policy choices that help bring regenerative business models into the mainstream. In so doing, it becomes possible to make the economy not only healthier and more resilient, but also fundamentally fairer. Democratizing companies is a practical policy choice to ensure a hopeful future for both humanity and the planet.

The Committee's Missions and the Report

This Report is structured around the three missions entrusted to the International Expert Committee on Democracy at Work by the Second Vice-Presidency and the Ministry of Labour and Social Economy of Spain.

The Committee's first mission was to outline the current state of workplace democracy in Spain in the light of the overall values of the Spanish Constitution and specifically of the mandate established in Article 129.2 of the Constitution. The Report discusses this mission in two parts: Part I.A., a study of the Article's history, contextualizing the Spanish situation within the European context; and Part I.B., which provides a comprehensive overview of a body of knowledge that demonstrates that democracy at work can be an effective remedy for the major challenges faced by humanity today, including extreme economic inequality, overexploitation of natural resources leading to planetary extinction, and democratic collapse.

The Committee's second mission, discussed in Part II.A., was to provide a concrete trajectory for public authorities to support the transition to firm democratization through legislation and policy tools. This part of the report identifies a clear path for every company to move toward democratization. As a reminder, the functional definition of democracy at work used by this report is: empowering those who invest their labor in a business endeavor to influence the major business decisions of the organization in which they work. This empowerment can be achieved through the two avenues mentioned in Art. 129.2: **voice** (that is, recognizing new rights that enable workers' access to operational and strategic decisions to govern the firm alongside current shareholders'

dominated boards), and **ownership** (that is, access to the ownership of the capital shares of the entity in which they work, and of the means of production more largely).

The Committee's third mission, discussed in Part II.B., was to identify concrete public policy instruments (taxes and subsidies, new financial instruments, new laws on employee rights at work, etc.) with clear connections to the EU level, and put forward clear proposals and draft legislation to foster productive public debate around these issues. This section also discusses developing the support mechanisms needed to enable a culture of effective democratic practices in the workplace.

Spain, Along with All Countries, has a Clear Mandate¹¹

This Report marshals factual evidence and arguments from multiple fields in the social, political and economic sciences to investigate the need for public intervention to foster democratization, in light of prevalent market and social dynamic failures. **We suggest two powerful findings to frame your reading of this Report.**

The first: *Citizens understand that spurring economic development in the right direction is urgently needed.* Recent opinion surveys across G20 countries show that people want bold action to tackle inequality and climate change and remain committed to the ideal of democracy. Strengthening workers' rights is among the most popular policy proposals surveyed, with the support of 75% of the population across 22 countries (Earth for All, 2024¹²). **An overwhelming majority of citizens support State intervention to support workers' rights and the implementation of more equitable tax policies. People desire a more equitable future; they value life on this planet and believe it should be nurtured.** The second finding: More and more members of our societies feel our political systems are unable to respond to their needs or the planet's. In Spain and around the world, polling and surveys show increasing levels of distrust in the political system.¹³ **Governments**

¹¹ For a fully-fledged account of the ideas presented in this section on the contradiction between capitalism and democracy, the place of markets in economic development, and capitalist firms as political entities constituted by labor and capital investors to be integrated into the democratic architecture of the democratic society, see Ferreras I. (2017) *Firms as Political Entities. Saving Democracy through Economic Bicameralism*. Cambridge University Press ; (2020) "Do Democracy and Capitalism really Need Each Other?," *Harvard Business Review*, March 11, <https://hbr.org/2020/03/do-democracy-and-capitalism-really-need-each-other> ; Ferreras, I., J. Battilana, D. Méda (ed.), (2022) *Democratize Work. The Case for Reorganizing the Economy*, The University of Chicago Press ; Ferreras, I. (2024b) *Democratizar la empresa capitalista: Piedra angular de una prosperidad compartida y sostenible*. Chili: Adriadna Ediciones, Trad. and Preface by Sebastián Pérez Sepúlveda, Postface by Pedro Chaves y Sara Lafuente. <https://ariadnaediciones.cl/images/pdf/DemocratizarLaEmpresaCapitalista.pdf>

¹² Source: <https://earth4all.life/global-survey-2024/#full-data>

Ipsos surveyed 22,000 participants aged 18 to 55-75 in total across GG20+ (22 countries) during March 2024, including France (1,000), Germany (1,000), Italy (1,000), United Kingdom (1,000), Austria (1,000), Denmark (1,000), and Sweden (1,000) across a sample representative of the national population on age, gender, region and working status. Question: "To what extent if at all would you support or oppose the following proposals as means to improve all people's wellbeing and quality of life and respond to global challenges?"

- **Strengthening workers rights, to protect jobs and ensure adequate retraining : 75% strongly support/tend to support**
- The use of citizens' assemblies to increase citizens' influence in political decision-making : 62%
- Laws and regulations limiting the political influence of large corporations in the political process : 62%
- Giving legal rights to nature in national laws : 60%
- Giving legal rights to future generations in national laws 61%

¹³ In Spain, satisfaction with the way democracy works in the country is decreasing. In 2025, the majority of respondents said that they are 'not satisfied' (52%). In the previous Spring 2023 Standard Eurobarometer, the majority of respondents

at all levels face mounting pressure, and even threats of collapse. Urgent action is needed to address these crises by reconnecting citizens with their sense of hope, and ability to get positively mobilized. The Expert Committee suggests that Spain, in its Constitution and specifically in Article 129.2, has an excellent tool with which to undertake that action.

This Report identifies capitalism - not the market economy, but **the capitalist vision for organizing relationships - as a direct and major challenge to the democratic project.** While most of us in the Western world grew up with the idea that democracy and capitalism went hand in hand, it is becoming clearer every day that capitalism, as it is currently practiced, directly contradicts the democratic ideal. **Democracy** is an ideal, a vision of freedom and government anchored in the recognition of our equality and freedom “in dignity and rights” (per the Article 1 of the UDHR). According to this ideal, all citizens should have equal political rights: “One human, one vote.” In essence, as Piketty makes clear, **the democratic ideal is fundamentally rooted in the effort to untie political standing and equality from economic ownership (wealth)**¹⁴. The liberal ideal can be applied to entities of any size, from small to large, via a series of techniques of representation, deliberation, and decision-making processes (election, sortition, etc. ...), that have evolved over time.¹⁵ **Capitalism, by contrast, represents the reverse project.** It is also a regime of government, and also **upholds an ideal, but an unequal one that runs counter to the liberal ideal of equal freedom. It is anchored in the idea that political rights are based on, and tied to capital ownership,** most commonly through the vehicle of its core institution, the corporation. Under capitalism, only capital investors have standing in the government of the joint endeavor - even in cases when that joint endeavor governs the life of others (e.g. labour investors), and even in cases when those unrecognized *others* take risks too, and contribute directly to the possibility for success of the joint endeavor.

In addition to misidentifying capitalism and democracy as natural allies, the history and political theorization of our liberal democracies have nurtured **confusion between markets and capitalism.** The **market** is an exchange mechanism that is legally and culturally produced and secured by the State. Without proper laws to organize the market (minimum standards to respect human rights, to prohibit environmental destruction, proper anti-trust laws to fight against monopoly power, etc.), its benefits quickly disappear. The marketplace has always been constructed and regulated by human society ; it is not an autonomous creature and cannot act on its own as an “invisible hand.” When properly regulated, markets are fitting frameworks for fostering the introduction of new products, new ideas, and new services; a powerful engine for bringing innovations to potential users. When properly designed, **markets are a vital component of democratic society.** However, capitalism is not actually designed to support free markets. Markets, though, have been increasingly designed and governed to support capitalism...¹⁶

were in fact 'satisfied' with how democracy works in their country (54%). Indeed, in ST100, only 46% of the respondents in Spain said that they are satisfied with the way democracy works in their country, with 52% 'not satisfied'. In the previous ST99, the results were 54% 'satisfied', vs 45% 'not satisfied'. The proportion of 'not satisfied' has increased by a significant portion of 7% from ST99 to ST100 (from 45% up to 52%) between 2023 and 2025. Source: <https://www.veriangroup.com/news-and-insights/how-respondents-in-spain-value-democracy-and-the-rule-of-law>

¹⁴ Piketty T. (2019) *Capital and Ideology*. Cambridge MA: Harvard University Press

¹⁵ For instance, we are rediscovering today the advantages of sortition over voting while the Ancient Greeks organized their nascent democracy, restricted only to property-owners, according to this technique. See Landemore, H. (2020) *Open Democracy: Reinventing Popular Rule for the Twenty-First Century*. Princeton: Princeton University Press.

¹⁶ Philippon T. (2019) *The Great Reversal. How America Gave Up on Free Markets*. Cambridge MA: Harvard University Press.

Across the globe, we are currently witnessing the fact that **capitalism functions robustly within many different kinds of political regimes:** liberal democratic, communist, autocratic – and even within illiberal democracies. We have seen capitalism survive and even flourish in all those systems across the globe.

In the context of our modern democratic society, a conflict has emerged between the political power of capital investors which is at odds with the fundamental freedoms of the democratic society. We are currently observing a particularly intense episode in this struggle for influence between capitalism and democracy, a confrontation which may lead us to the point of political and societal collapse and return us to despotism or fascism. All of this adds to the urgency of society's fight against another collapse: that of the planet. If we agree that the core institutional arrangement of capitalism is the capitalist corporation, wherein the political rights to govern the corporation are exercised solely by those who own the capital (mostly in the form of company shares), we must conclude that it functions according to a logic contrary to democracy, one that political theorists would identify as a logic of despotism, the despotism of the capital holders. Historically, when embedded within national territories under State authority, the actions of capitalist corporations were regulated by the laws of the *Westphalian* State, which, in exchange for use of its structures, including its markets, collected and redistributed a fraction of capitalist profit in order to build and maintain the public goods necessary for the society (including firms) to function (transportation systems, police and justice system, education, etc.), and to repair the externalities firms generated (health hazards to workers, possible harm to customers, environmental degradation, inequality and poverty, discrimination, etc.). Now, **transnational capitalism has wrested capitalist corporations away from the regulating forces of national States, all while corporations continue to profit from State services. National governments have largely lost (and are continuing to lose) the ability to embed capitalist corporations into reasonable structures and standards capable of governing and limiting their extractive behaviors.**¹⁷

Through operating at the transnational scale corporations have managed to escape from the norms established by national public policies and regulations. They have rendered capitalism fundamentally incompatible with the democratic project.¹⁸

¹⁷ The thesis articulated by the great historian Karl Polanyi suggests a persistent historical pattern: the disembedding of the economy from the reciprocity-based social norms—by transforming human beings, money, and nature into market commodities (labor, capital, and land), while these are not produced for sale as regular goods and services—holds the potential for the self-destruction of society. Polanyi observed that this "violence of the market" inevitably provokes a societal counter-movement, in search of self-protection. In his analysis of German modern history, Polanyi identifies the rise of Hitler as a "fascist solution" – yet another destructive response – to the initial violence generated by the commodification of people, money and nature. See: Polanyi K. (2001) [1944]. *The Great Transformation. The Political and Economic Origins of Our Time*. Boston: Beacon Press. However, the key role played by capitalist corporations in this process is overlooked by Polanyi. See (Ferreras 2017 Introduction). See also, the powerful critique of the commodification of labour: Supiot A. (2012) *The Spirit of Philadelphia. Social Justice vs. the Total Market*. London: Verso.

¹⁸ See Ferreras I. (2017). Slobodian Q. (2023) *Crack-Up Capitalism: Market Radicals and the Dream of a World Without Democracy*. New York City: Allen Lane

*Capitalist democracies*¹⁹ are at a crossroads today. Their people must choose between increased capitalist control of their political life (i.e. corporate despotism) or finding ways to extend the democratic ideal to the social and economic sphere (i.e. democratizing the economy, and firms). The example of the United States is telling. Increasingly, in a country once seen as a beacon of the democratic ideal, the exercise of political rights is becoming tied to wealth - what we call “ownership” in this Report. Access to political representatives and other forms of political influence, or simply the ability to run for elected office or be named to a government position, are now largely dependent on one’s access to money, distorting the democratic ideal of political equality and reshaping the political arena to resemble the corporate world. Within capitalist corporations, as we have seen, the only full-fledged citizens (that is, the only individuals who have full access to weigh on the rules and the functioning of the entity) are those who own capital – in other words, shareholders. They exercise political power and reap the bulk of the financial returns. Meanwhile, the other constituency in the capitalist firm, its labor investors (anyone who invests their labor into the functioning of the firm) is disenfranchised.

Finding Hope for a Better Future

The Spanish Constitution charts another path forward, a hopeful path, grounded in the democratic project. Its Constitution frames the structure of the country’s laws and government around the goals of equality and societal flourishing, powered by meaningful innovations and economic and environmental sustainability. **Rather than extending the political principle of corporate capitalism into the political field, the Spanish Constitution suggests the reverse: that, for the sake of a flourishing society, the principle of democratic equality be expanded into the economy.** This path does not suggest any radical deviations from the basic principles of a market economy; instead, to preserve those principles, it expands society’s democratic commitment to include corporations. **The shift is both simple and economical, yet powerful: rather than granting exclusive rights within firms to those who own capital, it recognizes the constituency of all those contributing to the function of—and governed by—the firm ; and recognizes their access to voice (i.e. political rights to participate in decisions) and access to ownership. This shift is also grounded in the long history of democracy:** in moments of similar impasse, history shows us that societies have, at times, risen to the occasion and responded with an expansion of the democratic principle. These include Ancient Rome, when the Patricians recognized Plebeians’s veto rights over all their decisions, or when, in England, the King convened the House of Commons to jointly govern with the House of Lords, whose historical hold on power derived from their family history of property ownership.²⁰

When the Franco dictatorship was brought to an end, the multi-party Constitutional Commission that drafted the Constitution, which was later passed by the Cortes Generales and approved by the Spanish people in 1978, anticipated the challenges ahead for a modern State and a modern society

¹⁹ Cohen J. and J. Rogers (1983) *On Democracy. Toward a Transformation of American Society*. New York City: Penguin Books ; Wright E.O. and J. Rogers (2015) *American Society. How it Really Works*. New York City: Norton ; Anderson E. (2017) *Private Government : How Employers Rule Our Lives (and Why We Don’t Talk About It)*. Princeton University Press.

²⁰ On the history of “bicameral moments,” see Ferreras (2017 op. cit.)

seriously committed to the democratic project. **The text of the Constitution reflects its drafters' deep concern for the everyday lives of each and every Spanish citizen - including in the workplace.** This concern is reflected throughout the text, and, most importantly for the purposes of our Committee, in Article 129.2, which provides directly for worker access to voice (“participation in the firm”) and ownership (“of the means of production”) in their places of work, as well as extending explicit support to cooperative businesses.

Given the harms caused by the conflict between democracy and transnational corporate capitalism, the Spanish Constitution's provisions are not only prescient, they also provide guidance and clarity invaluable in Spain and in any country looking for concrete measures to safeguard the integrity of democratic societies, markets, and the freedom of enterprise. Ensuring access to voice and ownership for workers in accordance with Constitutional Article 129.2 would give renewed meaning to Spanish democratic ideals while providing new tools for regenerative economic development and a new direction for firms. This Report explains how such access can be guaranteed.

Our reasoning is anchored in the **basic observation that firms are in fact, real, political entities made up of two classes of investor:** capital investors, and labor investors. Capital investors have managed to successfully organize themselves collectively, via the corporation, while labor investors remain comparatively distant from the government of the firm, in a position of radical political inferiority. Currently, labor investors in Spain have access to some information and consultation rights, exercised by workers' representatives and through works councils in companies with 50 employees or more. They do not, however, have any access to meaningful voice; that is, they have no political rights to participate in the government of the firm in which they invest their labor, and whose rules, structure, and organization commands most of their waking lives. Labor investors make a mental and physical investment in their workplaces, offering the best of their capabilities to the functioning and success of their places of employment. **Despite this, they have no say in the goals of the firm: from voicing ethical concerns as engineers in the AI industry²¹ or providing input on climate-related work decisions,²² to matters of local and national concern, when it comes to decision-making, labor investors are, in practical terms, simply left out.**

By extending political rights to Spanish labor investors through voice and ownership of a portion of the wealth jointly created through their work in firms, Spain will not only fulfill the Constitutional promise made to all workers almost 50 years ago; It will also lead the way for other countries looking to support firms and help national and regional economies to thrive, all while regenerating democracy as a societal project anchored in trust-building and a sustainable economy (Jackson 2019). To this day, **even in the context of the numerous discussions related to the centrality of workers in the Just Transition framework, restructuring firms by expanding the political**

²¹ Read the open letter from the engineers at AI producing firms, including Geoff Hinton, the “father of AI,” Nobel laureate in Physics 2024, demanding that engineers be guaranteed a voice to warn about the dangers of AI. <https://righttowarn.ai/>

²² A survey including 8,000 employees from 10 countries across various industries revealed that “83% of employees say they are ready and willing to support climate action in the context of their work” – but, as they lack organizational empowerment (what we call a “voice” in this Report), they do not dare to take initiatives, as such responsibilities usually fall beyond the classic scope of their professional roles. See: Kite Insights. (2022) *Every Job is a Climate Job: Why Corporate Transformation Needs Climate Literacy*. London. <https://kiteinsights.com/hubfs/Every-Job-Is-A-Climate-Job-Kite-Insights.pdf>

rights of labor investors via voice and ownership has been largely absent. We hope that this Report will be helpful not only in illuminating the nature of the challenges faced by our societies today, but in orienting our societies 'attention toward effective solutions. The present Report has reviewed the challenges faced by firms today, and by Spanish society at large. It will provide a point-by-point explanation of why extending voice and ownership, the central tenets of what some call the project of economic democracy, offers the key adjustment needed today to re-embed firms into the democratic architecture of a functional society.

The Report presents a wholly original proposal that will make it possible for the State to set every firm, and the whole economy, onto **a regenerative trajectory while expanding worker access to voice and ownership. It provides a full policy toolbox for use at both the Spanish and European Union levels to help regional, national, and EU authorities.** The Committee argues that such a major and needed adjustment can only be successful if it is inclusive and participatory, building trust inside Spanish businesses and across Spanish society. For this path to be successful, it should reflect a desire from all the stakeholders to work together to build a hopeful future for all, one that is democratic and sustainable for Spain and beyond.

Over the past year, the International Expert Committee on Democracy at Work has worked hard and tried its best to understand, illuminate, and offer solutions for the crises faced today by Spanish firms. We have considered these solutions with the understanding that the country has **a clear mandate from Article 129.2 of its Constitution to fulfill a specific promise to its workers and its citizens.** We have shown that **there exists an appealing, inclusive, prosperous path forward.** The responsibility now lies with business leaders, union leaders, and labor investors nationwide, as well as the Government and public authorities across all regions. **The people of Spain are looking to you with hope... What future will you choose to build for them?**

The Work of the Committee: Members, Meetings and Hearings

This Report was produced by the **International Expert Committee on Democracy at Work**, which was established on February 21, 2025, in Madrid by the Second Vice-Presidency and the Ministry of Labour and Social Economy of Spain:

- CHAIR: Professor **Isabelle Ferreras** (Fund for Scientific Research-Belgium/FNRS-UCLouvain_CriDIS_TED, University of Louvain ; Center for Labor and a Just Economy, Harvard University ; Institute for Ethics in AI, Oxford University)
- Professor **Jeremias Adams-Prassl** (Faculty of Law and Magdalen College, Institute for Ethics in AI, University of Oxford)
- Professor **Julie Battilana** (Social Innovation and Change Initiative-Kennedy School of Government/Harvard Business School, Harvard University)
- Professor emeritus **Antonio Baylos** (University of Castilla-La Mancha)
- Professor **Benjamin Braun** (London School of Economics)
- Professor **Isabel Gemma Fajardo-Garcia** (University of Valencia)

- Professor **Francisca Maria Ferrando Garcia** (University of Murcia)
- Professor **Sergio Gonzalez Begega** (University of Oviedo)
- Professor **Daniel Innerarity** (Chair in AI & Democracy at the School of Transnational Governance-European University Institute/University of the Basque Country)
- Doctor **Sara Lafuente** (European Trade Union Institute/Free University of Brussels)
- **Erinch Sahan** (Doughnut Economics Action Lab/Institute for Sustainability Leadership, University of Cambridge)
- Professor emeritus **Vicente Salas Fumás** (University of Zaragoza)
- Professor **Edurne Terradillos** (University of the Basque Country)
- SECRETARY: **Leopoldo Moncada** (CriDIS_TED, University of Louvain)

To collect expert information, the committee met with a number of internationally recognized academic experts and recognized expert practitioners, who provided testimony on these issues. The list of these individuals is provided below:

- Professor **Daron Acemoglu** (Massachusetts Institute of Technology)
- **Iñigo Albizuri Landazabal** (Mondragon Corporation)
- **Saioa Arando Lasagabaster** (Mondragon Corporation)
- Professor **Antonio Casilli** (Télécom-Paris)
- Professor **Olivier De Schutter** (University of Louvain / United Nations Special Rapporteur on Extreme Poverty and Human Rights)
- Professor **Valerio De Stefano** (Osgoode Hall Law School, York University, Toronto)
- **Maria Jose Díaz Luque** (Chief Inspector of Work and Social Security and Coordinator of Equality at the Junta de Andalucía)
- Professor **Timothée Duverger** (Sciences-Po Bordeaux)
- Professor **Gaudencio Esteban Velasco** (Universidad Complutense de Madrid)
- Professor **Axel Honneth** (Institute for Social Research, Goethe-Universität Frankfurt am Main / Columbia University)
- Professor **Simon Jäger** (Princeton University)
- Doctor **Max Krahé** (University of Duisburg-Essen)
- Professor **Holm-Detlev Köhler** (University of Oviedo)
- Professor **Miguel Martinez Lucio** (University of Manchester)
- Professor **Ewan McGaughey** (King's College London)
- Professor **Paul Osterman** (Massachusetts Institute of Technology)
- **Javier Pacheco** (former Secretary General of the National Workers' Commission of Catalonia (CONC), currently confederal secretary for trade union action at Union Confederation of Workers' Commissions (CCOO))
- Professor **Katharina Pistor** (Columbia University)

- Professor **Valeria Pulignano** (KU Leuven)
- Professor **Philippe Roman** (ICHEC Brussels Management School)
- Professor **Dani Rodrik** (Kennedy School of Government, Harvard University)

In total, the committee convened for a total of 16 virtual meetings between December 2024 and September 2025.

To solicit input from the social partners, business and union leaders, and a number of relevant representatives of Spanish civil society, the committee held hearings at the premises of the Ministry of Labor from June 3 to 5, 2025. The committee met with the following organizations and their representatives:

- **CEOE (Spanish Confederation of Business Organizations):** Rosa Santos Fernández (Director of Employment, Diversity and Social Protection) and Ana Herráez Plaza (Responsible of the Labour Market)
- **CEPYME (Confederation of Small and Medium-Sized Enterprises):** Teresa Díaz de Terán (Director of the Socio-Labour Department)
- **CEPES (Spanish Business Confederation of Social Economy):** Juan Antonio Pedreño Frutos (President)
- **ASLE (Asociación de sociedades laborales y economía social):** Jone Nolte (Managing Director)
- **SANNAS (Asociación de empresas de Triple Balance):** Almudena Mestre (Manager)
- **UGT (General Union of Workers):** Fernando Luján de Frías (Vice Secretary General) and Patricia Ruíz Martínez (Secretary of Labour Health)
- **CCOO (Union Confederation of Workers' Commissions):** Carlos Gutierrez Calderon (Secretary of Studies and Trade Union Training)
- **CIG (Galician Unions Confederacy):** Susana Méndez (Secretary)
- **International Committee of Experts to Demand Greater Social Responsibility from Firms, established by the Spanish Ministry of Labor:** Profesor Jesús Cruz Villalón (President)
- **Economists without Borders:** Beatriz Fernández Olit (President)
- **Euclid Vision Group:** Inma León Martínez (Human Resources Business Partner)
- **Fundación Arizmendiarieta:** Juan Manuel Sinde (President) and Carlos de la Higuera (Member)
- **Plataforma por la Democracia Económica:** Ignacio Muro (Vice President) and Antonio Ferrer Sais (Board Member)
- **Fundación Primero de Mayo:** Vicente López Martínez (General Director), Jesús Cruces Aguilera (Senior Researcher), and Alicia Martínez Poza (Senior Researcher)

Expert Economists:

- **Rocío Bonet** (Associate Professor of Human Resource Management at IE Business School)
- **Florentino Felgueroso** (Associate Professor of Economics at the University of Oviedo)
- **Iñigo González** (Associate Professor of Political Philosophy at the University of Barcelona)
- **Emilio Huerta** (Professor in the Department of Business Management and Chair of Business Organization at the Public University of Navarra)
- **Juan Francisco Jimeno** (Advisor at the Bank of Spain and Professor of Economics at the University of Alcalá)
- **Sara de la Rica** (Professor of Economics at the University of the Basque Country)

At the Ministry of Labor, the Committee worked closely with **Rafael Gómez Gordillo**. We extend our thanks to Rafael Gómez Gordillo and the many cabinet members who provided support for our work.

The Committee was assisted by a dedicated research team composed of:

- Doctor **Sebastián Pérez Sepúlveda** (CriDIS_TED, University of Louvain)
- **Leszek Krol** (Social Innovation and Change Initiative, Harvard Kennedy School, Harvard University)
- Doctor **Julien Pharo** (University of Lille)
- Doctor **Gaëtan Vanloqueren** (University of Liège/Université de Lille, Clersé/CNRS and Chaire WILL/CDDD) who focused on the EU dimension

Special thanks to **Miranda Richmond Mouillot** for editing support, to Valentijn Raes for graphic design support, and to the Clersé/CNRS and **Chaire WILL/Commons-Democratize, Decommodify, Decarbonize at the University of Lille; (France)**, which dedicated funding to support the works involved with this Report.

Part I: The Current State and Relevance of Democracy at Work in Spain and Beyond

I.A. A Half-Century of Unfulfilled Ambition

1. Labor Participation in Spain: Half a Century of Frustrated Ambition

Summary

This chapter provides a historical and legislative overview of worker participation in Spain, focusing on the unfulfilled ambition of Article 129.2 of the 1978 Constitution, which establishes three mandates for public authorities: to promote worker participation in companies, to encourage cooperatives, and to facilitate workers' access to ownership of the means of production. Despite these mandates, Spain has made little progress in developing a robust framework for worker participation. Concrete experiences of union representation on the boards of state-owned and multinational companies are scarce and are based on legislation in other countries, collective bargaining, or social pacts, rather than on a comprehensive legislative initiative. Furthermore, traditional forms of worker representation, such as staff delegates and works councils, are only used to about half their potential, and their powers are often limited to non-binding rights of information and consultation.

The Spanish Constitution of 1978 addresses the fundamental tension between a democratic society (the *Polis*) and the autocratic reality of the economy (the *Oikos*), in which workers are governed by company decisions. To rebalance this tension, the Constitution makes two promises to workers, one of voice and one of ownership, —which, together, form a solid base from which to promote the democratic project in the economy, also known as ‘economic democracy.’ Until now, however, legislative and political initiatives in Spain have done little to concretely develop on these two promises. Worker participation mandated by Spanish labor legislation remains limited to non-binding information and consultation rights, while corporate law shapes the institutional landscape to such a degree that worker ownership occurs primarily in the social economy (cooperatives and worker-owned companies) and lacks a widespread presence in the broader economy.

The past half-century of history highlights the need for an articulated approach that connects the various forms of voice and ownership with one another. Available data suggest that labor participation is a multidimensional concept that is not and should not be limited to a single form. Furthermore, empirical studies indicate that labor representation is most effective when it takes place at different levels simultaneously, for example via representation on both levels of participation in operational decisions via works councils and participations in strategic decisions via workers on boards of directors. The unfulfilled promise of Article 129.2, together with Spain's position among the least developed European nations in terms of access to voice at the corporate governance level in the European Union, amply justifies a new legislative initiative that fully develops labor participation in accordance with its fundamental objective of allowing workers access to both voice and ownership in their companies, and beyond.

Introduction

Article 129.2 of the Spanish Constitution of 1978 was drafted in a specific historical context of transition to democracy after almost forty years of Francisco Franco's dictatorship in Spain. It is important to understand this context in order to correctly interpret the letter and spirit of its final wording.

From a philosophical perspective,²³ Article 129.2 of the Spanish Constitution is inspired by the idea that the democratic ideal must mean something in the *Oikos* (the economic sphere), beyond the mere contours of the *Polis* (the strictly political sphere). By "democratic ideal," we refer to the collective pursuit of self-government (in Lincoln's celebrated words, "a government of the people, by the people, for the people"). This pursuit is anchored in the principle of human equality, as stated in Article 1 of the Universal Declaration of Human Rights: "all human beings are born equal in dignity and rights." Counterintuitively, although people spend much or even most of their time at work, it is a sphere in which they continue to be governed by others. In other words, **the core of the democratic ideal, that a just government must be established through the "consent of the governed," is not reflected in the economy, where people are constantly governed by the decisions of corporations. It is a fundamental contradiction of our time that while the democratic ideal of having a say in the governance of one's everyday life is recognized in the political realm, labor relations in the capitalist context – in most workplaces, in other words – are legally framed as relationships of subordination, and do not concern themselves with the consent of the governed. Article 129.2 of the Spanish Constitution recognizes this tension and establishes a mandate to rebalance it.** As a result, since the Constitution was enacted, the Spanish Parliament and the governments of Spain and the Autonomous Communities have legislated, sometimes explicitly and directly, sometimes more indirectly, in pursuit of the constitutional mandate to "democratize companies." Legislative initiatives and the very dynamics of labor and organizational relations, both inside and outside companies, have given rise to concrete experiences of democratization of work in Spain.

When a society moves away from authoritarianism and embarks on a democratic transition, it seems eminently reasonable to recognize that the democratic ideal must extend beyond the institutional sphere traditionally defined as "political," particularly since building a democratic culture from everyday experience is essential to overcoming authoritarian reflexes and the fear that accompanies them. However, as we examine the background and context of Constitutional article 129.2, we will see that its adoption was far from inevitable.

The chapter will begin by analyzing the historical context, background, and content of Article 129.2 of the Spanish Constitution, and then will review the legislative, political, and social initiatives currently undertaken in Spain in relation to participation and ownership rights.

²³ For more information on the concepts discussed in these opening paragraphs, see (Ferrerías 2017, 2024a, 2024b).

1. Article 129.2 of the Spanish Constitution of 1978: Content, Context, and Background

Article 129.2 of the Spanish Constitution declares:

“The public authorities shall effectively promote the various forms of participation in the firm and shall encourage, through appropriate legislation, cooperative businesses. They shall also establish the means to facilitate workers' access to ownership of the means of production.”

The article is included in Title VII (Economy and Finance), and is therefore separate from the provisions relating to collective rights recognized in Title I. As a programmatic article, it must be developed through ordinary laws in order to be effective. Its content does not detail the forms of worker participation in the company that public authorities should promote, nor does it mention who the active participants in such participation are or should be.

To better understand what the legislator means by "participation," one must take into account the direct and indirect reference to workers when cooperatives are mentioned. Therefore, the article as a whole urges public authorities to promote the ability of all those involved in the life of the company to participate in decisions—that is, to achieve a certain degree of influence and control over their labor and its fruits.

Historically, this influence and control has been achieved through participation rights granted by law to a person linked to their company through an employment contract—what we might call the "voice" route at work—as well as through the rights acquired as a financial investor or cooperative member owning a share in a company, which is the "ownership" route. Thus, access to voice and ownership can be conceived as two sides of the same coin (Ferrerías 2024b), and two essential avenues for the development of economic democracy, not only in Spain but in any context where democracy is considered a relevant ideal for social and economic organization.

Although explicit, the mandate of Article 129.2 of the Spanish Constitution is vague and imprecise due to its constitutional status: it does not specify who should be considered the holder of the right to participation, how this right should be articulated, or what minimum level, extent, or intensity the possible participatory formulas may have. The article leaves open different options for its concrete development, which might range from currently existing forms of worker representation to formulas of co-determination or co-decision, all existing within the framework of the market economy, respect for the right to freedom of enterprise, and recognition of private property.

Therefore, the constitutional mandate does not establish any commitment to guarantee true democracy in the company, nor does it necessarily equate the term "participation" with instruments of control over business decisions. In fact, the debate on the precept in the late 1970s in Spain did not engage with the debates framed under the label of "industrial democracy," which had reached a certain peak in Italy, Great Britain, France, and Germany at that time that constituted a "hallmark" of European social democratic thought (Baylos 2025).

The article incorporates three mandates addressed to public authorities. The **first (“effectively promote the various forms of participation in the firm”** had a precedent in the Republican Constitution of 1931, whose Article 46.2 established that the Republic's social legislation would

regulate "the participation of workers in the management, administration, and profits of companies." This article could not be developed into law at the time, as it met with fierce resistance from the conservative opposition and the Spanish business community (Pérez Rey 2016: 247). During the Franco dictatorship, as a result of the introduction of the values of social harmony and cooperation from the human relations school into the Spanish ruling class (Martínez Vara and Ramos Gorostiza 2018: 109-113), Law 41/1962 of July 21 on the participation of personnel in the administration of companies adopting the legal form of public limited companies was passed, and was further developed by Decree 2241/1965 of July 15. This law established a system of pseudo-participation in the management of corporations, limited liability companies, and cooperatives with more than 500 employees, as well as all state-owned companies without any threshold. However, the law announced in its own preamble that it did not intend to achieve effective co-management (Almansa Pastor 1965: 323), and the model lacked practical relevance and was more of an instrument of Francoist institutions of "pseudo-worker representation monopolized by the Vertical Union" (Ojeda Avilés 1978), which was the only authorized worker organization during Franco's dictatorship. Meanwhile, freedom of association and unionization, the right to collective bargaining, and the right to strike remained prohibited and heavily repressed during that period of Francoism.

The **second** mandate ("encourage, through appropriate legislation, cooperative businesses") also had a precedent in Article 47 of the Republican Constitution of 1931, which mandated legislation on production and consumer cooperatives. In this case, the first general law on cooperatives in Spain was passed at the beginning of the Second Republic and, later, before the end of the civil war, a law on cooperatives was passed by the Nationalist side (Law of October 27, 1938). This law was clearly intended to control cooperatives and cooperative members through authoritarian governing bodies linked to the Vertical Union (Fajardo Garcia, forthcoming).

The **third** mandate ("establish the means to facilitate workers' access to ownership of the means of production") had no constitutional precedent and did not initially appear in the draft Constitution; it was incorporated by means of an amendment during the legislative process. However, since 1960 there had been a public policy to promote access by unemployed workers to ownership of their companies through loans granted by the National Labor Protection Fund (created by the Law of July 21, 1960) for use in setting up cooperatives. Following the 1964 Order for the implementation of this fund, under the title "Access to Ownership," loans were granted so that workers (unemployed or otherwise) could set up a company under an associative regime, regardless of its legal form. Following the corresponding Order of January 12, 1979, this associative and non-cooperative company was renamed "Sociedad Anónima Laboral" (Labor Limited Company) and, subsequently, following Law 4/1997, when the legal form of limited liability company was also incorporated, "Sociedad Laboral" (Labor Company). The constitutional provision therefore had worker-owned companies in mind, although it did not give them this name until months after the approval of the Spanish Constitution (Calvo-Ortega 2011: 21) (Fajardo Garcia 2018).

Before addressing the legislative development of the constitutional article, it is worth dwelling on some preliminary aspects that are necessary for its understanding. First, the Spanish Constitution established a neo-corporatist system of labor relations in Spain, characterized by a formally **dual**

model of representation in the company. In other words, workers in the company are represented, on the one hand, **through elected bodies (what is called in Spain: unitary representation)** (employee representatives, or full works councils in firms with 50 employees or more) and, on the other, **through union representation** (union branches and union delegates). The regulation of this union representation in the company is found in Organic Law 11/1985, of August 2, 1985, on Trade Union Freedom (LOLS) (arts. 2.2.d and 8 et seq.) and derives from constitutional provisions other than Article 129.2 of the Spanish Constitution, as will be seen below.

Secondly, a small number of organizations representing the interests of workers and employers are recognized as social partners in bipartite and tripartite social dialogue, in which the role of public authorities is fundamental. In fact, in addition to freedom of association and pluralism, the LOLS recognizes privileged access to social dialogue and other prerogatives for trade unions considered "most representative" at the state or autonomous community level (Articles 6 and 7 of the LOLS). Thus, CCOO and UGT enjoy the status of most representative trade unions at the state level, as do the Galician Inter-Trade Union Confederation (CIG) and the Eusko Langileen Alkartasuna (ELA) and Langile Abertzaleen Batzordeak (LAB) trade unions in the territories of Galicia and the Basque Country, respectively. In the business world, the Spanish Confederation of Business Organizations (CEOE) and the Spanish Confederation of Small and Medium-Sized Enterprises (CEPYME) are considered, to date, the "most representative" business organizations at the national level. It is important to bear this reality in mind in order to understand the regulation and practice of worker participation in business management in Spain, and the context in which it takes place.

Thirdly, the forms of participation referred to in Article 129.2 of the Spanish Constitution must be distinguished from the so-called "institutional participation" of trade unions and employers' organizations in public administration bodies. The latter type of participation derives directly from Article 129.1 of the Spanish Constitution, according to which: "the law shall establish the forms of participation of interested parties in Social Security and in the activities of those public bodies whose function directly affects the quality of life or general welfare." Although it lacks a clear legal definition, institutional participation derives from the establishment of Spain as a social and democratic state governed by the rule of law and political pluralism, in relation to Articles 1.1, 7, and 9.2 of the Constitution and Articles 6 and 7 of the Organic Law on Trade Union Freedom (LOLS), and was implemented during the 1980s in the entities managing social security, health, and employment, in various state institutes, and in university social councils (Vega García 2011: 146-147). Subsequently, it was also incorporated as a collective right of public employees and in the creation by law of specific public bodies²⁴. The concepts of 'institutional participation' and 'labor participation' are easily conflated and confused, as both derive from constitutional articles and social pacts of the 1980s referring to the public sector; but institutional participation does not refer, unlike Article 129.2 of the Spanish Constitution, to the voice of workers within their companies, but rather to the involvement of trade unions and employers' organizations, as socio-political agents, in the management, control, and supervisory bodies of public entities or agencies.

²⁴ An example can be found in Royal Legislative Decree 2/2011, of September 5, which approves the Consolidated Text of the Law on State Ports and the Merchant Navy, whose Article 30.1.e) stipulates that "66 percent of the remaining members of the Council shall be appointed to represent the Chambers of Commerce, Industry and Navigation, business and trade union organizations, and relevant economic sectors in the port sector."

Finally, it should be remembered that Spain is organized territorially as a state of autonomous regions, in which some administrative, political, and socioeconomic powers are exclusive to the state or to the autonomous communities, and others are shared between them. Thus, alongside basic state regulations such as the Public Sector Law 40/2015, especially Title I. (Calvo Gallego 2009:580; Ysás Molinero 2011), some autonomous communities have developed laws on institutional participation applicable to their own public administrations, through which trade unions and employers' organizations in their territories can intervene in regional public policies. Therefore, in terms of both institutional and labor participation in companies, there are some regional developments that go beyond the state framework.

2. Legislation Favourable to Labor Participation in Companies

In line with the triple mandate that Article 129.2 of the Spanish Constitution imposes on public authorities, this section distinguishes between legislative advances that have promoted labor participation in business decisions without linking it to property rights, i.e., participation through "voice," and, on the other hand, those that have linked participation to property rights, even facilitating workers' access to ownership of the means of production. "Participation" includes the channels through which workers can be represented and exert influence in the company by virtue of their labor investment in it, normally codified through their employment relationship with the company. This route to participation through "voice" has been developed mainly through labor legislation, which recognizes workers' rights to information and consultation. As for cooperatives, they have been promoted mainly by state and regional laws, among which the current state law, Law 27/1999 of July 16 on Cooperatives, is noteworthy. Finally, the first initiative in democracy to facilitate workers' access to ownership, i.e., to the "means of production," came with the Order of January 12, 1979, which expressly introduced the legal form of the "Labor Company," to which the limited liability company was added with Law 4/1997. The most recent state legislation is Law 44/2015 of October 14 on Worker-Owned and "Participated" Companies.

2.1 Participation Through the "Voice"

Derived from Labor Legislation

The Workers' Statute

The Workers' Statute (ET), approved by Law 8/1980 of March 10, has undergone several amendments, and the consolidated text currently in force was approved by Royal Legislative Decree 2/2015 of October 23. The ET repealed the Francoist pseudo-participation system established by Law 41/1962 (third final provision) and formally included "information, consultation, and participation in the company" as basic workers' rights (Art. 4.1 g). The right of workers to participate in the company is ultimately identified with the **rights to information and consultation**, regulated in Article 61 ET, and materialized "through representative bodies," although the provision itself clarifies that this will be done "without prejudice to other forms of participation" (Article 61). Thus, workers have the right to participate in the company by electing

their representatives, who will be single-person channel of representation called "**worker representatives**" in companies or workplaces with more than 10 and fewer than 50 workers (and between 6 and 10 if so decided by the majority of workers) (Article 62 ET), and/or members elected to form a collegiate channel of representation called a "**works council**" in companies with 50 or more workers (Article 63.1 ET). Likewise, through collective bargaining, the establishment and operation of a **multi-center committee** may be agreed upon (Article 63.3 ET). Therefore, although the ET refers to the possible existence of "other forms of participation," it does not specify them and remains silent on participation in possible "internal" decision-making bodies, that is, in the corporate bodies of companies.

The "legislative use" of the constitutional concept of participation in the company is therefore limited in this ordinary law, which regulates the bodies representing workers in the company—committees and staff delegates—whose powers are essentially focused on information and consultation on business decisions, without prejudice to what will be added later on their negotiating powers. Indeed, due to their different legal basis in the Spanish Constitution (Art. 37.1), these information and consultation powers are not included within the concept and meaning of "participation" at work—the same applies to the rights to take collective action or strike (Arts. 37.2 and 28.2 of the Spanish Constitution, respectively), which are not derived from Article 129.2 of the Spanish Constitution.

Information (a passive right) must be provided by the employer to the works council at the appropriate time, in an appropriate manner and with the appropriate content, so that the workers' representatives can examine it properly and, where appropriate, prepare questions, consultations, and reports.

Consultation (an active right) consists of a statement by the works council based on the information received at the appropriate time, at the appropriate level and with the appropriate content, and a process of comparing opinions with the employer, so that the committee's opinion or report is responded to and made known to the employer before a decision is taken or implemented. **In no case do workers representatives decisively condition the employer's decision-making**, nor does their lack of approval invalidate the decision taken (Baylos 2025).

In addition to unitary representation, there is union representation in the company, developed through union sections and delegates.

Union sections (art. 8.1. LOLS) are the manifestation of the freedom of organization of unions in production centers, that is, bodies that belong to the internal structure of the union. Union sections can also be set up within workplaces when there are at least two affiliated workers and may or may not be representative. Any union section can be formed without minimum requirements for representativeness or membership, and has different rights, such as the right to hold meetings or collect dues outside working hours or distribute union information.

On the other hand, **only the union sections of the most representative unions** and those that are established in the unitary bodies of the company are entitled to a notice board and adequate premises (in companies with more than 250 workers), as well as to participate in collective

bargaining at the company or workplace where they have been established, i.e., the right to negotiate collective agreements with regulatory and general effectiveness (Title III ET, Article 8.2.b) LOLS in relation to Article 87.1 ET).

Finally, **in companies with more than 250 employees, there may be a union representative** (art. 10.1 LOLS) elected from among the members of the company or workplace, in accordance with the scale referred to in the LOLS, or in accordance with what has been agreed through collective bargaining, which may increase the number of union representatives provided for by law. The number of representatives required depends on the size of a company's workforce, and their powers of access to company information and documentation (Art. 10.3 LOLS) are similar to those of the unitary or legal representation bodies, explained below. Their guarantees are the same as those recognized by labor legislation for members of the works council and staff representatives (Art. 68 ET). They also have the right to attend works council and occupational health and safety committee meetings with the right to speak but not to vote, and to be heard in all cases of decisions affecting workers in general, and members of their union in particular, especially in cases of dismissals and sanctions. These are, therefore, rights that contribute to democracy in the company, not derived from Article 129.2 of the Spanish Constitution, but from other constitutional provisions and guaranteed by organic law.

As stated previously, the powers that ordinary law (ET) confers on staff representatives and works councils are largely limited to non-binding rights of information and consultation (Articles 62.2 and 64). **The right to information is articulated with regard to the following matters:**

- the economic situation of the company;
- forecasts regarding employment and hiring in the company, including outsourcing;
- forecasts regarding part-time work and overtime;
- equal treatment in the company;
- the parameters, rules, and instructions on which algorithms or artificial intelligence systems are based that affect decision-making that may have an impact on working conditions, access to employment, and job retention;
- absenteeism, occupational accidents, and occupational diseases;
- video surveillance and geolocation systems;
- penalties for very serious infringements;
- risks and protective measures;
- action measures in the event of a disaster alert.

The right to consultation refers to the following matters:

- staff restructuring (Articles 47 and 47 bis of the ET);
- total or partial closures of companies, reductions in working hours, relocations of facilities, "productive reorganization" agreements (Articles 41 and 51 of the ET);
- changes in the legal form of the company that affect the volume of employment;

- vocational training plans within the company;
- implementation or review of organizational systems, work control, schedules, incentives, and job evaluation;
- organization and documentation of the daily record of each worker's working hours (RDL 8/2019);
- recording of gender pay equality (RD 902/2020);
- criteria for the use of digital devices made available by the employer (art. 87.3 LOPDP) and digital disconnection policy (art. 88.3 LOPDP);
- initiation of adversarial proceedings with workers' representatives;
- decisions on occupational health and safety (art. 33 LRPL);
- monitoring compliance with the law and agreements;
- management of social welfare programs;
- establishment of measures to maintain and increase productivity, in accordance with collective agreements;
- collaboration with management to establish environmental sustainability measures in the company, if agreed in the collective agreement;
- measures to reconcile work and family life.

In addition to the rights to information and consultation mentioned above, it is important to note the significant **right to collective bargaining** recognized for unitary representation bodies at the company or sub-company level (Art. 87.1), whose protection derives directly from the Spanish Constitution. However, this right is not provided for in Article 129.2 but through Article 37.1, which is mainly developed in Title III of the ET. Unitary representation bodies also have **quasi-trade union powers in matters of strikes** and **procedural and administrative legitimacy**.

FIGURE 1: Summary: General Outline of the Powers and Responsibilities of Works Councils and Staff Representatives (unitary representation bodies)

Rights regarding the proceduralization of the employer's unilateral power (rights to information and consultation)	• Right to be informed • Right to be consulted
Rights to contractualize business decisions	• Right to collective bargaining (Title III ET) • Right to strike
Rights to monitor and control the exercise of the employer's unilateral power	• Right to monitor compliance with labor regulations • Legal standing in court and administrative proceedings

Source: Prepared by Baylos (2025)

FIGURE 2: Summary: Legal Sources of the Powers of Unitary Representation Bodies in the Company

Collective bargaining	Strikes and collective disputes	Monitoring and control of labor legality
Company or workplace agreements (production reorganization) (Articles 41, 82.3 ET)	Ownership and exercise of the right to strike (DLRT)	Monitoring and control of labor regulations, including equality and occupational risk prevention (PRL) (Art. 64.7 ET)
Company or workplace agreements (production reorganization) (Articles 41, 82.3 ET)	Legitimacy of collective dispute proceedings (Art. 154 c) LRJS)	Legal standing in court proceedings (Art. 17.1 LRJS) and administrative proceedings (Art. 65.1 ET)

Note: DLRT: Royal Decree-Law 17/1977, of March 4, on labor relations. LRJS: Law 36/2011, of October 10, regulating social jurisdiction. PRL: Occupational risk prevention

Source: Prepared by Baylos (2025)

The possibility for workers to exercise a form of participation in the company that influences business management is limited to the aforementioned rights, without any specific rights of co-determination or participation in management at the highest level of the company, that is, in strategic decisions.

Therefore, the implementation of the spirit of Article 129.2 of the Spanish Constitution in labor legislation is limited to this collective representation of workers with very limited powers of control. Ultimately, the democratizing effect of these mechanisms for worker representation in the company is limited, despite the fact that their starting point was a vision of collective action by workers as a counterweight to corporate decision-making from "outside" the company, focused above all on the ability to influence these decisions through collective bargaining (Baylos 2025).

An assessment of the experience of participation through the information and consultation rights offered by Title II of the ET indicates that "in too many cases, they are not put into practice by materially inert representative bodies, either due to a lack of proactive impetus on their part or due to the practical non-application of the powers recognized by law, apart from a widespread corporate culture that does not consider it necessary or convenient to listen to the voice of workers in the decision-making process, both in terms of the organization of the company and the organization of the work itself" (Baylos 2025).

According to estimates of theoretical labor representation based on the provisions of the ET and distribution by size of workplaces and companies in Spain, made by this Commission, **there should have been a minimum of 630,000 representatives in Spain in 2024** (see Figure 3). However, **actual representation data suggests that there were actually around 300,000 worker representatives** (delegates and members of works councils) (CCOO 2024). Therefore, **labor representation in companies through the channels established by labor legislation is, in practice, much lower in quantitative terms than it could be if the possibilities offered by current legislation were fully exploited.**

FIGURE 3: Theoretical Estimate of the Number of Worker Representatives (Delegates and Members of Works Councils) by Company Size (Legal Entities) and Workplaces (Work Centers), according to the Legal Representation Provided for in the Workers' Statute.

Companies

Company size class (no. of workers)	Representatives per company (by law)	Number of companies	Total of worker representatives
1-2	0	955,079	0
3-5	0	316,419	0
6-9	1	131,903	131,903
10-19	1	84,907	84,907
20-49	3	48,362	145,086
50-99	5	13,079	65,395
100-199	9	6,615	59,535
200-249	13	1,367	17,771
250-999	17	3,856	65,555
1,000-4,999	26	1,012	26,312
+5,000	35	198	6,930
Total representatives			630,383

Workplaces

Workplace size class (no. of workers)	Representatives per workplace (by law)	Number of workplaces	Total of worker representatives
1-2	0	1,030,859	0
3-5	0	367,890	0
6-9	1	162,691	162,691
10-19	1	114,587	114,587
20-49	3	66,761	200,283
50-99	5	19,212	96,060
100-199	9	9,267	63,403
200-499	13	4,907	63,791
+500	24	1,948	46,752
Total representatives			767,567

Reading note: The tables offer an overview of the companies (legal entities) and workplaces that are legally entitled to have worker representatives or a works council. The first table presents the number of companies by size class and the corresponding number of representatives. The second table shows the results based on the number of job centers/locations, which we equate to distinct workplaces according to the law.

Source: Prepared based on INE-DIRCE data and own calculations in accordance with the thresholds set by the Workers' Statute.

This observation raises questions about how the law is being applied and how compliance with the law is monitored. **The substantial difference between the number of representatives to which**

workers are legally entitled and the number they actually have may be due to power relations that are unbalanced in favor of employers in the workplace, a corporate culture that is not conducive to participation at work, and/or a lack of union resources or sufficient information in the workplace about the existence of labor representation rights and how to exercise them. Finally, there may be a lack of sufficient incentives to comply with the regulations, due to a lack of sanctions and insufficient inspection and procedural capabilities.

Law 31/1995 on Occupational Risk Prevention

Law 31/1995 on Occupational Risk Prevention (Articles 12, 18, and 34) extends participation rights beyond those provided for in the ET. In particular, it recognizes the right of workers to participate in the company through their representatives in matters related to occupational risk prevention (ORP)— that is, in **the planning, programming, organization, and control of management related to the improvement of working conditions and the protection of health and safety at work.** Article 18 is not limited to information and consultation rights but also incorporates "worker participation" by **allowing workers to participate in all matters affecting occupational safety and health. Additionally, workers are granted the right to submit proposals to their employers,** and to participate in representative bodies provided for by law, with a view to improving safety and health protection in the company. In companies or workplaces with six or more workers, participation in risk prevention is channeled through staff representatives, works councils or union representation, or specialized representation regulated in Articles 34 and 35 (prevention delegates and health and safety committees).

Derived from Labor Regulations That are Complementary to, or Integrated into, Commercial or Administrative Law

Transposition of EU regulations on information and consultation in companies and groups of companies of European Community dimension

Law 10/1997 on the rights of workers in Community-scale undertakings and groups of undertakings to be informed and consulted, which transposed the initial Directive 94/45/EC, and its amendment, which was made through Directive 2009/38/EC²⁵, continues to be the Spanish law of reference. However, it should be noted that this regulation only applies to companies and groups of companies that meet the requirements of Article 3 of the Law (more than 1,000 employees in EU Member States, with at least two workplaces in different States, each with at least 150 employees). **The obligation to initiate the procedure for setting up a European Works Council,** or an alternative information and consultation procedure with the powers outlined above lies with the group management of the Community-scale company or group of companies. Given that in Spain there are few companies that have control over companies and groups of companies of this scale, the effectiveness of this rule is very limited in the territory, although, obviously, there are committees created by central management located in other Member States and with workers in

²⁵ On October 15, 2025, in Brussels, the European Council approved the text of the long-awaited new revision directive, which amends Directive 2009/38. Once the legislative phase at the European level has been completed, this new directive will enter into force and must be transposed into Spanish law, thereby amending Law 10/1997 in Spanish law. See the text of the new directive: <https://data.consilium.europa.eu/doc/document/PE-20-2025-INIT/en/pdf>

Spain. Although the powers of this body are negotiated in the collective agreement that may lead to its establishment, the fact is that the works councils that are created rarely exceed **non-binding information and consultation powers**.

González Begega and Köhler (2017) (see also González Begega, 2025) offer a critical assessment of the experience of European works councils. With regard to Community-scale undertakings and groups of undertakings with their registered offices in Spain, they point to these undertakings' lack of interest in informing and consulting workers at European level, especially when compared to the greater level of development of the process of establishing European Works Councils in other Member States. **With a total of 17 European information and consultation bodies established in Community-scale undertakings or groups of undertakings, Spain is not even among the top 20 countries with the highest number of registered European Works Councils.** In the case of Spain, the experience of information and consultation has mainly developed through subsidiary companies, although there are some notable examples of companies with a large number of employees and a high turnover that have set up a European Works Council. These include the oil company Repsol (established in 1998), the banks Santander (2004) and BBVA (2005) and, more recently, the car manufacturer Gestamp (2015), the airline IAG (2017) and the multinational textile company Inditex (2018)²⁶.

Transposition of European legislation on European companies (SE) and European cooperative societies (SCE)

Law 19/2005 on SEs domiciled in Spain (the text of which was incorporated into the LSC, Articles 455 to 494), **Law 3/2011 on SCEs domiciled in Spain**, and **Law 31/2006 on employee participation in SEs and SCEs** (LITSE) incorporated into Spanish law, respectively, Regulation (EC) 2157/2001 on the European Company (SE), Regulation (EC) 1435/2003 on the European Cooperative Society, and their complementary directives on employee participation, namely Directive SE 2001/86 and Directive SCE 2003/72. Although these pieces of legislation do not derive directly from the application of Article 129.2 EC, but rather from the transposition of European law, they regulate certain participation rights that are only applicable to SEs and SCEs domiciled in Spain, as well as to Spanish subsidiaries of SEs and SCEs domiciled abroad. As such, when they were approved, they were still in fact related to the content of Article 129.2 EC (Terradillos 2006:86).

This legal framework is accompanied by the obligation to negotiate a body—or one or more procedures—with **transnational information and consultation powers** representing the entire SE/SCE. The negotiation is carried out between, on the one hand, a special negotiating body, composed of representatives of the employees of the entire SE/SCE, and, on the other hand, the management of the SE (or SCE), regardless of the size of the SE. The regulations also provide that, where appropriate, a system of **participation in the SE's administrative or supervisory board** should be negotiated, provided that such participation rights already exist in the companies that make up the SE, in accordance with the "before-after" principle. In other words, management would be obliged to recognize such participation rights to the extent that they already existed in the

²⁶ For more comprehensive information, and given the lack of a public register of EU-scale companies and groups of companies that have established a European Works Council or similar procedure for informing and consulting employees, please consult the ETUI's EWCD database, accessible via the following link: <https://www.ewcdb.eu/>

company or companies forming the SE, or by agreement between the parties. Only in the absence of an agreement to establish a body or procedure in the sense indicated above, or by express agreement to refer to the subsidiary legal framework, shall the minimum or subsidiary rules provided for in European legislation and in the legislation of the Member States apply, which shall allow for the establishment of a specific body with powers of information and consultation on specific matters (Articles 14 to 20 of the LITSE).

Without going into further technical details, it should be noted that an SE, like an SCE, with its registered office in Spain, may, as an exception to Spanish company law, opt either for a **unitary system** (the usual system in Spain, in which management is entrusted to a single body, the board of directors—or management board, in the case of the SCE), or a **dual system** (i.e., in which two bodies coexist: the board of directors, with administrative and management powers, and a supervisory or control board). **If employee participation rights in the SE or SCE are negotiated, employees may appoint, recommend, or oppose the appointment of a certain number of members of the board of directors (if the unitary system is chosen) or the supervisory board (if the SE or SCE has a dual system).**

The regulatory frameworks for SEs and SCEs are characterized by their **flexibility**, which means that the laws of the different Member States have moved away from a certain degree of standardization. It was this flexibility that allowed the European legislative process to adopt the legislation on SEs to move forward... **This establishes a form of supranational company whose constitution depends entirely on entrepreneurial initiative**—which does not allow workers to promote the possibility of constituting such a SEs or SCEs, unlike what happened with European Works Councils, where the notion of a "Community-scale undertaking or group of undertakings" was provided for in the directive (González Begega and Köhler 2015:11). The purpose of the SE company form is to facilitate cross-border operations for companies in the European single market, giving them great flexibility in their governance structure, possibilities for creation (through transformation, merger, or as a holding company or subsidiary), and transfer of their registered office.

The practical importance of these rules in Spain is limited. It should be remembered that Spain was the main Member State that pushed for the inclusion of an 'opting-out' clause (recital 9 and Article 7.3 of Directive 2001/86), which would allow Member States to register an SE despite not having a prior agreement on employee involvement, in the event of a merger between companies that did not previously have participation rights (Schwimbersky 2005). It is true that, in the transposition, the Spanish legislation did not use this possibility, so that SEs domiciled in Spain, "in the absence of an agreement, must respect the most intensive participation rights in force in any of the participating companies, prior to registration" (Gómez Gordillo 2007:42). However, the use of these corporate forms in Spain, as in Italy and the Nordic countries, has been completely marginal, preventing the spread of their innovative participatory practices²⁷. In Spain, employers cited the technical complexity of the SE Regulations, the lack of tax incentives, their unfamiliarity with the participation and employee involvement practices introduced by the SE Directive compared to the

²⁷ The study by González Begega and Köhler (2012) cites only four EWCs domiciled in Spain. A more recent search in the Central Mercantile Register (June 2025) does not yield any results.

Spanish labor relations system, as well as the characteristics of Spanish companies in terms of their dominant governance structure, their small size ('pocket multinationals') or their pattern of internationalization" as factors explaining Spanish businesses' lack of interest in the SE form which, in their view, is excessively costly (González Begega and Köhler 2012:9).

Transposition of EU legislation on intra-Community cross-border transformations, mergers, and divisions

Royal Legislative Decree 5/2023, which regulates cases of cross-border intra-Community transformation, merger, or division (Art. 88), incorporates Directive 2019/2121 into Spanish law and establishes that when the resulting company has its registered office in Spain, the participation rights of employees shall be governed by Spanish law and, in particular, by the framework established for SEs and SCEs in relation to the participation rights provided for in Law 31/2006.

There are no known examples of intra-Community cross-border transformations, mergers, or divisions that have resulted in a Spanish company with implications for employee participation.

Royal Legislative Decree 1/2010 on capital companies 2010 (Capital Companies Act, or LSC)

In accordance with Article 214 of the LSC, as a general rule, workers shall only have the right to participate in the appointment of directors if they acquire the status of partners (working or industrial). Law 31/2006 on worker participation in European public limited companies and European cooperative societies, and Royal Legislative Decree 5/2023 regulating cases of intra-Community cross-border transformations, mergers, or divisions (Article 88) are legal exceptions to the above general rule.

It should be noted that "profit sharing can easily lead to ownership participation in the company when channeled through the allocation of shares or stock. Similarly, ownership participation can lead to management participation, as workers could pool their shares to elect a representative to the corporate bodies" (Fajardo, 2025). Thus, in capital companies, although it is not necessary to be a partner to be a director of the company (Article 212 of the Capital Companies Act or LSC), workers may have the right to participate in the appointment of directors provided they are partners (Article 214 LSC). Such participation would therefore reflect a mediated right, linked to a given worker's simultaneous status as a shareholder, and not derived from their status as a worker or representative, to appoint, propose, oppose, or recommend candidates. Something similar occurs in the so-called "social economy," which includes cooperatives, mutual societies, foundations, and associations that carry out economic activities, or worker-owned companies, and which is regulated by Law 5/2011 of March 29 on the Social Economy.

Savings banks

The current Law 26/2013 on savings banks and banking foundations repealed the legal framework established for savings banks in Law 31/1985 regulating the basic rules on the governing bodies of savings banks, removing the right of savings bank employees to participate in their boards of directors.

In effect, Law 31/1985 recognized the **right of savings bank employees to elect from among themselves a certain percentage of members of the governing bodies of savings banks** as representatives—that is, both in the General Assembly and in the board of directors, the control committee, and the social work committee.

However, **Law 26/2013, currently in force, only requires the general assembly to reflect the interests of the founding entities, depositors, and beneficiaries of social welfare in its composition, but not the interests of workers.** Each founder is given the power to determine in the statutes of each savings bank, according to its wishes, how these interests will be represented, within a range established by law (art. 4). The law does, however, allow for the existence of "general advisors," that is, members of the General Assembly appointed by the workers, up to a maximum of 20% of the members (Art. 4.3.c).

If such employee representatives exist in the General Assembly, Article 8 stipulates how they are to be elected and the minimum requirements: the election shall be indirect, i.e., through the legal representatives of the employees and by means of a proportional system, and candidates must have at least two years' seniority on the staff, enjoying the same guarantees as those established for the workers' legal representatives in Article 68.c) of the ET.

Therefore, employee participation in the General Assembly is no longer a right established by law, but only a possibility: the existence or lack thereof of employee representation in the General Assembly depends on the will of the founder of the savings bank through the bank's statutes. Only then does the law provide, very succinctly, for certain requirements and determines how such representatives would be elected, in addition to applying to them the rest of the obligations, requirements, of the other members of the General Assembly.

The current law no longer provides for the possibility of employees or their representatives appointing members to the board of directors or the control committee—rights that were provided for in the 1985 legislation.

In any case, it should be noted that after the restructuring of the banking sector following the 2008 financial crisis, only two savings banks remained in operation in Spain out of the 45 that once existed and to which the former Law 31/1985 applied. The others were absorbed by large banks or converted into foundations. Thus, the maintenance of worker participation in the General Assembly of savings banks is not only qualitatively but also quantitatively scarce.

The Cooperatives Act 27/1999 and other cooperative laws

The Cooperatives Act 52/1974 recognized for the first time certain **participation rights for workers who were not members of cooperatives**, and this recognition has been maintained to the present day. Although the law authorized the presence of salaried persons in cooperatives, it sought to limit their number by offering or imposing integration formulas, such as their participation in sharing the profits, and their reinforced presence on the Governing Council. Thus, Article 30 of the aforementioned Law, on the composition of the board of directors, established in its second paragraph that **"in cooperatives with more than fifty permanent salaried workers, at least one**

of them, with their substitute, shall be a member of the Board of Directors," adding that the number of representatives would be determined in its internal documents, as well as the manner of their election and their duties to those they represent. Article 48, paragraph 2, recognized the right of salaried workers of the cooperative to profit-sharing, under the terms established in the regulations.

The current **Law 27/1999 on Cooperatives**, in addition to establishing rights of information and consultation for its workers, maintains measures for **the participation of non-member workers in cooperatives**, in both Articles 33 and 58.5. Article 33, which regulates the composition of a cooperative's governing council, states that when a cooperative has more than fifty workers with permanent contracts and **a works council has been set up**, *"one of them shall be a member of the governing council,"* who shall be elected and dismissed by the works council; and, if there are several works councils, *"shall be elected"* by the workers with a permanent contract. The term of office and status of the aforementioned member shall be the same as those established in the statutes and internal regulations for the other members of the board.

Therefore, the 1974 Act offered more guarantees of participation in corporate bodies and social benefits to non-member workers than the current 1999 Act. According to the former, cooperatives with more than 50 permanent salaried workers had to have "at least" one representative of these workers—and their corresponding alternate—on the board of directors, while the current law only provides for one representative. As for profit sharing, the 1974 Act established the right of salaried workers to profit sharing, under the terms established by the regulations. The current 1999 Act does not specifically recognize this right, as it is conditional on its inclusion in a cooperative's statutes or in its assembly agreement.

The cooperative legislation of the Autonomous Communities worsens the situation of non-member workers. In general, it does not recognize their rights to participate in the results of the cooperative, and with regard to corporate bodies, the situation varies even more. The legislation of Madrid and Andalusia reproduces the provisions of the State Cooperatives Act, while that of Valencia and Catalonia does not recognize any right of participation in corporate bodies for non-member workers, establishing that **in order to be an administrator, one must be a member, unless the statutes provide otherwise.** The law of the Basque Country does not guarantee the participation of non-member workers in the cooperative's administrative bodies (it only allows for a possible representative in a supervisory body, which is not mandatory and occurs only if the statutes so provide), and does not even allow them to participate in the social council, which exists specifically to deal with issues related to labor relations. However, the autonomous communities only have the power to regulate cooperatives and their relations with their members, but not to regulate labor relations (Article 149.1.7 CE). Therefore, **even if they could improve them in their territory, they cannot reduce the minimum participation rights recognized in state legislation for workers who are not members of cooperatives, either in relation to their representation on the administrative body or in the distribution of profits** (see Fajardo, 2025).

Pension plans and funds

Royal Decree 304/2004, of February 20, approving the Regulation on pension plans and funds (of lower rank than the law) provides for the representation with political rights of participants and, where applicable, beneficiaries (those who are entitled to receive benefits, whether or not they have been participants) of occupational pension plans in the composition of the control committee of such plans. The regulations provide for some general criteria on the distribution of members of the control committee, but these may be altered by collective bargaining, provided that the promotor (in this case, the employer) and the participants (those in whose interest the plan is created, whether or not they make contributions; in this case, the workers) are represented (Art. 30).

The procedure for appointing or electing members of the control committee is specified in the plan, following certain regulatory criteria. The appointment may be direct, or "legally constituted workers' unions shall have the right to nominate participating candidates and, where applicable, beneficiary candidates. Nominations must be endorsed by unions or by the signatures of 10 percent of the members of the corresponding electoral college" (Article 31.3.a).

Thus, although workers, through direct representatives or trade unions, participate in the control committee as beneficiaries of the plan, and not as workers per se (which is why the regulation itself does not refer to "labor participation" or workers), **such participation gives workers the possibility of influencing important decisions affecting the investment policy of the pension plan promoted by their company** (Article 32.2). **In this sense, the exercise of this right could be similar to the type of indirect labor participation exercised in business management through participation in supervisory boards.**

On the other hand, in jointly promoted occupational pension plans (promoted by several companies), the promoting or supervisory committee may, by agreement, appoint representatives of the most representative business and trade union organizations as members of the plan's supervisory committee (Article 41.6), thereby raising the level of representation outside the company.

With regard to open publicly promoted occupational pension funds, Article 58 of the Law on the Regulation of Pension Plans and Funds (Royal Legislative Decree 1/2002, of November 29, approving its revised text) establishes that the sole Special Control Committee shall be composed of thirteen members, four of whom shall be proposed by the most representative trade unions, while another four shall be proposed by the most representative business organizations. In this case, the established participation is more institutional in nature.

2.2. Participation Through Ownership

Cooperatives

In the explanatory memorandum to **Law 27/1999 of July 16 on Cooperatives**, the legislator links its enactment to the mandate of the Spanish Constitution, which in Article 129.2 requires public

authorities to promote cooperative businesses through appropriate legislation. This link "motivates the legislator (i.e. the Spanish Parliament) to consider the need to provide an adequate channel for collective initiatives by citizens who carry out activities that generate wealth and stable employment." The objective of this Law was precisely "that the values embodied in the historical figure of cooperativism, civil society's response to constant and innovative economic demands, be compatible and maintain an adequate balance with the ultimate objective of the members as a whole, which is economic profitability and the success of their business project."

A cooperative is a society formed by people who voluntarily come together to carry out business activities aimed at satisfying their economic and social needs and aspirations, with a democratic structure and functioning, in accordance with the principles formulated by the International Cooperative Alliance, under the terms of this Law.

The law grants the cooperative, as a legal entity, the capacity to own property and acquire rights and obligations in its relations with third parties. The persons who associate themselves in the constitution of the cooperative are linked to the legal entity in accordance with the rights and obligations provided for by law.

Membership in the cooperative confers political rights under the general rule of **one person, one vote**, which is exercised in the cooperative's highest corporate governance body, the General Assembly. The law establishes that the General Assembly shall determine the general policy of the cooperative and may debate any other matter of interest to it, provided that it is included in the agenda, but it may only take binding decisions on matters that this Law does not consider to be the exclusive competence of another corporate body.

The Assembly has the power to elect the members of the second body in the hierarchy of power, which is the Governing Council. The Governing Council is the collegiate body responsible, at a minimum, for senior management, supervision of executives, and representation of the cooperative society, subject to the Law, the Bylaws, and the general policy established by the General Assembly.

In the area of "democracy at work," the most relevant form of cooperative under the Law is the **Associated Workers Cooperative**, whose objective is to provide employment to its members, through their personal and direct effort, part-time or full-time, through the joint organization of the production of goods or services for third parties. Like other cooperatives, worker cooperatives have their own legal personality and **non-profit** status, with the rights and obligations that this entails, and share the limited liability status of commercial companies (corporations and limited liability companies). A distinctive feature of worker cooperatives is that **production is not intended to meet the needs of the cooperative's own members** (as is the case, for example, with mutual societies), but for consumption by third parties, generally through the sale of production at market prices.

The relationship between the worker members and the cooperative is corporate in nature, not employment based. The law clarifies that worker members are entitled to receive periodic payments, within a period not exceeding one month, from the cooperative's surpluses, known as

corporate advances, which are not considered wages, in accordance with their participation in the cooperative's activities. Members who are also workers in the cooperative have the political and economic rights, as well as the obligations (e.g., contributing funds to finance the share capital) established by law for members of any cooperative.

The cooperative society may hire workers in an employment relationship, with the following limits: **the number of hours/year worked by workers with an employment contract may not exceed 30% of the total hours/year worked by member workers.** Cooperatives also have tax advantages and benefits²⁸.

Worker-Owned and Participated Companies

Once again, the legislator links **Law 44/2015 of October 14 on Worker-Owned and Participated Companies** to Article 129.2 of the Spanish Constitution and, in particular, to the fact that this article constitutionally recognizes worker-owned companies, which emerged in the 1970s as a **form of collective self-employment for workers.**

The explanatory memorandum recognizes the importance of worker participation in companies, a European tradition dating back to the **European Council Recommendation** of July 27, 1992, on the promotion of worker participation in the profits and results of the company (including access to owning capital). It also highlights the **Opinion of the European Economic and Social Committee** on the subject of "Financial participation of workers in Europe" of October 21, 2010, which, in the same vein, points out the opportunity that financial participation represents for greater and better involvement of companies and workers, as well as society as a whole, within the framework of the single market. Thirdly, the explanatory memorandum considered financial participation to be in line with the objectives and strategy of "Europe 2020" to strengthen the competitiveness of European SMEs by increasing the identification and commitment of their skilled workers with them, thereby helping to ensure a sustainable future. Finally, the preamble recognizes that worker-owned companies, as they embody a **model of companies in which the majority of shares are held by their workers, in line with European recommendations, are one of the best examples of worker participation in Spain.**

However, the ambiguity and lack of ambition of the legislature in the development and promotion of worker-owned companies has been criticized. On the one hand, it empowers, but does not urge, the government to develop the law ("may" instead of "shall") (fifth final provision); and, on the other hand, it does not require their promotion as established by the EC, but rather invites ("may") public administrations to adopt measures to promote and encourage worker participation in companies (Article 20.2). In short, **it is left to the various public administrations to decide whether or not** to promote worker participation in companies, without taking into account the constitutional mandate addressed to all public authorities to "effectively" promote the various forms of participation in firms (Fajardo 2024).

²⁸ See

<https://sede.agenciatributaria.gob.es/Sede/ayuda/manuales-videos-folletos/manuales-practicos/manual-sociedades-2021/capitulo-11-tax-regime-cooperatives/special-provisions-applicable-coop-tax-settlement/determination-of-total-tax-liability-positive-adjustment-200/tax-credits-applicable-cooperative-companies.html>

In terms of content, the Law specifies that worker-owned companies are capital companies in form and are therefore subject to the rules relating to public limited companies and limited liability companies. However, **it distinguishes worker-owned companies from other capital companies by the following conditions:**

- at least the majority of the share capital must be owned by workers who provide services to the company personally and directly, within the framework of a permanent employment relationship;
- none of the partners may own shares or holdings representing more than one-third of the share capital, with some exceptions.

As a commercial company, a worker-owned company has its own legal personality, with the capacity to own assets and enter into contracts with third parties under a limited liability regime, just like other corporations. **Unlike a cooperative, workers who are members of a worker-owned company have an employment relationship with the legal entity, i.e., as salaried workers.**

The labor company may also hire non-member workers through an employment relationship, with the limitation that the number of hours worked per year by non-member workers hired on a permanent basis may not exceed 49% of the total hours worked per year in the labor company by all worker members.

The main difference between a labor company and other corporations is that, in a labor company, the majority of the capital (to which political rights are linked) and, therefore, effective control over the assets of the commercial company, **must be in the hands of workers who have an employment relationship with the company.** A corporation assigns this control (voting rights) through the ownership of shares or stakes in the commercial company's capital stock.

The Law establishes tax benefits for companies that are classified as worker-owned companies: "they shall enjoy, in the Tax on Property Transfers and Documented Legal Acts, **a rebate of 99% of the fees** accrued for onerous property transfers, for the acquisition, by any means permitted by law, of assets and rights from the company from which the majority of the worker-members of the worker-owned company originate" (Art. 17). **The Law does not explicitly justify why these tax advantages are granted to worker-owned companies, and it must be interpreted that the justification could be related to the collective benefits that are generically attributed to worker participation in companies.**

On the other hand, the Law defines a **Participated Company** as a corporation or limited liability company that does not meet the requirements to be a worker-owned company, but which **promotes access to worker-member status**, as well as various forms of worker participation, in particular through legal representation, and which meets any of the following requirements:

- it has employees who participate in the capital and/or profits of the company;
- it has employees who participate in the voting rights and/or decision-making of the company;
- it adopts a strategy that encourages the incorporation of workers as members;

- it promotes the following principles, set out in Article 18 of the Law: access for workers to the company's capital and/or profits; participation in the company's decision-making; and internal solidarity and solidarity with society, promoting commitment to local development, equal opportunities between men and women, social cohesion, the integration of people at risk of social exclusion, the creation of stable and quality employment, the reconciliation of personal, family, and working life, and sustainability.

The following legislative initiatives are understood to be specific developments of the Law on Worker-Owned and Participated Companies:

- **Law 28/2022, of December 21, on Start-ups**, which provides a specific regulatory framework to support the creation, development, and relocation in Spain of young and innovative companies with high growth potential, aims to attract international talent and capital, as well as to provide a remuneration policy appropriate to the situation and needs of this type of company. To this end, it guarantees a more favourable tax rate to formulas that enable employees to acquire shares (*stock options*). It allows these companies to issue shares (up to 20% of the capital) specifically aimed at employees –for distribution to employees in order to implement a remuneration plan (Art. 10) in the context of an acquisition derived from the Limited Liability Company (LLC) regime.
- **Article 42.3 of Law 35/2006 on Personal Income Tax (IRPF)** declares exempt from taxation, under the terms established by the regulations, the free transfer or transfer at a price below market value of shares and holdings, up to a limit of €12,000 per year per employee (up to a limit of €50,000 per year if working in a start-up company).

In the absence of information on the degree of development achieved by the participated companies—a new feature of Spanish legislation since 2015—it should be noted that the minority financial participation of workers in the capital of companies did not require special legislation. Spanish legislation probably recognizes this type of company for the sole purpose of justifying tax relief or benefit for companies that meet the criteria established by law to be formally recognized as participatory companies.

In conclusion, Figure 4 provides a comparative summary of the forms of financial participation currently provided for in Spanish legislation.

FIGURE 4: Comparative Summary of the Forms of Financial Participation of Workers in the Company provided for by Spanish Legislation

	Worker cooperative	Labor company	Participated company
Law	Law 27/1999, July 16	Law 44/2015, October 14	Law 44/2015, October 14
Legal form	Cooperative	Capital company	Capital company
Mission	Giving workers access to membership, provide them with professional and cooperative training, promote democracy, equality, solidarity, and community interest (Art. 80 and Art. 1); and the cooperative principles	Maintaining and creating stable jobs for its members, promoting access for workers to membership, equal opportunities, and work-life balance (Art. 13.3)	Giving workers access to membership; giving them a share in the results or in decision-making, promoting solidarity, local development, equality, and work-life balance (Art. 18.3)

Relationship between workers and the company	The majority of members are workers, and non-member workers cannot perform more than 30% of the work carried out by member workers.	The majority of members are workers. No worker member may hold more than 1/3 of the share capital. Non-member workers may not perform more than 49% of the work performed by member workers.	Workers do not hold a majority of the capital, but they do have some rights that are specific to members.
Employment status	The worker members of the cooperative have a "corporate" relationship, that is, they are governed by the applicable cooperative legislation, the statutes, and the agreements adopted by their corporate bodies. As workers, they are neither self-employed nor employed by the cooperative, but rather "associated" workers, i.e. partners.	Workers, whether or not they are members, have a legal employment relationship with the company as employees.	Workers, whether or not they are members, have a legal employment relationship with the company as employees.
How to become a member	Workers apply to become members or accept the proposal of the governing board. There is usually a trial period. Once their application/proposal has been accepted, they are usually required to make a mandatory capital contribution that is the same for everyone.	Through the acquisition of shares or holdings in the company from the company itself or from existing partners, and through capital increases. They enjoy a priority over other parties, and more favorable conditions for their acquisition.	Acquisition of shares or holdings through an offer by the company, without reaching a majority of the capital.
Form of control (political rights)	Each member has one vote, and all members are eligible to vote and stand for election to positions within the organization. Non-member workers may be represented on the governing board (= board of directors) if there are more than 50 of them (art. 33).	All worker members have the right to vote. Voting rights are proportional to the capital held, but it is customary for everyone to make the same contribution to capital, so their voting rights are also similar.	They may hold shares with or without voting rights. If they have voting rights, these will be proportional to the capital held.
Economic rights	The main right is to work and receive remuneration in return, which usually has two components (advance payment in proportion to the work performed, and if there are surpluses, a return in the same proportion). Capital can be remunerated as an expense for the financial year. There may be mandatory contributions (which are not usually remunerated) and voluntary contributions, which are usually remunerated, but with limited interest. Legal reserves are not usually distributable.	Salaries are determined by the corporate bodies controlled by the working partners. Profits, if distributed (which is unusual because they are usually reinvested), will be in proportion to the capital of each working partner, but this does not usually vary greatly between them. Reserves are distributable among the members in the event of dissolution.	Salary established by employment contract. Profit sharing is distributed in proportion to capital. Reserves are distributable among the members in the event of dissolution.
Transfer of membership status and rights	Membership of the cooperative is not transferable as a general rule. The open-door principle and variable capital facilitate the entry and exit of members.	The transfer of shares or holdings of members is not free because non-member workers and other worker members always have preference for their acquisition.	Free transfer of shares and holdings, except for restrictions imposed by the company at the time of purchase or delivery.

Criteria likely to be used in decision-making	Long-term job security (increase reserve funds) and improvement of working conditions.	Long-term job security (increase reserve funds) and improvement of working conditions.	As capital-controlled companies, it can be expected that their decisions will seek to maximize that investment, but the law requires administrators to promote the creation of stable, quality employment and the integration of workers as partners, among other things (Art. 13.3).

2.3. Other Institutional Initiatives

Failed, Limited or Unfinished Initiatives

In addition to the main initiatives listed above, in connection with Article 129.2 of the Spanish Constitution, there have been other initiatives of limited scope or even failed or unfinished initiatives, which are listed below.

The PSOE's 2002 bill

Coinciding with the enactment of Directive 2002/14/EC on informing and consulting employees in the European Union, the Socialist Parliamentary Group, in opposition, presented a bill to the Congress of Deputies to regulate the right to information, consultation, and participation of employees in the company (BOCG No. 236, May 10, 2002). This bill highlighted, first, the "coincidence of interests between the power of management, organization, and control in the company that derives from its legal ownership and the social and legal legitimacy of workers to participate in information, results, management, and even that same legal ownership." Secondly, it stated that the right to participation recognized in Article 129.2 of the Spanish Constitution "cannot be limited to the exercise of the informal and scattered rights of representation, information, and consultation provided for in the Workers' Statute." It also included specific rights of labor representation on company boards of directors. However, the proposal was not debated during that legislative session nor was it reactivated by the PSOE itself when it came to power.

The Sumar Non-Legislative Proposal of 2024

In March 2024, the SUMAR Plurinational Parliamentary Group presented a non-legislative proposal (PNL) to Congress entitled "Democracy at work and workers' participation rights" (BOCG No. 113 of March 26, 2024). The proposal urged the government to promote more democratic functioning of companies by strengthening the regulatory framework relating to mechanisms for informing, consulting, and involving workers in decision-making. Among the initiatives to be developed, it proposed a law on union representation on boards of directors, among other proposals, as a first step in its fairly open plan to deploy further Article 129.2 of the Spanish Constitution. The Congress's Labor and Social Economy Committee rejected it (BOCG No. 133, April 30, 2024), with 19 votes against, 17 in favor, and 1 abstention.

It should be noted that, unlike bills, non-legislative proposals have the sole purpose of promoting debate on issues of socio-political relevance and preparing for possible subsequent legislative action. However, the rejection of this NLP demonstrates that there is still strong opposition to workers' right to participation but also reflects the need for a bill on participation to be supported by a solid explanatory memorandum, with scientific, legal, and political arguments.

The Draft Law on Corporate Sustainability Information

The draft law on corporate sustainability reporting, adopted on November 15, 2024, to incorporate EU Directive 2022/2464 into Spanish law (BOCG Congress of Deputies 11/15/2024), and which is still in the parliamentary process, may be an opportunity to expand rights to information and consultation on corporate sustainability reporting.

Legislative attempts at the regional level

- **The 2006 Statute of Autonomy of Catalonia**²⁹ obliges public authorities to "promote [the] participation [of workers] in companies" (Article 45.3) and recognizes the right of workers and their representatives to information, consultation, and participation in companies (Article 25.4). The UGT trade union advocated for a co-management law in Catalonia, inspired by the German model of co-management in supervisory boards (Bermúdez Abreu and Prades Espot 2006: 304), which sparked a debate in the Catalan Parliament on the possibility of introducing a co-management system in the Catalan audiovisual media (Lerín 2016), which was ultimately rejected and not included in the **Law on the Audiovisual Media Corporation of Catalonia** (Europa Press 2019).
- **In the Basque Country and Navarre**, pioneering autonomous communities in the cooperative movement and social economy with a strong trade union tradition, there have been tentative advances. On June 19, 2018, the Economic Development Committee of the Parliament of Navarre unanimously approved a resolution urging the regional government to promote an inclusive and participatory business model. On September 27, 2018, the Basque Parliament unanimously approved a non-legislative motion (PNL)³⁰ with the same objective. The proposal was influenced by the recommendations of the Arizmendiarieta Foundation, linked to the Mondragón group, which advocates for corporate social responsibility and a communitarian vision of the firm. Although the visible results of this effort to date have been limited to subsidies and public aid to companies with worker participation and the financing of some studies on participation, this may be an interesting and innovative case of public policy that inspires other autonomous communities to promote worker participation in companies, while moving towards more general legislation on the subject. The Basque Country's Department of Tourism, Trade, and Consumer Affairs periodically announces public aid aimed at promoting worker participation in companies; the 2024 call for proposals distinguishes between aid to social economy companies (chapter I) and to other companies (chapter II).

²⁹ Organic Law 6/2006, of July 19, reforming the Statute of Autonomy of Catalonia.

³⁰ Non-legislative proposal on the promotion of an inclusive-participatory business model [11/11/02/01/00400], 27.09.2018, see <https://www.irekia.euskadi.eus/amp/es/news/48528-pleno-ordinario-2018>

Experiences Derived from Social Pacts, Collective Bargaining, and Legislation in Other Countries with Effects in Spain

Beyond attempts or advances, there are specific practical experiences in Spain, perhaps more fruitful but scattered and little known, of union representation on company boards of directors. These are based on social pacts, collective agreements, legislation in other countries, or union decisions, i.e., experiences that do not *in themselves* constitute a legislative development of the constitutional mandate directed at public authorities. The most significant of these are:

State-owned companies

In the Economic and Social Agreement (AES) for 1985-86, the PSOE government committed to the UGT that it would begin negotiations on union participation in public companies³¹. These negotiations resulted in the Agreement on Trade Union Participation in Public Companies, signed on January 16, 1986, which, unlike the AES, had already been signed by the CCOO (García Murcia 1990: 256; Sánchez de Miguel 1992: 88). In this minimum agreement, the government undertook to include in the collective agreements of **public companies with more than 1,000 workers either minority union representation on the boards of directors**, with the same rights and obligations as the other members of the board, **or, alternatively, union representation on the joint information and control committees responsible for studying industrial and economic plans and preparing reports and proposals on the organization of work.**

The agreement was implemented in companies, but when it came to introducing minority union representation on the board of directors, only unions with representatives forming at least 25% of the works council members could appoint a representative (whether or not they were on the company's payroll). In practice, this ensured that CCOO and UGT occupied the union representation positions on the boards of directors. The appointment practice varied greatly among union federations depending on the sector, company, and region. Sometimes it was the (unionized) works council that made the *de facto* appointment (Sánchez de Miguel 1992: 88), while in other cases it was the sectoral trade union federation that proposed the candidates and the union confederation that ratified them. There were also differing practices as to whether the board member should be part of the company's staff or an external union leader. As for the joint information and control committees, when they were created, they allowed the participation of all unions with representatives forming at least 10% of the works council members. The agreement provided for the creation of such a committee at the group level; specifically, one was created in each of the groups of the National Institute of Industry (INI), the National Institute of Hydrocarbons (INH), and the Directorate General of State Assets, as well as in a "fourth group" for the rest of the public companies affected that were not already included in any of the above (Lafuente, 2025, offers a more comprehensive assessment of the experience).

³¹ See the Resolution of October 9, 1984, of the Institute of Mediation, Arbitration, and Conciliation, which agrees to publish the Interconfederal Agreement for Collective Bargaining 1985-86, part of the Economic and Social Agreement (AES) signed by the UGT, the CEOE, and CEPYME; see Article 21.b: "The Government, through the heads of public companies, and the UGT, as the union signing this Agreement, shall immediately begin negotiations to establish union participation measures related to the increase of union rights in public companies." Abad-Conde already reported a similar pre-constitutional practice at the National Institute of Industry (INI), following an agreement adopted in March 1970, whereby companies joining the INI, regardless of the number of workers they employed, had to grant effective participation on their boards of directors to their workers' representatives (Abad-Conde, 1971).

The commitments in the 1986 Agreement were based on a political pact, i.e., they did not have the regulatory effect of a collective agreement or a law but had to be transferred to the collective agreements of the companies according to the context and balance of power in each of them. Furthermore, these commitments were only binding on state-owned public companies, not on regional or local ones, and established two possible forms of union participation—directly on the board of directors or on control committees—except in the metalworking subsidiaries of the INI-TENEO group where they were cumulative. When the period of "Pactism" came to an end and the company collective agreements negotiated on the basis of the 1986 Agreement (no longer in force) expired, it was not always possible to maintain the same conditions in their renegotiation. In general, worker participation on the board was lost without any compensation. **However, this system of union participation has been maintained in some companies**, such as Renfe, ADIF, Paradores Nacionales, Navantia, Hunosa, ENSA, and the TRAGSA Group, according to information gathered by this Commission for the report (see Lafuente, 2025).

Regional and local public companies

Some autonomous communities and municipalities were able to replicate social pacts similar to the 1985-1986 AES and the Agreement on Trade Union Participation in Public Companies within their territorial or regional scope, depending on whether or not they were governed by the PSOE at the time and on the territorial dynamics of social dialogue.

There is no official or systematic centralized trade union register compiling the existing agreements on trade union participation in public enterprises in the different autonomous communities or municipalities of Spain. However, it has been verified (Lafuente, 2025) that in the middle of the 1980's, there were union representatives in some regional and local transport and water supply companies, such as Ferrocarrils, Aigües de Barcelona in Catalonia (AGBAR) and Canal de Isabel II in the Community of Madrid. Today, there is also labor representation on the board of directors of the municipal waste collection company in Alcorcón, ESMASA, which amended its statutes in 2024 to include two worker representatives on its board at the initiative of the works council³². However, this initiative is voluntary and does not stem from any social agreement in the municipality or the Community of Madrid.

Multinational companies based in other countries

EU and some national legislation offer worker representatives in Spain the opportunity to hold positions on the boards of directors or supervisory boards of multinationals based outside Spain (see Lafuente 2023). The German Volkswagen group (by virtue of the decision by the IGMetall trade union to propose a trade union representative from the Spanish subsidiary SEAT as a candidate for one of the seats corresponding to that union on the supervisory board of Volkswagen AG), French groups such as Alstom and Imerys (by virtue of French law, which allows companies to choose to elect a workers' representative to the board of directors through a European works council), and European public limited companies such as Fresenius SE, based in Germany (by virtue

³² See <https://lgnmedios.com/trabajadores-de-esmasa-en-alcorcon-se-incorpan-al-consejo-de-administracion/>

of its agreement on worker involvement in corporate governance negotiated under the SE Directive) already have union representatives with a Spanish mandate among their directors.

Since the ruling of the Court of Justice of the EU on October 18, 2022, in case C-677/20 *IG Metall and Verdi v. SAP SE*, the presence of labor representatives with a Spanish mandate on the supervisory boards of German multinationals in the form of an SE could increase, as the ruling established that all trade unions representing the workers of an SE have the right to participate in the two or three seats reserved for unions in its supervisory board of the SE, which until then was reserved solely for German trade unions. Furthermore, the Court adds that it is in line with the objective of Directive 2001/86 on the involvement of employees in the European public limited company to extend the acquired rights of involvement enjoyed by the employees of the company that plans to convert into an SE to all employees of an SE formed by that conversion.

Conclusion: An Articulated Approach to Voice and Ownership

The Spanish Constitution put an end to almost 40 years of Franco's dictatorship and aligned the Spanish political system with Western democracies. Article 129.2 of the Spanish Constitution commits public authorities to legislate in favor of participation in companies (without specifying forms or actors), to promote cooperatives (in general), and to favor workers' access to the means of production (without specifying the mechanisms or channels of access). Over time, legal experts have agreed that the mandate of the Article urges legislators to provide public support for worker participation in companies mainly through labor law (and company law (cooperative societies and worker-owned companies)).

Labor law in Spain consolidates the role of the works council and the staff representative as bodies representing workers in the workplace; their main function in this area is to act as the labor counterpart in the fulfillment of employers' obligations to inform and consult with workers. The rights of workers in Spain to be informed and consulted are in line with those established by European legislation, but according to Spanish law, the works council does not have the power to decide (validate or veto) operational decisions, which is provided for, as will be seen in the next chapter, in German law.

Legislative initiatives on cooperatives, worker-owned companies, and public enterprises during the constitutional period expressly recognize in their preamble their connection with the mandate of Article 129.2 of the Spanish Constitution, indicating that the public authorities have responded to its mandate, at least in part. However, in the nearly 50 years that have passed, neither labor nor commercial and corporate legislation has implemented initiatives aimed at promoting access to voice and ownership in Spain.

Corporate governance in Spain has gradually taken on the characteristics of the Anglo-American model, giving almost absolute priority to the interests of shareholders over those of other stakeholders. As a result, little attention has been paid to other corporate governance systems that are widespread among EU member states. Co-determination, which, as we will see in the next

chapter, has a long tradition in companies in central and northern Europe, has no real presence in Spain.

Furthermore, Spain ranks among the lowest nations in the EU in terms of measures to promote and support the participation of workers in the results of the companies with which they have an employment relationship, regardless of whether or not they participate in the capital of those companies. France, by contrast, is one of the most advanced countries in this area. It is true that schemes enabling profit-sharing do not equate to plans to facilitate access to the means of production, while Article 129.2 of the Spanish Constitution precisely encourages public authorities to establish "the means to facilitate workers' access to ownership of the means of production."

In relation to the objectives set out in Article 129.2 of the Spanish Constitution, the data compiled in this chapter reflect modest results overall, both in terms of legislative provision and practical application.

Firstly, the available data on labor representation in workplaces and companies through the participation channels established by the ET (staff delegates and works councils) show a rather limited exercise of these representation rights in relation to their scope of application. Furthermore, there are doubts as to whether the works councils that have been set up actually fulfill the functions entrusted to them, or in other words, whether they really benefit from the rights to information and consultation recognized by law.

Secondly, since the 2008 financial crisis, cooperative societies as a whole have remained stable in terms of their relative weight in the Spanish economy. However, within this group, worker cooperatives, which are the ones that truly democratically empower workers, have lost relative weight. The Mondragón cooperative group is a special case, as it has managed to maintain its significant presence in the Basque Country in Spain and around the world, with approximately 70,000 jobs and a presence in 150 countries.

Worker-owned companies, the other form of full worker participation in their companies, show a temporary trend of relative decline, similar to that of worker cooperatives: in 2024, employment created by worker-owned companies represents 0.25% of total employment in Spain. Participated companies, those in which workers have a financial stake and weak worker influence over company decisions, are still awaiting regulatory development since their legal recognition in 2015. As the following chapter will show, some data from indirect sources point to a proportion of Spanish companies whose workers participate in profits in a way similar to companies in other EU countries; however, the same data suggest that the proportion of workers participating in profits in Spain is lower than in other countries.

Finally, collective agreements, European companies, and European Works Councils have achieved some results in terms of representative worker participation, but once again, coverage levels (the reality in relation to representation possibilities) remain modest. With almost forty years of organizational innovation in companies around the world—moving towards more decentralized management models, employing better-trained people, and working in autonomous

teams—Spanish companies have far from the levels of organizational capital seen in companies in the leading countries in this field, generally those most advanced in terms of co-management.

The European Union has undertaken remarkable efforts to promote democracy at work (Chapter II.A.2) and financial participation of workers in companies. Their most prominent program along these lines, PEPPER, was launched in the 1990s and is still active. In 2024, the Fifth Report of the PEPPER program was published with updated data and proposals to generate new momentum. In addition, the European Social Fund has just published a report, *fi-compass* (2025), on employee access to company ownership (Employee Buyout or EBO) in Spain, which takes stock of past experiences and proposes new financial instruments and technical assistance programs to promote EBO. Both reports are a good starting point for designing public policies to support employee financial participation in Spain.

In short, this historical overview of the last half-century in Spain shows that employee participation is a multifaceted and scattered reality in legislation that varies greatly in scope and jurisdiction and is ultimately incomplete in actualizing the vision of Article 192.2. Sometimes, the participatory practice that exists in Spain does not derive from legislation, but from social pacts, collective bargaining, or even legislation from other countries that has had an impact in Spain through Spanish subsidiaries of multinational companies based in other countries.

For worker participation to develop and be promoted in a meaningful way, it must be re-anchored to its fundamental objective: to promote access to voice and ownership through legislative initiatives that cover all its dimensions. This is the task that remains to be done.

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2. The Avenue of Voice in a European Perspective

A gap to bridge: catching up with the most advanced European models

Summary

This chapter analyses worker participation in Spain, comparing workers' access to voice in Spain with that of their peers in other European countries. Worker voice is structured in three levels: decisions relating to **job function** (micro-level autonomy), decisions relating to **management or operational** issues (organizational matters, health, and safety), and decisions relating to the **government** of the firm (strategic decisions at corporate governance level). While Spain has recognized the right of workers to be represented in companies via works councils, which enjoy rights to information and consultation regarding management issues, access to co-decision at that level is non-existent. Moreover, access to voice in strategic decisions relating to corporate governance is non-existent as well, placing Spain in a minority of EU countries with no general law mandating worker access to participation in the strategic decisions of the firm.

The first deficit the Committee identified in Spain is in **corporate governance. Co-determination**—worker representation with a voice and a vote on company boards—is legally recognized in two-thirds of European countries, notably in Central and Northern Europe.⁴ Spain is among just nine countries that lack this type of legal mandate, aligning its corporate governance evolution more closely with Anglo-Saxon systems than with European, and in particular German models. Despite arguments against co-determination that cite its negative impacts on profitability or competitiveness, economic research finds that these arguments are unfounded: co-determination has neutral to positive effects on productivity, innovation, and social stability.

The second deficit is related to the fact that Spanish worker participation, despite the existence of workplace representation and works councils, is significantly constrained to information and consultation in the realm of **operational issues**. While a more general study indicates a relatively high degree of effectiveness for Spanish works councils (scoring 0.75 on a scale of 0 to 1), Spain scores much lower (0.40) on the more detailed and comprehensive **European Participation Index**. This is primarily because this Index includes worker access to voice in corporate governance, for which Spain scores a zero. Unlike systems in Germany and some Scandinavian countries, Spanish works councils are typically limited to information and consultation rights and lack **mandatory co-decision (veto) rights** on issues such as working time or organizational changes. The German system is characterized by the coexistence of strong works council co-decision rights and supervisory board-level worker representation, and research shows that when these two levels are linked, they are mutually beneficial.

The final domain of voice concerns a worker's **autonomy in everyday matters**, which is tightly linked to levels of trust and organizational capital within a firm. Spain's deficit in organizational capital means it still lags behind Northern European countries in granting this micro-level

decision-making power to workers, thus weakening Spanish firms' productivity and innovation capability.

In conclusion, the absence of a legal framework for worker participation at the **strategic level** (co-determination) and the **limited information and consultation rights** at the **operational level** of the works council represent a significant disadvantage for Spanish firms. Implementing these rights would align Spain with the promise of its Constitution and bring it closer to the strongest and most innovative economies in Europe.

The previous chapter analyzed the state of labor participation in Spain from a historical and legislative perspective. Participation is a multidimensional concept (see De Spiegelaere et al. 2019:71, Salas 2024:5), and must be approached holistically, as it involves different forms, degrees, and levels of participation. Article 129.2 of the Spanish Constitution clarifies our inquiry by focusing on the two dimensions of participation which we have called the avenue of *voice* and the avenue of *ownership*. Before moving on to look more deeply at the ownership dimension, this chapter will focus on worker access to voice in Spain compared to other European countries.

Labor participation through worker voice can be broken down into three rough categories of decisionmaking: first, participation in everyday, job-related (*puesto de trabajo*) decisions regarding tasks and working environment; second, participation in *management*-related³³ decisions such as organizational matters (scheduling, division of tasks, etc.), health and safety considerations, and strategic decisions regarding the type of service or product a company is developing or producing or its target customer base, for example. The final category comprises decisions regarding a firm's *government*,³⁴ most commonly known as corporate governance, and relate to goals and mission, such as commercial strategy or profit allocation (to dividends, higher wages, new job positions, training opportunities, green investments, R&D, etc.).

The **degree of worker participation** in these three categories varies greatly from firm to firm. In the context of labor relations, it is usually **measured on a spectrum ranging from information-sharing to consultation to codetermination, to co-decision, and, finally, to exclusive decision rights**. In the Spanish context, workers typically have rights to **information and consultation in matters relating to management**, exercised by worker or union delegates, or, for firms with more than 50 employees, via works councils. **In matters relating to the government of the firm**, with the exception of worker cooperatives and a few companies in the public sector, **there is no channel for worker access to voice**. This is not true in many other European countries, where worker representation exists at the level of the board of directors or supervisory board; this is often known as *co-determination*.³⁵

³³ Note on translation: In the US context, for instance, managerial decisions are the exclusive prerogative of the employer. It is important to make a distinction between the technical, descriptive use of the term that we are seeking here, and the actual state of the access to power recognized to workers in different national contexts.

³⁴ On the analytical and descriptive distinction between governing and managing (or government and management), see (Ferreras 2017).

³⁵ In the literature, these practices are called "co-management" or "co-determination." In order to avoid confusion, we will avoid the term "co-management," and will maintain a clear distinction between decisions related to the domain of management (work organization) vs. the domain of government (firm strategy).

This Report rests on the understanding that these practices of worker voice are anchored in rights that Article 129.2 of the Constitution flags as distinct from ownership; in other words, that worker voice in a company is *not the same* as access to ownership. Logically, then, **the right of workers to participate in the decisions that concern their lives in the workplace and beyond ought to be considered independently of their access to ownership; in other words, that access to voice cannot be conflated with access to ownership.**

This chapter will examine these three categories of participation in decisions related to firm activity, beginning with the strategic level (government), then moving down to the organizational level (management), where strategic decisions are implemented and finally to the everyday level, where decisions are made about workers' direct experiences in their jobs, in order to measure the amount of voice workers in Spain enjoy in comparison to their peers in other European countries.

1. Access to Voice in Strategic Decisions at the Corporate Governance Level³⁶

The Spanish legal system contrasts with most other EU and OECD countries in that it does not have any general law providing for workers to have any access to voice at the strategic level of company decisions. Although Spain does have a dual system of labor representation; that is, both works councils (and/or staff delegates) and union representation, **the country lacks legislation on worker representation at the board level of either private or public sector companies. This stands in sharp contrast to the majority of other European countries, two thirds of which (18 out of 27) have legally recognized the right of workers in companies of the public sector, and often also the private sector, to be represented with both a voice and a vote on the boards of directors or supervisory boards of companies.**

Co-determination rights at the strategic level, i.e. the recognition that workers have a voice and a vote in corporate governance by virtue of their labor investment as workers in the company, is a distinctive feature of these European countries' economies. Although representative worker participation in corporate governance is widespread in Europe, the scope and depth of participation are far from uniform across countries, and the EU has done little to promote such uniformity. What these countries do have in common is that the right to worker representation in corporate governance is established by legal mandate.

³⁶ This section has relied on previous writing from Committee members, significantly: Lafuente (2021, 2022, 2025)

FIGURE 5: Worker Representation at The (Supervisory) Board Level



In public and private sectors (dark blue colour code)

There are 13 states, Austria, Croatia, the Czech Republic, Denmark, Finland, France, Germany, Hungary, Luxembourg, the Netherlands, Slovakia, Slovenia, and Sweden, where legislation provides that (certain) companies in both the private and public sectors must have members at board level chosen (or recommended, in the case of the Netherlands) by employees.

In the public sector only (green colour code)

In 5 countries (Greece, Ireland, Lithuania, Poland -where partially privatized companies are also covered- and Portugal), board-level representation is limited to companies in the public sector. In all of them, privatization and other developments, such as changes in the legal status of the entities concerned, mean that the number of companies involved has become smaller.

Not at all (orange colour code)

This leaves 9 countries without legislation or other agreed arrangements providing for obligatory board-level representation of employees. These are Belgium, Bulgaria, Cyprus, Estonia, Italy³⁷, Latvia, Malta, Romania... and Spain. This does not mean that there are no employee representatives at the board level of some companies in these countries. Only, in these countries, such arrangements are individual, rather than generalised.

Source: (Fulton 2024)

³⁷ Since this map was created, the Law 76/2025 on workers' participation in corporate governance ("Disposizioni per la partecipazione dei lavoratori alla gestione, al capitale e agli utili delle imprese") has been adopted on 14 May 2025 in Italy (see https://www.gazzettaufficiale.it/atto/stampa/serie_generale/originario). However, given the fact that this new law does not impose any mandatory obligations on board-level employee representation: the application of the legal provisions remains voluntary for employers (see Telljohann, forthcoming; Gentile, 2025), so the categorization of Italy should remain unchanged for the time being.

Codetermination rights are usually governed by both corporate and labor law, and the institutional settings vary greatly across countries. The concrete influence of worker representatives on company boards³⁸ depends on the powers attributed to them by law or in the company's articles of association within the board of directors, as well as those attributed to the board itself. Their ability to influence decisions also depends on their numerical weight (that is, what proportion of the board they constitute), as well as the dynamics and distribution of power within the board itself (Waddington and Conchon 2016). Access to the most relevant board committees, such as those dealing with audits, executive appointments, and strategy, is key to determining whether or not they have any real weight in the board (Harnay et al. 2024). At the same time, there are also significant differences in the legal frameworks and areas of application among different countries. Participation rights may only affect a specific segment of the economy, for example, the public sector or privatized companies. In other places, as in Austria or Sweden, they may also affect private sector companies, including small businesses, or only large groups with certain specific corporate forms, as in Germany or France. Nevertheless, most countries in the European Economic Area have legislation of one kind or another guaranteeing workers representation rights on boards of directors or supervisory boards.

Thresholds and numbers: The employee threshold at which board-level employee representation is required ranges from 5 employees in some companies in Austria, 25 in Sweden and 35 in Denmark to 1,000 in Luxembourg and France. In addition to this, whether or not a company has 1,000 employees working in France, French law has set a further threshold of 5,000 employees worldwide. The proportion of board members who are employee representatives varies between a single member (this is the case for boards with eight or fewer members in Croatia and France, for example) and half the total (in German companies with more than 2,000 employees). The most common proportion is a third of the board.

Board composition: Countries also differ in terms of who qualifies to be an employee representative on a company board. In most countries employee representatives qualify for the position by dint of their employment in the company and often combine board positions with other important representative roles in-house. This is not the case in France, however, where board-level employee representatives cannot keep any other position as worker representative. The Netherlands stands apart from most other countries given that the works council has the right to nominate up to one third of the members of supervisory boards, but such members are not employee representatives, as they cannot be employees of the company, nor trade unionists involved in collective bargaining with the company. Thus, the members appointed have often a weaker connection with the employees' concerns.

The color-coded map of worker representation rights at corporate governance level shown above provides a picture of the progress that remains to be made in Spain (see Figure 5). Spain is orange, meaning that workers there have no access to voice in corporate governance. This places it in the

³⁸ For the purpose of this report, we use the term **company boards** to cover both the **board of directors** and the **supervisory board**—that is, the specific board responsible for **codetermination rights** in either a **monistic** or **dual corporate governance structure**.

minority of EU countries. Co-determination is a well-established institution in the countries of Western and Northern Europe, which are influenced by the German model.

FIGURE 6: Situation of the 27 EU Countries + Norway with Regard to the Right to Worker Representation at the Strategic-decision-making Level of Companies, and the Proportion or Number of Representatives to which Employees are Entitled

The first section includes countries with legislation on worker participation in strategic decisions at the board level (on the supervisory board if a two-tier board system, or on board of directors if single board); the second section shows countries, including Spain, which lack such legislation.

Country	Legal basis	Threshold (number of employees)	Worker representation on the (supervisory) board	Notes
Germany	Montan Co-determination Act (1951); Co-determination Act (1976); Third Participation Act (2004);	See details in Figure 7	See details in Figure 7	See details in Figure 7
Austria	Labor Constitution Act	Any company with a works council and a supervisory board Ltd over 300 employees	1/3 of the seats	Applies in any PLC as long as there is a works council and a supervisory board
Sweden	Board Representation Acts (1973, 1987)	Plc & Ltd with more than 25 employees	Between ¼ and ½ of the seats. Companies from 25 to less than 1000 employees: 2 members; Companies over 1000 employees or operating in more than one industry: 3 members	Local trade union bound by a collective agreement with the company decides; equal number of deputies appointed and attend meetings with a consultative voice.
Denmark	Companies Act	Plc & Ltd with more than 35 employees	1/3 of seats, with a minimum of 2 members (or min. 3, if parent company of a group)	Trade unions or employees must request, followed by a yes/no ballot to the staff. Representatives elected by employees among employees.
Norway	Public Limited Companies Act	More than 30 employees	1/3 of seats if ≥30; more if ≥200	Strong model, even for medium-sized companies
Finland	Employee Representation Act (expected to be revised)	More than 150 employees	Negotiated (up to 1/4 of seats)	Flexible: representatives can also participate in management groups
France	Public Sector Democratization Act (1983); Social Dialogue Act (2015), Pacte Act (2019)	More than 1,000 employees in France or more than 5,000 in the world	1 or 2 employee representatives	Traditionally stronger in public companies.
Netherlands	<i>Works Councils Act</i>	<i>More than 100 employees</i>	<i>Right of the works council to propose candidates</i>	<i>No fixed quota; indirect influence through proposals: candidates cannot be employees or trade unionists.</i>
Luxembourg	Labor Code	More than 1,000 employees	1/3 of seats	Applies only to large companies

Czech Republic	Commercial Companies Act	More than 500 employees	1/3 of seats	Reintroduced in 2014
Slovakia	Commercial Code	More than 500 employees	1/3 of seats	Similar to the Czech model
Slovenia	Law on Employee Participation in Management	More than 500 employees	1/3 of seats	Continues the Yugoslav tradition
Croatia	Labor Law	More than 200 employees	1 employee representatives	More limited participation
Hungary	Labor Code	More than 200 employees	1/3 of seats	Limited in practice, often formal.
Greece, Ireland, Lithuania, Poland, Portugal.	Laws are only applicable to some companies in the public sector, or in privatized companies (in the case of Poland)		From one member to 1/3, depending on the country	No legal representation on boards, except in isolated cases in public companies
Belgium Bulgaria Cyprus Estonia, Italy, Latvia, Malta, Spain, Romania.	No general law	-	-	Some specific and limited cases derived from pacts, collective agreements, or articles of association, at company's voluntary choice.

Source: Conchon (2011, 2015); Gold and Waddington (2019); Fulton (2024).

As this table shows, Spain is one of the countries where there is currently no legislation establishing rights in this area, with the exception of the transposition of the Directives on European Companies, European Cooperatives and Company Mobility (i.e. cross-border conversions, mergers and divisions). As discussed in Part I.1., worker representation on boards of directors in Spain is extremely rare. Moreover, it is limited to minority union participation derived from a social pact from the 1980s, which is no longer in force, or from collective bargaining, or from existing practices in public, state, or regional companies, or from legislation from other countries and existing practices in Spanish subsidiaries of French or German multinational companies, (for example, European Companies - Societas Europaea- registered in these countries).

Spain is characterized by what is known as a "dual" channel of workplace representation, meaning that, apart from rules to establish trade union representation in the workplace, there are worker representatives elected directly by their co-workers, usually through union lists, either to the works council (in companies with more than 50 employees) or as staff delegates. Despite the mandate of the Spanish Constitution ("The public authorities shall effectively promote the various forms of participation in the firm"), no general law has ever been passed to provide for worker participation at the most important, strategic level of corporate governance³⁹. In fact, the evolution of corporate governance in the private sector in Spain over the last fifty years has been more closely aligned with

³⁹ Law 31/1985, which regulates the basic provisions for the governing bodies of savings banks, was an exception since the turn to democracy, and is not in force anymore, as explained in Part I, Chapter I.

that of companies in Anglo-Saxon countries than with that of companies in countries with a German influence.

Access to Voice at the Strategic Level: Worker Representation in Corporate Governance in Germany

Inspiring practices from a European leader:

Worker representation in corporate governance in Germany is regulated by the Private Limited Companies Act, along with three labor laws and their respective regulations (Page, 2011). The so-called *Montan-Mitbestimmungsgesetz*⁴⁰ (1951) applies to firms in the iron, coal and steel sectors with more than 1,000 employees. It establishes the country's only fully joint decision-making system, in which employee representatives occupy half of the seats on supervisory boards with a "neutral" chair; that is, someone selected by employees and shareholders together.⁴¹ Notably, the board's director of labor relations (the *Arbeitsdirektor/in*, who is responsible for human resources policy, collective bargaining, and wages in a company) can only be appointed with a favorable majority of worker representation on the supervisory board. In other words, the law recognizes collective veto rights to worker representatives on the supervisory board over the appointment of the person who will be representing management in labor relations, giving them concrete influence over the executive board's decisions. In practice, this has meant that unions are the ones to nominate candidates for this person, since companies in this sector are strongly unionized. This also explains why the *Montan* system is characterized by highly consensual practices in their labor relations policies. This system has been implemented less often in recent years due to the profound restructuring and decline of the *Montan* sector. Currently these governance rules only apply to around 30 companies.

Two other systems of participation in corporate governance decisions are based on laws passed in 1976 and 2004, which apply to the economy as a whole, without sectoral limits, although they do include specificities relating to legal form (they apply mainly to corporations—public and limited liability companies—and their respective groups—*Konzerne*). The *Mitbestimmungsgesetz* (Co-determination Act) of 1976 establishes a system of "quasi-parity" co-determination in supervisory boards of companies and groups with more than 2,000 employees. This law allows employees to elect half of the members of the supervisory board, as in the *Montan* system, but the chair, who casts the deciding vote in the event of ties, is appointed by the shareholders.⁴² Boards generally attempt to reach consensus over the appointment of a chair, but this is less common than in the *Montan* system. Staff must elect representatives (directly or, in companies with more than 8,000 employees, through delegates) from among the workforce itself and, where applicable, also from among slates of candidates put forward by trade unions, and by managers. Depending on the size of the company, both of these groups have reserved board seats (up to three in the case of trade unions). This system of "false parity" currently applies to fewer than 700 companies in Germany (Hopt, 2016:8).

⁴⁰ Montan is the German term for the extractive and processing industries for mineral resources and heavy materials, i.e., mining, particularly iron, coal, and steel industry.

⁴¹ Supervisory boards can vary in size from 11 to 21 members, depending on the company's capital.

⁴² In this case, supervisory boards may have between 12 and 20 members by law, depending on the number of employees.

Finally, the *Drittelbeteiligungsgesetz* (one-third participation law) of 2004, which builds on a 1952 law, allows workers to have one-third representation on the supervisory boards of companies with between 500 and 2000 employees. Obviously, in this case, the ability of employee representatives to influence decision-making stems less from their quantitative weight as from their potential to contribute to board deliberations and strategically use the information obtained in these deliberations in their work with other representative bodies within the company. Because this last participation law provides for minority participation, it cannot be considered a true “co-decision” structure; instead, it is one of participation (or *Beteiligung*). An estimated 1,500 companies fall under this one-third participation requirement (Waddington and Conchon, 2016, op. cit., note 4, p. 229). German unions are currently calling for the establishment in these companies of a list of issues that would require the agreement of the supervisory board.⁴³

FIGURE 7: Overview of Workers' Rights to Representation in Supervisory Boards in Germany

	Regulation	Characteristics of companies	Representation	Nomination, appointment	Eligible
Germany	Legal mandate: Participation and Co-determination at company level laws	Plc & Ltd with between 500 and 2,000 employees	One-third of the supervisory board	Nomination: Works council or company employees (10% or 100); Appointment: election by employees.	If only 1 or 2: Only employees If more than 2: at least 2 employees (external union officials possible)
		Companies with more than 2,000 employees	Half of the supervisory board + Chair appointed by shareholders has deciding vote	Nomination: Company employees (20% or 100), Unions (2-3 candidates) Appointment: election by employees (or delegates in companies over 8,000 employees)	Employees, external union officials.
		Iron, coal and steel companies with more than 1,000 employees	Half of the supervisory board + one consensus Chair Veto Right over the appointment of the Labour Director	Nomination: Some by works council, some by unions; Appointment: by the general meeting of shareholders	Employees, external union officials.

Source: based on Conchon (2015), Lafuente (2022) and Fulton (2024)

A large body of academic literature has attempted to assess the benefits and costs of worker representation in corporate boards in Western and Northern European countries, both at the level of individual companies and workers, and at the level of society as a whole. Across the social sciences, only the discipline of economics has remained wary of codetermination practices. Even among economists, however, it is widely accepted in the scientific community that co-determination has had marginally positive effects for companies, and positive effects for the economy as a whole in terms of adaptability to crises and resilience in the face of external shocks,

⁴³ Page (2011), op.cit. (note 7), p.31.

as well as bringing increased social stability and social cohesion, complementing other institutions such as centralized collective bargaining, with which it has coexisted historically in many countries (Jäger et al. 2021, 2022a, 2022b, 2022c, Jarkko 2025, Jirjahn and Smith 2018, Telljohann 2022). No reliable economic research has shown that co-determination jeopardizes company productivity, profits, or investments; to the contrary, the countries of Central and Northern Europe with co-determination dominate the global economy on economic metrics (innovation and productivity) as well as social ones (social welfare and social cohesion).

In summary, academic research outside of Spain, often based on econometric studies, has *either* observed the **positive effects** of this type of participation on productivity, competitiveness, innovation, motivation, sustainability, and social cohesion (Telljohann 2022), *or*, at the very least, **neutral economic impact** (Jäger et al. 2022; Conchon 2014: 39; Biedenkopf et al. 2006). **There is no conclusive evidence of any negative impact on business profitability, competitiveness, or the economy as a whole.** It is also important to note that in companies with supervisory boards whose co-determination rights include the involvement in decisions regarding executive compensation, as is the case in Germany, executive compensation is less astronomically out of proportion with other employees, and company strategy tends to remain oriented toward long-term goals, rather than towards extractive practices focused exclusively on capital gains (Sick & Thannisch, 2011).

Echoing Freeman and Medoff’s seminal research (1984) on the productive role of unions, research conducted by Simon Jäger et al. (Jäger, S., Noy, S., & Schoefer, B. 2022b) indicates that co-decision practices at the board level generate two-way information flows, allowing management to gain a deeper understanding of how their company operates and what workers want, and workers to gain a deeper understanding of financial and strategic information that can influence their collective bargaining strategies. It cannot be said, however, that the presence of worker representatives on boards substantially affects high-level decisions, as workers are almost always in the minority. One notable exception is during economic downturns, when worker representatives’ influence may increase: qualitative evidence suggests that worker representatives play an important role in negotiating wage or hour cuts that avoid layoffs, although this is possible thanks to the robust codetermination rights of works councils in the German system of codetermination, which are strongly connected to board level worker representation rights.

Three Keys to German Co-determination

The Committee wishes to call attention to three distinctive characteristics of the German co-determination model, which play a role in its success. First, labor participation in corporate governance generally takes place within “two-tier” corporate governance structures featuring two distinct bodies with separate and specific functions, the executive board (*Vorstand*) and the supervisory board (*Aufsichtsrat*). The executive board is responsible for the day-to-day operational and administrative work of *management*, under the authority of the supervisory board. The latter appoints executive management, oversees company strategy, sets compensation, and approves the annual accounts. The members of the supervisory board have powers of inspection over the executive board, which, in turn, has a duty of complete transparency toward the supervisory board. In practice, supervisory boards have considerable leeway in defining and exercising their functions, which generally translate into advisory work upstream and inspection work downstream. In

practical terms, this means that the supervisory board is able to play a central role in certain executive decisions, effectively co-directing executive activity (Hopt, 2016). For example, transactions that are important for long-term strategy, such as mergers, acquisitions, divestitures, or decisions on investment distribution, refinancing, production diversification, etc., may require the prior approval of the supervisory board, as established in the company's articles of association or the board's own regulations. In general, the supervisory board also actively participates in deliberations on organizational matters, human resources policies, labor relations, financial participation, or other matters relevant to labor interests.

Second, the German *Mitbestimmung* system is characterized by the coexistence of two mutually beneficial types of co-decision-making. The first is at the level of the works council: German works councils (*Betriebsrat*) have broader powers than those of a works council in Spain; in *Betriebsrat*, workers have **veto rights and mandatory “co-decision” rights**, particularly regarding certain decisions over which management may not decide unilaterally, including work organization, hiring, dismissals, or layoffs (Fulton, 2020:13-15). Disagreements must be settled in joint arbitration committees with an independent chairperson. A second type of co-determination operates at the level of company and/or group supervisory boards (*Aufsichtsrat*), from which workers can indirectly influence the actions of the executive board through their parity or quasi-parity representation on these boards and the obligation of the supervisory board to authorize or approve certain decisions of the executive board.

Although this section is primarily interested in this second aspect of co-decision, it should nonetheless be noted that the two levels of participation are closely linked in German co-determination structures, to the point that they may be considered as inextricable to each other. Although they are not as interconnected as in the Austrian co-determination model (in which the works council has the right to appoint one third of the supervisory board members, among their own works council members),⁴⁴ in Germany, works council representatives are often elected to the supervisory board, and thus simultaneously hold two (or more) representative mandates in the company. Combined mandates have been associated with corporatist practices, but they also offer greater influence in management decisions, since this double political legitimacy guarantees representatives a special status in the company and several channels of information that they can use in different spaces of social dialogue. The privileged information that representatives receive on supervisory boards allows them to better understand the company's overall strategy, and to guide debates and priorities for action at other levels, whether in works councils or in collective bargaining.

The third notable feature of the German co-determination model is the coordinating role played by the labor unions. Although they do not have a monopoly on representation (contrary to Sweden, for example), trade unions do have two or three reserved seats on quasi-parity supervisory boards. The candidates they propose for these seats must be approved by company employees via elections. The goal of this trade union presence is to counteract corporatist tendencies and to structure the system of corporate co-determination so that it functions in a mutually beneficial way

⁴⁴ This right applies to all public limited companies (AGs) and most limited companies (GmbH) with at least 300 employees. See https://www.worker-participation.eu/national-industrial-relations/countries/austria#_ftnref1

with sectoral collective bargaining. A final point the Committee wishes to highlight following the adoption of the 1976 Co-determination law, the Hans Böckler Stiftung Foundation was established in Germany. In accordance with a resolution of the German Trade Union Confederation (DGB), it has since that time been partially funded by a portion of the remuneration union representatives receive from companies for serving on supervisory boards. This has enabled critical research and training for representatives.

As noted previously, **co-determination practices in Germany have fostered a culture of co-responsibility in the workplace, without hindering profitability, productivity, or innovation in companies.** During the 2008 financial crisis, co-determination was also cited as playing a key role in helping to maintain employment. Obviously, so long as co-determination remains a false-parity system, it does not ensure that the workforce is in a position to voice its own vision for firm strategy with the voting power to back it up, which arguably intensifies certain risks relating to alienation of the workforce from their representatives. Co-optation as a management strategy is also a real possibility. Cases of corruption and malpractice in Germany (such as the emissions trafficking scandal at Volkswagen) are well known. However, far from defining the institution, these cases remind us of its dynamic nature, and the importance of renewed efforts to improve practices, strengthen transparency and accountability processes, and establish mechanisms for continuous monitoring and strengthening of worker voice.

Without the feedback created by information and consultation rights at the operational level of the company, access to voice at the board level would be difficult to implement and not necessarily effective. The presence of worker representatives on the board is most beneficial for workers when the different levels of employee representation are coordinated within a company. A study based on the ETUI's 2018 survey on European Works Councils (EWCs) revealed that EWC members who communicated with worker representatives on their companies' boards of directors reported better functioning of the EWC itself, more useful and timely access to information within it, and a more negotiation-friendly attitude on the part of management (Lafuente et al. 2022). Other qualitative studies identify several ways in which members of a European Company (*Societas Europaea*, SE)'s works council collaborate with employee representatives on the board of directors, strengthening their respective positions with regard to management (Rosenbohm and Kuebart 2022). The results of these studies suggest that advances in participation must be coordinated with each other in order to be optimally effective. Disconnecting different levels and types of participation, by law or otherwise, can negatively affect participation. Worker representatives in France, for example, have experienced isolation problems due to the legal prohibition of joint mandates between boards of directors and other representative bodies, such as trade union mandates or representation on works councils (Lafuente 2022:17). As we have seen, holding multiple representative mandates simultaneously has increased the functionality of worker representation systems such as those in Germany, Sweden, or Austria.

The absence of voice at the level of corporate governance is a significant disadvantage for Spain, as empirical literature shows that worker representation on boards of directors fosters an internal culture of trust, and encourages innovation, productivity, and investment, or, at the very least, does not hinder these positive developments. While Spanish firms already have a long practice of voice

at the Works Council level, the absence of voice at the most strategic level of the firm hinders the Spanish economy's ability to adapt to changes, as studies have shown that this type of participation bolsters resilience at the firm level. Studies of the German model show that co-determination at that level encourages cooperation and information sharing, rather than causing "blockages" of investment. Ensuring worker voice in firms' strategic decisions by including worker representatives on boards would not only help to fulfill the promise of the Spanish Constitution, it would help bring Spain into the group of the economic leaders of the European Union.

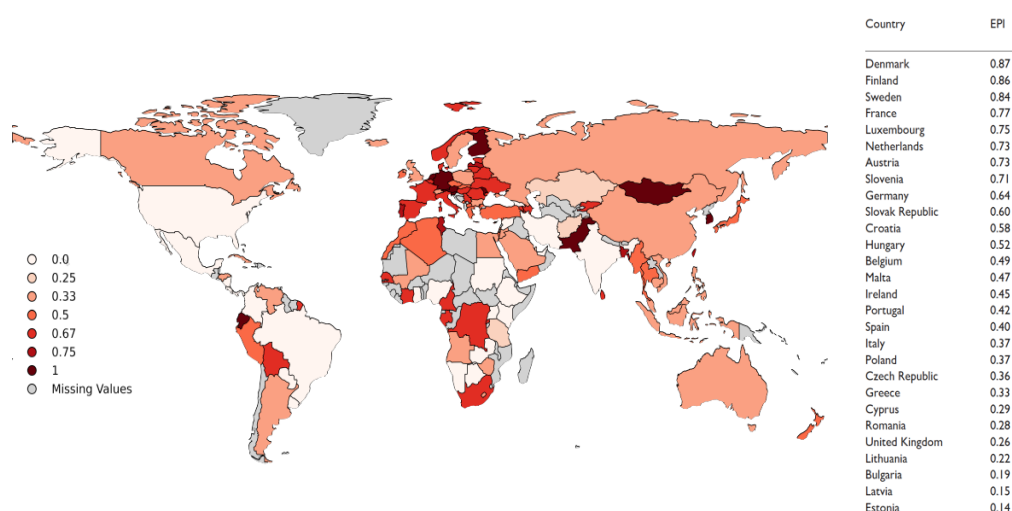
2. Access to Voice in Operational Matters

At the management level, Spain has existing structures upon which to build (see Chapter I.1.). Extensive research conducted by Simon Jäger and colleagues indicates that co-management mechanisms function primarily to foster friendly spaces in which workers and employers can share information and points of view, and where workers can influence decisions related to immediate working conditions.

The Committee cautions that comparisons among countries of the degree of worker participation in companies are conditioned by available indicators: these come from different sources, which, in turn, use non-coinciding proxies for participation. Figure 8 shows the ranking of European Union countries by degree of labor participation based on two different studies. The color map on the left, taken from Jäger et al. (2022), ranks countries from 0 (light color) to 1 (dark color) from least to most effective in terms of workplace co-management through works councils. Spain scores 0.75, meaning that worker *participation* through works councils is relatively effective. This number may be distorted by the fact that worker *representation* through works councils is relatively weak, as Chapter I has noted.

The column beside the map ranks European countries according to the European Participation Index, compiled by the European Trade Union Institute (ETUI, <https://www.europeanparticipationindex.eu/#Title>) based on data from (De Spiegelaere and Vitols 2024). The European Participation Index is obtained by adding together the measurements of four indicators of labor participation: union density, collective bargaining coverage, workplace representation (works councils), and worker representation on company boards. Since this index includes three additional dimensions alongside the effectiveness of works councils, countries are ranked differently. Denmark, Finland, and Sweden are at the top, ahead of Germany, while Spain scores a 0.4 on the scale of 0 to 1. The fact that the indicator includes worker representation in corporate governance bodies, where Spain scores a zero, lowers Spain's overall ranking.

FIGURE 8: Levels of Worker Participation in the Company by Country Based on Co-management Rights in the Workplace Through Powers Granted to the Works Council and EPI



Source: Map, Jäger et al. (2022b). Column, De Spiegelaere and Vitols (2024).

The **scope of the functions of works councils and employee representatives** in Spanish firms is limited to information and consultation. Here, too, Germany and the Scandinavian countries model more comprehensive practices, as they include mandatory rights of “co-decision” regarding certain decisions that are operations- and *management*- related. **In certain matters, in other words, the employer cannot act without the consent of the works council, which has the right to validate or veto decisions.** German works councils, in fact, have two other types of rights, in addition to information and consultation:

Mandatory co-decision rights with the employer on matters affecting all staff, such as work regulations, working time (including opening and closing times, breaks, distribution, or overtime), teamwork, changes in work organization, vacations, surveillance or performance monitoring, occupational health and safety, wages and benefits (including worker canteens, transportation, commissions, bonuses, performance-related pay supplements, etc.).

On these matters, the works council has the power to make proposals if it disagrees with the employer; that is, to actively shape decisions. In case of a veto (if a majority of the worker representatives do not validate the decision), the matter must be taken before a joint conciliation and arbitration committee with an independent chairperson.

Right of objection and rejection in relation to other matters related to human resources, such as hiring, transfers, professional classification and job evaluation, or dismissals (Fulton 2020:15-17). In these cases, the employer can act without the works council’s approval, and in cases of rejection, the matter is settled before the labor courts.

Currently, in Spain, *co-decision rights* **may be attributed** to joint committees created ad hoc through collective bargaining. For example, the VI Collective Bargaining Agreement of the Endesa

Group, signed on October 30, 2024,⁴⁵ mandates a joint Labor Relations Committee (whose worker-side members are elected or union representatives) with the following areas of responsibility: setting schedules, specifying working hours that affect more than one territorial area within the group, processes for substantial changes to working conditions within the same company, and “any other function not included in the other committees established in the agreement related to worker participation and consultation” (Article 104.4.d). Other issues, such as the interpretation of the provisions of the collective agreement or other issues of a different nature or territorial scope are reserved for other joint committees created by the same agreement, such as the Negotiating Committee for Specific Matters or the Monitoring and Interpretation Committee of the VI Collective Agreement.

Although works councils do not have a right of veto in the Spanish labor context, they do play an important role in consultation procedures during layoffs, when substantial changes occur in working conditions, or in case of the transfer of workers. Negotiations may be undertaken; however, if an agreement is not reached, the employer can act and the matter must be taken before the appropriate court.

The Committee recommends that existing rights of information and consultation of works councils in Spain be strengthened. As with decisions at the level of the *government* of the company (the strategic decisions), enabling workers to have meaningful access to voice on operational matters (the *management* of the company) is critical. This is particularly salient in light of the deployment of Artificial Intelligence (AI) systems at work. Granting workers the right to shape and validate, or not, decisions related to the deployment of systems AI at work should be considered. As has been shown in countries with leading co-determination practices, strengthening information and consultation with co-decision rights appears to play an active positive role in employee participation at the board level, as well as bringing advantages to the firm itself.

3. Access to Voice in Everyday Work Decisions, at the “Workplace” Level

This level of decision-making, relating to worker autonomy within their jobs, is closely correlated to levels of trust within firms, and, more broadly, within a given country. Generally referred to as worker or workplace autonomy, employee voice at this level results from choices made by the employer. Linked to organizational capital, it is considered to be a significant asset to companies. It is possible for workers to enjoy significant access to voice at the other two levels of a company and have weak autonomy in matters relating to their everyday functions. **It is to be expected, however, that greater levels of voice at the two other levels would lead to greater autonomy at this last level.**

Everyday worker participation in decisions relating to their job functions depends on how company management organizes work and is thus largely dependent on the previous level of decisions (ii.). Here again, Spain lags far behind participation levels in Northern European companies, which are leaders in organizational capital. **Spain’s relative deficit in organizational capital has**

⁴⁵ See [https://www.boe.es/eli/es/res/2025/02/06/\(2\)](https://www.boe.es/eli/es/res/2025/02/06/(2))

consequences for the productive efficiency of Spanish companies, in the form of internal growth costs and productivity and innovation deficits. Empirical evidence about the Spanish economy invites us to consider that a greater level of voice will help strengthen labor productivity and close the innovation gap. We will address this situation in detail in Chapter I.B.2. *Challenge 2: The Competitiveness Crisis. Article 129.2 of the Spanish Constitution as a bridge to better job quality and closing the innovation gap.*

Conclusion

Despite the clear mandate of the Spanish Constitution, and in particular of Article 129.2, **Spain lags behind. This performance gap is particularly significant in the area of co-determination, both at the level of works councils (Spanish works councils currently enjoy only limited powers of information and consultation, rather than participating in decision-making) and at the level of boards of directors or supervisory boards (where worker access to voice is nonexistent).** Given that nearly fifty years have elapsed since the drafting of the Constitution, it seems eminently reasonable to consider concrete steps to fulfill its promise to promote worker participation in firms via both voice and ownership. As we have seen, this path is not uncharted. Indeed, Spain is already on it, since its firms are already equipped with Works Councils, health and safety committees and/or staff delegates entitled to specific rights and faculties. Moreover, there are many models to adapt and choose from among other European countries. Choosing to continue down this path has enabled these countries to become the strongest and most innovative economies in Europe, and the Committee recommends that Spain adopt a similar approach.

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3. The Avenue of Ownership: a Context of Transnational Financialized Capitalism

Summary

This chapter presents evidence of increasing market concentration in both the nonfinancial and the financial sector and discusses the implications for corporate investment, particularly in research and development (R&D). While Europe's approach to competition policy has been more forceful than that of the United States, this advantage has not translated into higher innovation and productivity growth. Spain's experience reflects broader European trends: despite increased R&D spending, productivity gains remain modest compared to global competitors. At the same time, ownership of shares in listed companies remains concentrated in the hands of the richest households on the one hand, and of foreign asset management companies on the other hand. Unlisted company ownership is only slightly less concentrated among the rich, while the 'family succession crisis' presents a potential buying opportunity for foreign financial institutions with short-term investment horizons and extractive business models.

1. Corporate Concentration

The relationship between competition policy, corporate investment, and economic performance has become increasingly central to European policy debates. The Draghi Report (Draghi, 2024) highlighted critical gaps in European competitiveness, emphasizing the need for substantial increases in private R&D investments to address historic productivity gaps with major global competitors. This analysis examines the state of competition in the EU, and how these dynamics affect investment patterns, with particular attention to the situation in Spain.

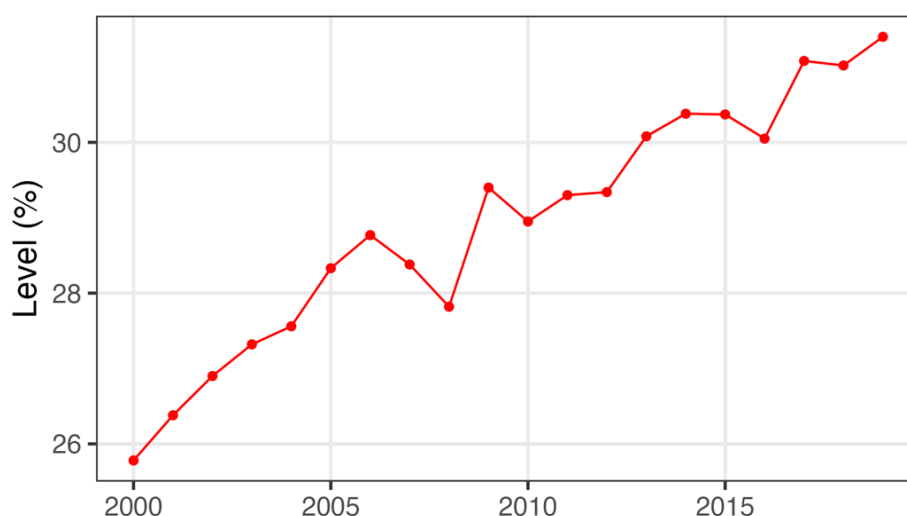
2. Corporate Concentration Trends

In the United States, corporate concentration has increased very significantly, across industries, over the past century (Kwon et al., 2024). There is widespread consensus that corporate concentration in the US has reached higher levels than in Europe (Philippon, 2019). This difference is attributable, in large part, to a sustained divergence in competition policy and enforcement. Whereas US antitrust doctrine embraced a narrow consumer welfare standard, European competition policy sought to preserve competitive market structures (e.g., in Germany; see Ergen & Kohl, 2019), while accommodating 'healthy' forms of cooperation among competitors (Foster & Thelen, 2024).

Nonetheless, since the beginning of the 21st century, Europe, too, has seen a marked upward trend in corporate concentration. A comprehensive report by the European Commission has found that both industry concentration and profit concentration have increased, while business dynamism as measured by entry and exit rates has declined over the past 25 years (European Commission, 2024). Comparative assessments are made difficult by methodological challenges in concentration

measurement, which include accounting for geographical competition levels, industry granularity, and business group linkages – factors that are considered by competition authorities in their definition of relevant markets. Addressing these challenges, a methodologically ambitious attempt to measure and compare market concentration – operationalized as an industry’s output accounted for by its largest firms – has found that **average industry concentration across 15 European countries increased by five percentage points between 2000 and 2019, from 26% to more than 31%** (Calligaris et al., 2024). The pattern is displayed in Figure 9. **In sum, Europe has seen a significant increase in market concentration, and thus in corporate power.**

FIGURE 9: Average Industry Concentration in 15 OECD Countries, 2000-2019



Note: The chart shows the evolution of average concentration across 15 European countries and 127 narrowly defined mining, manufacturing, utilities, and non-financial market services industries. Data: OECD.

Productivity and R&D Investment

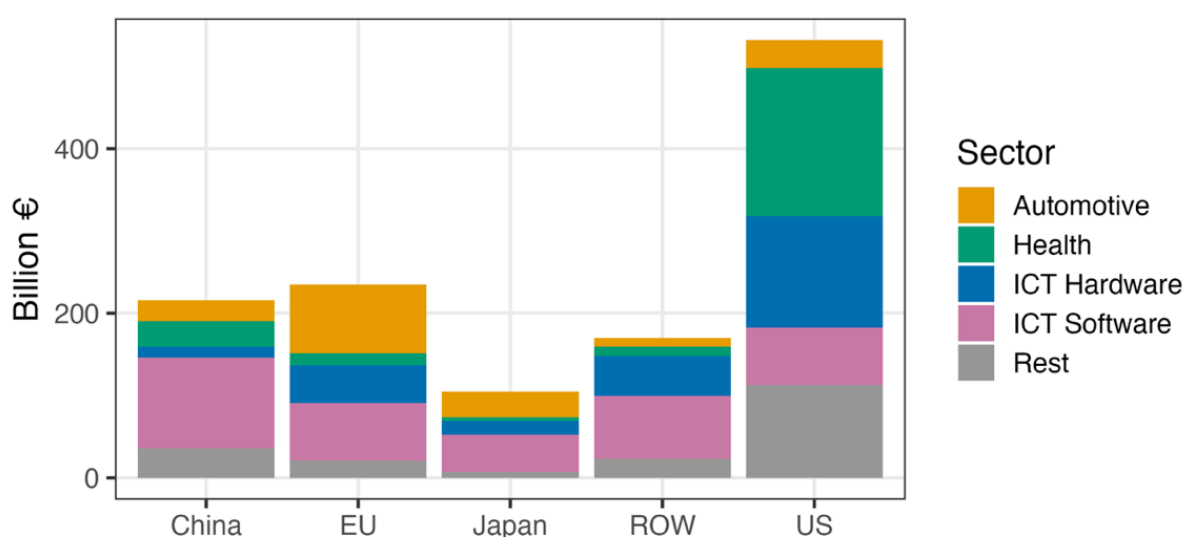
Rather than an end in itself, competition is considered an intermediate goal. Healthy competition prevents monopolization and thus puts limits on corporate power. It also forces companies to innovate to deliver better products at lower prices, thus improving productivity and advancing consumer welfare. Despite its more stringent enforcement of competition rules, however, Europe significantly lags the United States in productivity growth. As noted by the Draghi Report, whereas EU labor productivity converged from 22% of the U.S. level in 1945 to 95% in 1995, it has since dropped back to below 80% of U.S. labor productivity (Draghi, 2024, p. 23). Spain’s productivity growth over the period 2011-2021 stood at 0.5%, trailing both the U.S. and the OECD average, at 1% and 1.2%, respectively both U.S. performance and overall OECD performance (OECD, 2024b).

While productivity is by no means a perfect measure and the only desirable goal – others include innovation, sustainability, health, and security – it nonetheless is a key determinant of an economy’s growth rate. And a key determinant of productivity is how much companies and governments invest in research and development. **At 2.13% of GDP, the EU’s Gross Domestic Expenditure on R&D (GERD) lagged behind the United States, which in 2023 achieved 3.45%,**

as well as the big East Asian economies of China, Japan, and South Korea.⁴⁶ Although Spain's R&D expenditure increased significantly in 2023, reaching 22.4 billion euros, or 1.49% of GDP (INE, 2024), it remains among the OECD countries with the lowest share of innovative firms (OECD, 2024b, p. 40)

Arguably more important than the overall volume, however, is the sectoral allocation of this R&D investment: As shown in Figure 10, in 2013, both U.S. and European top R&D spenders were dominated by automobile manufacturers and pharmaceutical companies. By 2023, U.S. leadership had shifted to technology giants while Europe remained **dominated by traditional industrial firms, particularly automotive companies, while underinvesting in high-tech sectors such as biotech and digital innovation. Overcoming this bias towards legacy industries and directing R&D investment toward high-growth, high-productivity sectors that can drive long-term competitiveness** is a major challenge that European policymakers need to address.

FIGURE 10: Annual R&D investment, By Sector and World Region, 2024



Note: The chart shows the sectoral composition and overall volume of R&D investment for the four largest R&D spenders and for the rest of the world. 'Health' includes both 'Health Care Equipment & Services' and 'Pharmaceuticals & Biotechnology'. Data: EU Industrial R&D Investment Scoreboard.

Market Power and Inequality

Beyond productivity and growth, a crucial rationale for anti-trust policy is that corporate concentration increases market power. This means that firms exercise both monopoly power and monopsony power, meaning they can charge higher *markups* for their products, while getting away with *markdowns* on the wages paid to employees.

⁴⁶

See [https://data-explorer.oecd.org/vis?df\[ds\]=DisseminateFinalDMZ&df\[id\]=DSD_MSTI%40DF_MSTI&df\[ag\]=OECD.STI.STP&dq=CHN%2BOECD%2BEU27_2020%2BUS.A.A.G%2BT_RS.PT_B1GQ..&lom=LASTNPERIODS&lo=5&to\[TIME_PERIOD\]=false&vw=tb](https://data-explorer.oecd.org/vis?df[ds]=DisseminateFinalDMZ&df[id]=DSD_MSTI%40DF_MSTI&df[ag]=OECD.STI.STP&dq=CHN%2BOECD%2BEU27_2020%2BUS.A.A.G%2BT_RS.PT_B1GQ..&lom=LASTNPERIODS&lo=5&to[TIME_PERIOD]=false&vw=tb).

The empirical evidence points to a strong link between monopoly power and markups – the ratio of price to marginal cost. **In the United States, average markups almost tripled, from 21% above marginal cost in 1980 to 61% in 2016** (De Loecker et al., 2020). Perhaps surprisingly, given the lower degree of market concentration, **almost the same pattern can be observed for European firms (Eeckhout, 2021, p. 29). These averages conceal considerable variation, with larger firms with greater market power achieving much higher markups.** As corporate concentration increases, fewer employers compete for workers and thus enjoy increasing monopsony power. **In their recent study of Spanish companies' labor market power, Azar and Sanz-Espín (2025) find that while monopsony power declined in the years following the 2008 financial crisis, it has increased again in recent years, especially for large companies. Unlike the United States, where the Biden administration had pursued anti-trust cases aimed at combating the monopsony power, no such initiatives have been launched in the European Union.**

Overall, market concentration is a key driver of the global fall of the labor share – the share of output in the economy that goes to workers in the form of wages (Eeckhout, 2021; Karabarbounis & Neiman, 2014).⁴⁷

Assessment

European R&D investment lags both the US and the big East Asian economies. The Letta and Draghi Reports identify the causes for this shortfall in excessive regulation, a lack of financial and fiscal integration, and insufficiently ambitious industrial policies (Moschella & Quaglia, 2025). While these explanations are not necessarily false, they nonetheless underplay important tendencies towards concentration, cartelization, and stagnation. They also overlook the key role market concentration plays in increasing the monopoly and monopsony power of (large) firms – a key contributor to rising inequality in advanced economies. What is more, **by placing the emphasis on the need for deeper, more liquid, and more integrated financial capital markets, these Reports overlook that finance itself is a key driver of the trend toward higher concentration, profits, and inequality.**

3. Shareholder and Financial Concentration

Naturally, as product and labor market concentration have increased, the stock market has become more concentrated. Today, the IBEX35 is dominated by the five largest companies, which together account for 52% of total IBEX market capitalization: These companies are Inditex (20.2% of total capitalization), Iberdrola (11.05%), Banco de Santander (8.83%), BBVA (7.11%) and Caixa Bank (4.9%). Crucially, this concentration of market capitalization mirrored, and augmented, by concentration on the shareholder side. Meanwhile, stock market capitalization as a share of GDP has fallen sharply, from an average of around 90 per cent in the mid-2000s to 45 per cent today. This means that a greater proportion of economic activity and business value is now removed from public scrutiny, being controlled by families or private investment funds. Whether companies are listed or unlisted, however, ownership is highly concentrated, as is shown in Figure 12.

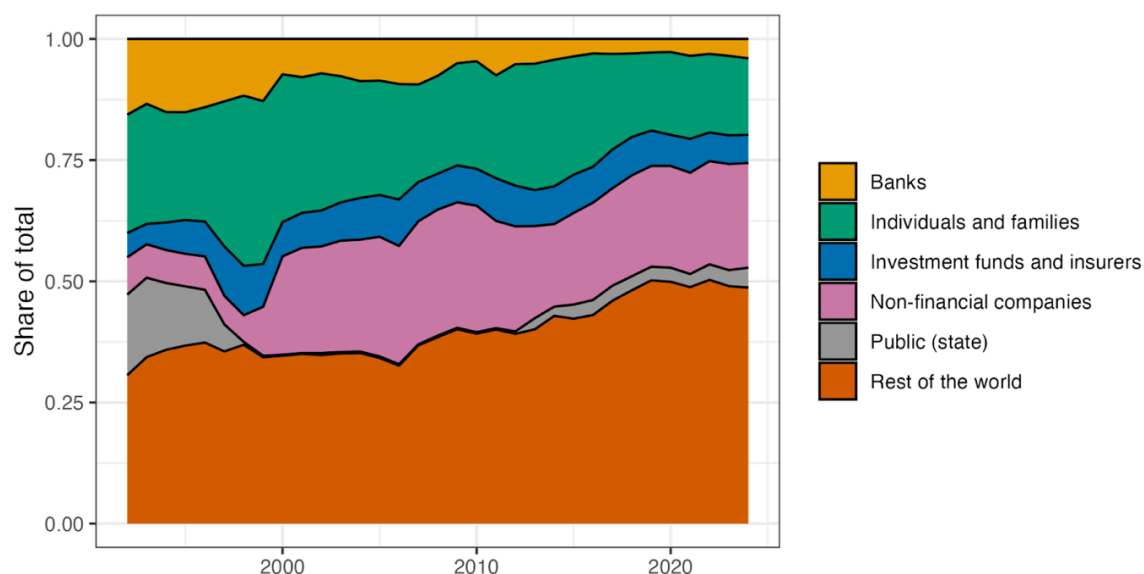
⁴⁷ For a nuanced discussion of competing theories of the declining labor share, see Grossman & Oberfield (2022).

High shareholder concentration used to be the norm in European economies. In many countries, shareholdings in large corporations were controlled by the State, by non-financial corporations, and by a small group of banks or insurers. **This changed starting in the late 1980s, when shareholdings became dispersed via two related but distinct developments.** First, the 1990s saw “the largest privatization wave in history”, which swept both Western Europe and formerly communist Central and Eastern European countries (Bortolotti & Faccio, 2009). Governments sold off local and national transportation companies, energy companies and utilities, telecoms firms, and other state assets to private investors. The shares of these companies were bought by private individuals, non-financial corporations, and private institutional investors. A second and partially overlapping wave of dispersion was kicked off when governments implemented policies to incentivize non-financial companies to sell the often-significant investments they held in their strategic partners, and even of their competitors.⁴⁸ **In the aftermath of these two waves of shareholder dispersion, what does the Spanish economy’s shareholder structure look like today? The share of listed companies where the largest shareholder owns more than 50% of the outstanding shares is 33% – much higher than in the Netherlands (17%), but lower than in France and Germany (37% and 38%, respectively).**

Figure 11 displays the sectoral distribution of equity holders of Spanish listed corporations since 1992. It shows the collapse of public (state) share ownership from 17% in 1992 to almost zero by the late 1990s, with a slight recovery to 4% in recent years. The holdings of individuals and families have declined from 24% in 1992 to 16% in 2024. **The group whose holdings of Spanish corporate shares has increased the most is the rest of the world, jumping from around 30% of the total in the late 1990s to 49% today. In other words, foreign investors control *half* of the shares of listed Spanish corporations.**

⁴⁸ This model of cross-shareholdings was epitomized by ‘Germany, Inc.’, which was rapidly dissolved when the German government exempted the sale of large share blocks from capital gains tax.

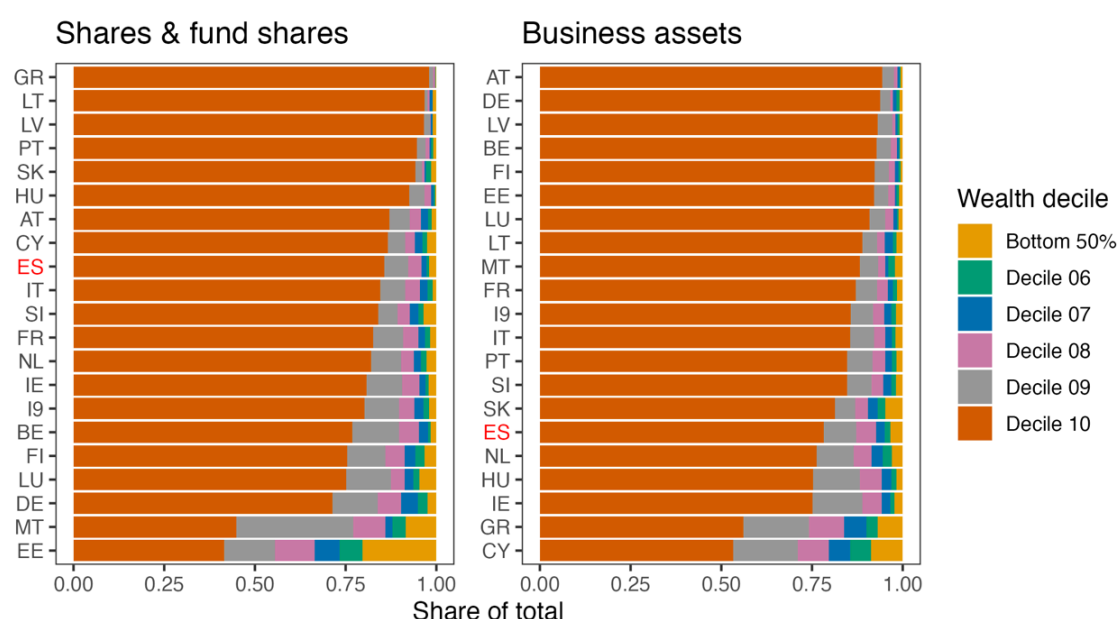
FIGURE 11: Holders of Shares Issued by Listed Spanish Corporations, 1992-2024



Note: The chart displays the distribution of equity holdings among different domestic sectors and the rest of the world. Data: Bolsas y Mercados Españoles (BME); Banco de España.

Even more important – from a political perspective – is the question of the distribution of shareholdings across the wealth distribution: How much do the richest 10% of households own, versus the bottom 50%? Here, we can rely on data from the European Central Bank’s distributional wealth accounts. Figure 12 shows the distribution of listed shares and investment fund shares (first panel) across the wealth distribution. **In Spain** – highlighted in red on the y-axis – **the richest 10% of households own 86% of listed company shares and fund shares, whereas the bottom 50% own a mere 2%. Among large European economies, Spain ranks first on this metric – shareholdings are more concentrated at the top in Spain than in Italy, France, or Germany.**

FIGURE 12: Distribution of Listed and Unlisted Company Shares in EU Countries, 2024



Note: The chart shows ownership of listed and unlisted company shares in EU countries across the wealth distribution. In Spain, the richest 10% own 86% of listed company shares and fund shares. Data: ECB, Distributional Wealth Accounts.

Data on worker shareholdings is reported in chapter I.A.1, on the social economy. The gist is that share ownership by Spanish workers remains very small and that existing schemes have failed to make a meaningful difference in terms of worker participation in corporate governance. Indeed, Spain lagged far behind as recently as 2005 but has since made a significant step forward. The percentage of employees participating in share ownership schemes quintupled, from 0.5% in 2005 to 2.5% in 2015 (see Figure II.14).⁴⁹

Financial Institutions as Shareholders and the Shareholder Value Regime

Corporate governance has long been dominated by the shareholder value regime (Lazonick & O’Sullivan, 2000). Under this regime, the rights of shareholders, who are perceived as “capital investors”, dominate over those of other stakeholders, notably those of workers, or “labor investors” (Ferrerias, 2017). The primary enforcers of this regime used to be institutional asset owners, especially pension funds. Over the past two decades, however, asset managers came to dominate shareholder structures, and thus corporate governance – above all, U.S.-based asset managers such as BlackRock and Vanguard (Braun 2021; Braun & Christophers 2024; Gibadullina 2024). **As of early 2024, of the five above-mentioned companies with the highest market capitalization – Inditex, Iberdrola, Banco de Santander, BBVA, and Caixa Bank – BlackRock held 1.5, 5.3, 8.3, 6.1, and 4.7 per cent, respectively.⁵⁰ This represents an enormous concentration of shareholdings in the hands of a single US asset management company. This is further exacerbated by the fact that other asset managers, with near-identical business models, also hold large stakes in these same companies.**

⁴⁹ EWCS Survey, accessed via the UK Data Service.

⁵⁰ <https://www.expansion.com/empresas/2024/01/29/65b3b2f7468aeb2d178b4587.html>

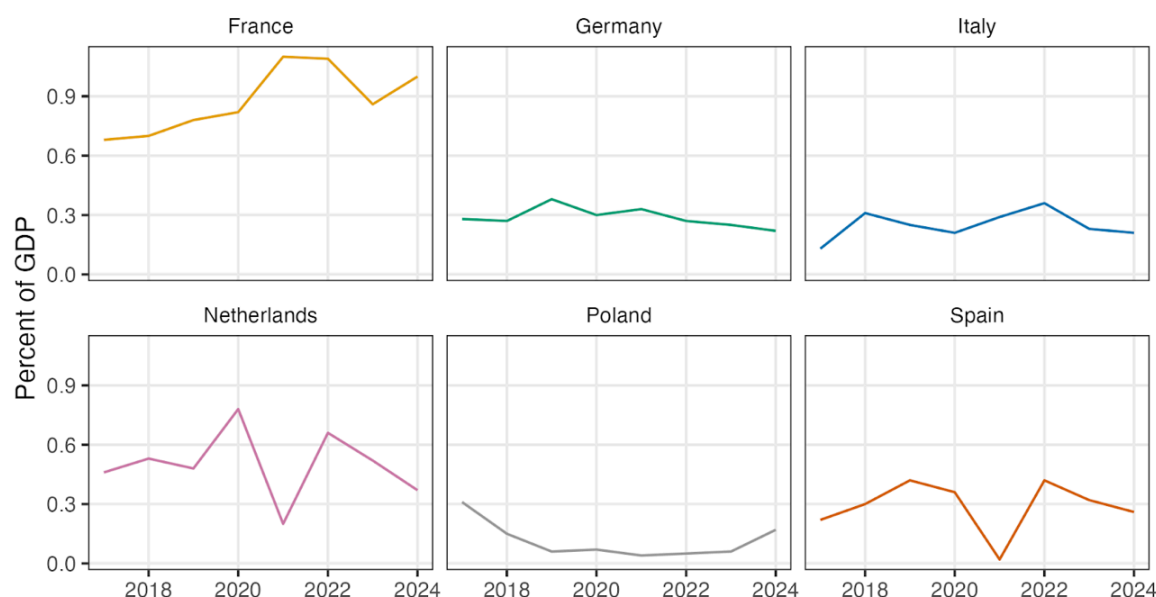
However, it is important to highlight the constraints on shareholder power in Europe in general, and Spain in particular. Thus, the (non-binding) recommendations issued by the corporate governance code of the Comisión Nacional del Mercado de Valores states that the board of directors “it will collectively and jointly assume direct responsibility for the social administration and the supervision of the company’s management, with the common purpose of promoting the corporate interest (CNMV, 2020, p. 25). This “corporate interest” —defined, somewhat restrictively, as “understood as the achievement of a profitable and sustainable business in the long term, which promotes its continuity and the maximization of the company’s economic value”— must reconcile the company’s own interest with, as appropriate, the legitimate interests of its employees, suppliers, customers, and other stakeholders who may be affected, as well as the impact of the company’s activities on the community as a whole and on the environment” (CNMV, 2020, p. 25). Corporate governance codes and stewardship codes have been a feature of the corporate governance landscape for a long time (Hill, 2017; Klettner, 2021). **Their good intentions notwithstanding, these non-binding codes alone have not, overall, imposed meaningful restrictions on the pursuit of shareholder value. A key reason is that they ignore the unequal distribution of shareholdings in society, combined with the unilateral empowerment of capital investors over labor investors. Changing this unequal distribution of power requires a material redistribution of voting rights in firms, both listed and unlisted.**

Who Owns Unlisted Companies?

In Europe, unlisted companies account for a large share of economic activity. In the ECB’s Distributional Wealth Accounts, these usually family-owned companies fall under ‘business assets’. As shown in the second panel of Figure 12, Spain’s richest 10% own 78% of those business assets, making their distribution slightly less concentrated than that of stock-market listed company shares.

Besides families, other potential owners of unlisted small and medium enterprises (SMEs) can be the state and financial investors. **In Spain, state ownership of unlisted SMEs is close to zero. By contrast, financial investors – notably private equity firms – have increased their footprint in the Spanish economy in recent years. They have done so primarily in real estate – as the New York Times has put it, U.S. private equity firms are “Madrid’s biggest landlord”** (Cunningham & Bayer, 2025). However, private equity firms have also established a significant presence in the corporate sector. **Here, entire firms are acquired by private equity companies via leveraged buyouts, held for an average period of about five years during which they are restructured and – usually – saddled with significant new debt, before being sold to another investor or, in some cases, listed on the stock market.** Figure 13 shows that **the overall volume of private equity investments in Spain has fluctuated around 0.3% of GDP – comparable to the level in Germany or Italy** but significantly lower than in the Netherlands or France.

FIGURE 13: Volume of Private Equity Investments in Selected EU Countries as a Share of GDP, 2017-2024



Note: The stock of private equity holdings in Spain has fluctuated around 0.3% of GDP. Data: Invest Europe, via Statista.

Private equity firms present their business model as one revolving around buying companies with untapped potential, restructuring them for greater efficiency and growth, and selling the thus improved company at a profit. **The reality, however, is very often less rosy, with negative effects for wage and employment levels, workplace safety, and product or service quality (Appelbaum & Batt 2014; Christophers 2023).** Recent findings from the US, where data on private equity-owned companies is abundant, reveal devastating consequences of private equity ownership in the care industry, including a much higher likelihood of hospital-acquired condition in private equity-owned hospitals, and a significantly higher risk of death in private equity-owned care homes (Gupta et al., 2023; Kannan et al., 2023). **While there are no comparable, sector-specific studies for Spain, cross-sectoral studies have confirmed findings from other countries. Thus, leveraged buyouts in Spain have been found to be “accelerating industry consolidation without visible operating performance improvements or long-term value creation” (Ayash et al., 2025).**

4. The SME ‘Succession Crisis’: A Generational Opportunity for Private Equity

Why talk about private equity in the Spanish context when its footprint in the corporate sectors remains relatively small? The most important reason is what many observers regard as a “crisis of succession.” With younger generations lacking interest in taking over from their parents or other family members, a growing share of family-owned and family-managed SMEs are experiencing difficulties in passing firms on to the next generation. With one-third of business owners set to retire in the next decade and up to 600,000 jobs at risk annually at EU level, Spain and other European countries need a plan to retain ownership of their productive assets and safeguard their economic

sovereignty (fi compass, 2025). The absence of a liquid market for unlisted companies makes selling these firms difficult (Stamm et al., 2011; Stamm & Sandham, 2023).

Enter private equity. The European SME sector's demographic cliff presents a generational opportunity for private equity funds to acquire European businesses at low cost. For a growing number of SME owners, the "private equity exit route" is the only viable exit option (Kreer et al., 2015). While currently more frequented in other countries, such as Germany (Kreer et al., 2018), the private equity exit route will likely gain in importance in Spain, too.

The short time horizon of private equity firms and their detrimental impact on the long-term growth prospects of target companies pose **a threat to the bedrock of the Spanish economy**. What is more, given that few private equity companies are based in Europe, let alone Spain, any increase in private equity ownership of SMEs will represent an increase in foreign ownership, thus **a threat to Spain's economic sovereignty**. The SME succession crisis should urge the Spanish authorities to design and implement alternative financial institutions to facilitate worker access to ownership and voice, which means enacting the Constitutional promise made in Art. 129.2 of the Spanish Constitution while caring for business continuity.

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4. A Prefigurative Field of Experimentation: Firms in the Social-Economy are Practising the Constitutional Mandate

Summary

The ideals of worker participation and ownership, enshrined in Article 129.2 of the Spanish Constitution, are not merely theoretical but are being actively practiced by Spanish firms.

According to the latest available statistics, **the Spanish social economy represents more than 1,200,000 direct jobs in approximately 75,000 organizations** (CIRIECSTAT, 2025). As these figures do not take into account indirect jobs, they provide an accurate and conservative picture of the sector's contribution to the Spanish economy. **Worker cooperatives and labor societies (sociedades laborales)**, in which workers exercise democratic control, are the two enterprise forms that **most closely align with the spirit of Article 129.2**. They demonstrate the viability of this approach for market-oriented organizations. Together, they **account for over 40% of total employment within the Spanish social economy**.

The social economy demonstrates that participatory governance at the firm level enables the pursuit of multiple objectives and produces outcomes that directly address challenges that traditional companies treat as mere externalities, e.g. poverty and inequality. This is achieved through five key mechanisms: minimizing low-paid jobs and informality, empowering workers so that they can advocate for their interests, reducing income inequality by capping wage disparities, fostering greater economic and social resilience, and combating women's poverty by creating tailored opportunities. The Mondragon Cooperative Group, in particular, serves as a powerful example of this model in practice. With its foundation in education, democratic governance (one member-worker, one vote), and a strong commitment to wage solidarity and internal solidarity funds, Mondragon has proven its ability to internalize externalities and protect employment, even during a major economic crisis.

The examples of the social economy prove that an alternative to the traditional governance model is entirely feasible and desirable. **These firms act as a prefigurative field of experimentation for the democratization of work, demonstrating that it is possible to build resilient and just economic organizations anchored in the two promises of the Spanish Constitution: worker access to voice and worker access to ownership. To nurture and scale these models, public authorities must actively promote and support them, not as a niche alternative but as a core strategy for a more democratic and sustainable future.** The success of these firms serves as a call to action to move beyond unfulfilled ambition and legislate frameworks that enable worker access to voice and ownership across the entire economy.

This chapter has been enriched by information and contributions received from Rafael Chaves, Professor of Applied Economics at the University of Valencia and President of the Scientific Committee of CIRIEC Spain, Angel Soler, Director of CIRIECSTAT, and José Luis Monzón, Professor and Director of CIRIEC.

Seen from the little progress accomplished in half a century, the philosophical and legal arguments for worker participation and ownership enshrined in Article 129.2 of the Spanish Constitution may seem like a distant or theoretical ideal. However, this chapter will show that the perspective of opening a pathway for workers to access voice and ownership at the firm level is not a lofty theoretical position but a practical and entirely viable approach already being implemented by firms in the field of the so-called “social and cooperative economy” across the country, and across the world in general.

By taking stock of the fact that existing companies already practice the principle of granting workers voice (through ownership) and aim at governing themselves democratically, we are invited to realize that this alternative governance model is not only feasible but desirable as it enables firms to internalize social and environmental externalities and to manage their outcomes in a fundamentally different way. While the legal frameworks supporting these firms often originate from the autonomous communities and therefore fall outside the direct scope of this committee's mandate, their existence provides a powerful testament to the Project of democratizing firms' potential. To illustrate these actual outcomes, this chapter will give a view of the sector today in Spain, review some of its documented strengths, and conclude by presenting the exemplary case of the Mondragon Corporation.

1. The Social Economy Sector, and the Smaller Share of Worker-Owned Companies

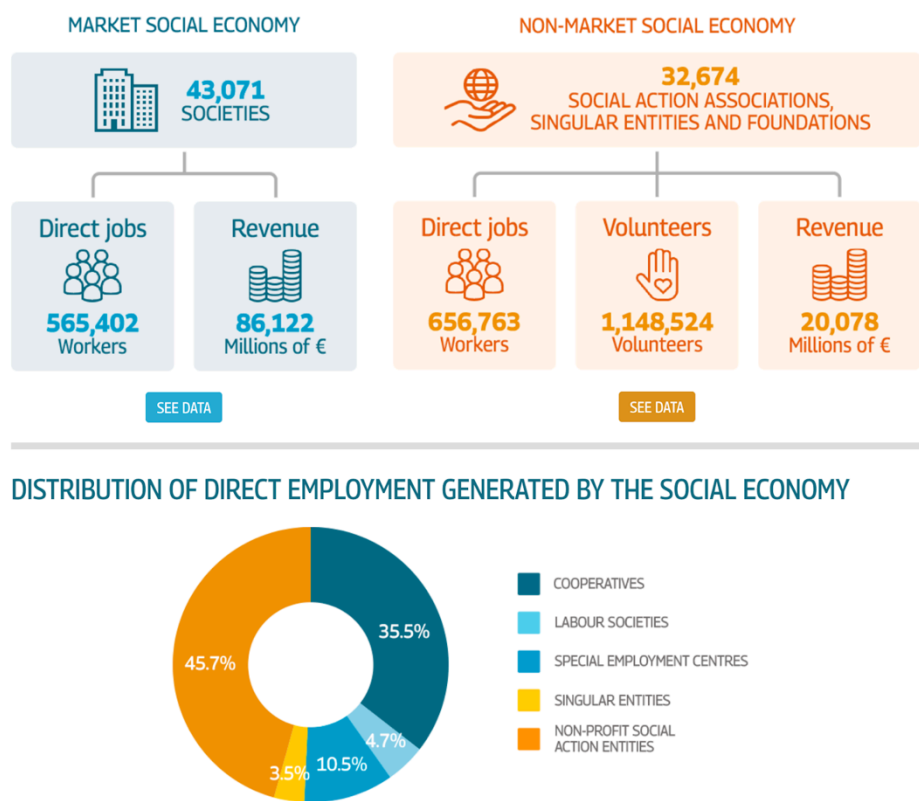
The Spanish social economy represents **75,745 firms and non-profit organizations**, which generate **1.22 million direct jobs** and bring in more than **€105 billion**, according to the 2024 CIRIECSTAT statistics (CIRIECSTAT, 2025).⁵¹ Figure 14 illustrates the key figures of the Spanish social economy.

To put this in perspective, **the Spanish GDP neared €1600 billion in the same year** according to INE (2025).⁵² **In other words, 1/15 of the Spanish GDP is produced by economic organizations of the social economy sector.**

⁵¹ The exact figure for the accumulated turnover is €106.2 billion. These figures include entities working in social action, but excludes those active in cultural and sporting activities, and excludes volunteers. The number of jobs estimated by European authorities is even higher: 1,389,937 direct jobs (European Commission, 2024)

⁵² The exact figure for the GDP is € 1,594,330 million (annual GDP at current prices, INE September 2025 revision)

FIGURE 14: Key figures of the social economy in Spain, 2024



Source: CIRIECSTAT, 2025

The number of jobs in the Spanish social economy is sometimes subdivided in two categories which corresponds to two segments of the social economy: 565,402 belong to the ‘market social economy’ — entities that work mainly in markets, such as cooperatives — and 656,783 to the non-market social economy — entities that work mainly outside markets, such as associations and foundations. This (historical) division between market and non-market social economy does little to emphasize the importance of both segments. Indeed, the 'non-market' segment meets the needs of Spanish society equally well.

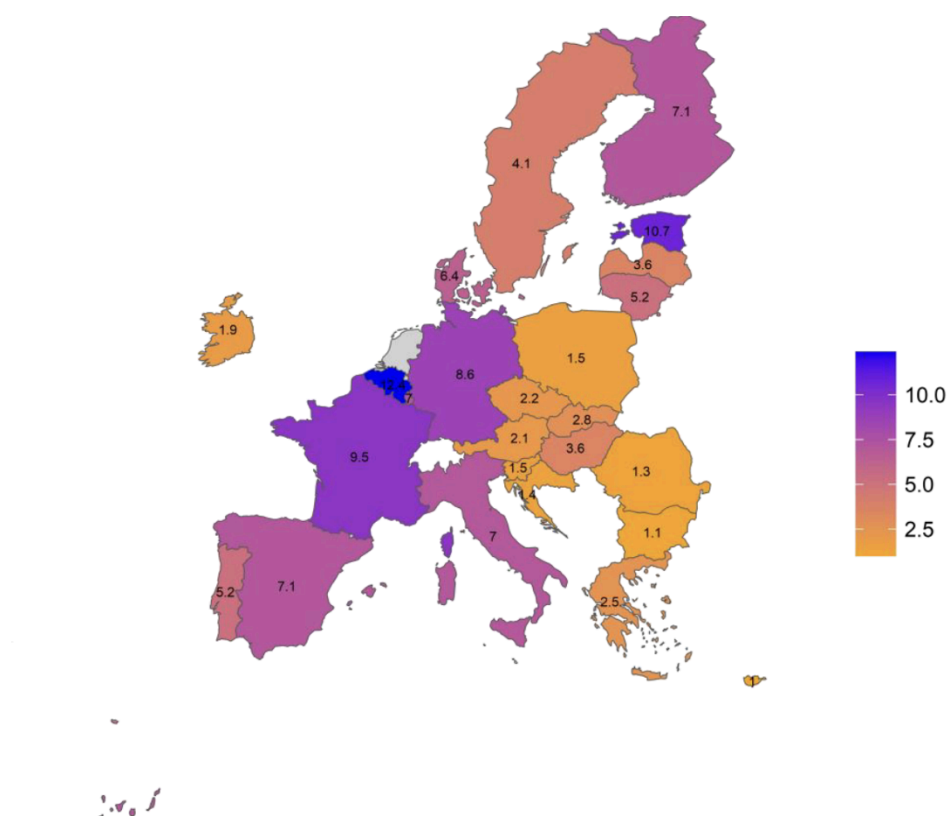
Nevertheless, **the social economy market segment** may receive additional attention in this section, given that **these firms operate on markets as other Spanish firms do**. The social economy market segment is an industry that comprises a total of 43,071 companies. Among them, 22,033 are cooperatives, 11,902 are Sociedad agraria de transformación (SATs), 6,286 are worker-owned enterprises (*sociedades laborales*), 2,182 are special employment centres (CEEs), 308 are integration companies, 223 are mutual social welfare societies, and 137 are fishermen’s guilds. Collectively, these organizations provide employment to 565,402 individuals. Of these workers, 387,550 (68.5%) are employed by cooperatives. Regionally, cooperative employment holds significant importance in the Basque Country, Murcia, Navarre, the Valencian Community, and Andalusia, where it constitutes a notable share of the total workforce (CIRIECSTAT, 2025).

Worker cooperatives and labor societies (*sociedades laborales*), in which workers exercise democratic control, are the two enterprise forms that **most closely align with the spirit of Article 129.2**. They demonstrate the viability of this approach for market-oriented organisations.

Together, they **account for over 40% of total employment within the Spanish social economy**. More than 15.000 worker cooperatives (cooperativas de trabajo asociado) employ a total of more than 170,000 workers⁵³. The 6200 sociedades laborales employ a total of 50,000 workers and generate a cumulated net turnover of almost 6 billion € (CIRIECSTAT, 2024).

At the European level, social economy organizations employ at least 11.5 million people – 6.3% of the employed population and generated almost 1 trillion euros of turnover in 2021 (European Commission, 2024)⁵⁴. As shown in Figure 15 below, Spain ranks relatively high among European countries where the social economy accounts for not an insignificant proportion of total employment (**7.1% of total employment.**) alongside France, Belgium and Italy.

FIGURE 15: Persons Employed in Social Economy Organizations as a Share of the Employed Population



Source: European Commission (2024)

Spain has a **stronger market social economy sector than many other European countries**. It is the **third largest European country in terms of employment generated by cooperatives**, after Italy and Germany, but before France (European Commission, 2024).

While this Report focuses on workers' participation in their organizations, it is worth noting that **Spanish cooperatives have a total membership of over 8 million**, according to European

⁵³ The disaggregate info is not available for the cumulated net turnover of worker cooperatives, as these get aggregated in the whole segment of cooperative firms

⁵⁴ The turnover of the entire social economy at the EU level totalled EUR 912.9 billion in 2021 while data could be obtained for only 19 Member States.

statistics based on data including multiple affiliations (European Commission, 2024). This means that many Spanish citizens are members of several cooperatives (a workers cooperative, a consumption cooperative, etc.). The total figure of 8 million individual membership therefore does not translate into the fact that “8 million Spaniards are members of cooperative” but it does speak for the **importance of the cooperative movement in Spain**.

2. The Strengths of the Social Economy as They Pursue Multiple Objectives, and Internalize Externalities

Worker participation is found today in the organizations generally known under the umbrella of ‘social economy’. **The contribution of the social economy to the achievement of the Sustainable Development Goals (SDGs) is recognized by international organizations** (UN, 2024; UNFSSE, 2014, 2022; ILO, 2022; OECD, 2022, 2023; EC, 2021; Council of the EU, 2023) to the point that the UN has declared 2025 the year of the cooperatives.

The field of social economy, long seen as a ‘third sector’ between the public economy and the capitalist private economy, enables society to adopt **a pluralistic view of the economy**. Indeed, beyond featuring a diversity of practices and organizational models (Chaves and Soler, 2023; Chaves and Monzón, 2012), **the sector demonstrates that firms are truly capable of pursuing multiple objectives** without sacrificing innovation capability or economic robustness.

Research in management, sociology, and organization studies has revealed that certain **organizational practices and structures are associated with the ability to successfully cultivate a hybrid culture and thus maintain attentional focus on multiple goals**. Firstly, the organization’s **multiple goals must be made salient through intentional goal setting** (Battilana, 2018). While early organization theorists identified that organizations of all types pursue multiple goals (Cyert & March, 1963; March & Simon, 1958; Simon, 1947), **hybrid organizations pursuing social and financial goals simultaneously face particular tradeoffs** because of how differently these types of goals are perceived to be (Battilana et al., 2022). Institutionalizing multiple aims in an organization’s mission, bylaws, and policies (Ashforth & Reingen, 2014), and implementing success metrics for social, environmental, and financial goals (Smith & Besharov, 2019) both help prevent mission drift (Battilana et al., 2023). Aligning with third-party standards such as those in development by the ISSB and B Labs can help overcome the challenges associated with defining and measuring non-financial goals in particular.

Second, regardless of whether multiple goals are integrated—embedded into the same sets of activities as in microcredit lending to small-scale disadvantaged entrepreneurs—or differentiated with organizations structured such that different teams or departments primarily pursue either one type of goal or another, **successful and sustained pursuit of multiple goals is possible** (Battilana & Lee, 2014; Battilana et al., 2017). What is key in both cases, but especially in differentiated models, is **the creation of coordination mechanisms, such as designated spaces of deliberation, in which organizational members representing multiple viewpoints meet to balance tradeoffs** (Battilana et al., 2015). Access to voice for workers is particularly relevant here, not as an end in itself but as a powerful means to nurture the epistemic model needed for hybrid organizations to succeed, such is the case of multi-stakeholder cooperatives.

Third, **successful hybrid organizations pursue intentional organizational selection and socialization strategies**. Once again, multiple pathways to success are possible: some organizations intentionally seek out “pluralist managers,” those who are already socialized into all of an organization’s multiple goals (Besharov, 2014), while others hire workers with experience with one type of organizational logic, and then build intentional structures to socialize those workers

into the logic which they have not experienced. Some hybrid organizations focus on recruiting “blank slate” candidates without any previous organizational experience or preexisting socialization (Battilana & Dorado, 2010) and then socializing these new workers into the organization’s multiple goals. The key across these strategies is intentional focus on understanding workers’ existing socialization experiences and supplementing them as needed to ensure organizational balance is sustained and proponents of both sets of goals view one another as legitimate.

Finally, organizational leaders must “affirm, embody, and protect” the organization’s multiple goals and **thoughtfully navigate tensions and tradeoffs**. (Battilana et al., 2019, p. 132). This is true both for top executives, and also for board members. **Intentionally selecting board members to represent different logics** can enable them to act as a “guardrail” ensuring the organization does not stray from any of its multiple goals (Smith & Besharov, 2019) but this presence also increases the risk of serious conflict (Battilana et al., 2019). Fixing board representation so as to present wild swings in representation while ensuring representatives of all an organization’s goals are represented, when partnered with intentional board socialization strategies to connect board members to one another, to full-time workers, and to all of the organization’s multiple objectives can help **prevent the emergence of paralyzing conflict** (Pache et al., 2024).

Looking at their social impact, these models tend to **promote the co-construction of economic responses to social challenges** by addressing the root causes of the problems more comprehensively. They do not leave it to society to solve the problems that their actions generate. On the contrary, they seek to internalize these potential negative externalities through mechanisms of inclusion, i.e. granting access to voice to their workers and beyond, to their stakeholders. To look at one well-documented dimension, **the impact of the social economy on poverty and inequality**, it is well documented by the scientific literature that these **firms produce significantly different outcomes than those of non-democratic firms through five key mechanisms**:

1. **Bringing workers to participate in the decisions of the firm** generate such outcomes as minimizing low-paid jobs and informality through the creation of jobs aimed at supporting socio-professional integration—a core area of expertise for these actors—which directly contributes to reducing poverty (e.g., Fotheringham & Saunders, 2014).
2. **The second mechanism relates to the empowerment of workers**, who participate in decision-making bodies and processes, thereby enabling them to better advocate for their interests beyond the workplace (Kouanda, 2023).
3. **The third mechanism involves reducing income inequality by capping internal wage disparities** (such as the CEO-to-worker compensation ratio) **and**, more broadly, by exerting **stronger control over capital remuneration** (limiting dividends and the appreciation of shares). This is a crucial issue, given that capital income tends to amplify overall income inequality (Bengtsson & Waldenström, 2018). These economic approaches help curb the pursuit of growth at all costs, prioritizing respect for workers' rights and reinvestment in business capacities to support the ongoing creation of inclusive employment.

4. Fourth, social economy enterprises demonstrate **greater resilience** and contribute to the broader resilience of our societies (Billiet et al., 2021; Birchall et al., 2009; Cornée, Karimi, and Thelen, 2023; Mangan & Ward, 2024). Stable economic dynamics and the **mitigation of shocks and their effects** are essential for poverty reduction, as marginalized populations are the most vulnerable to socio-economic and environmental shocks.
5. Fifth, the social economy plays a crucial role in **combating women's poverty by providing essential economic and social opportunities**. Social economy enterprises enhance women's access to employment and support their financial independence. As a targeted group, women benefit from tailored programs that strengthen their inclusion and agency (Fotheringham & Saunders, 2014).

3. Case Studies from Spain and Around the World

Case studies from the business world illustrate the fact that these alternative business organizations, anchored in granting workers access to voice and ownership and empowering their stakeholders, are not a distant dream but an actionable pathway. Out of Spain, one of the most successful worker cooperatives has gained international attention: the Mondragón model which extends the fundamental principle of "one member-worker, one vote" to several fundamental characteristics:

Mondragón, Spain

The experience of the Mondragón Cooperative Group serves as an example for its ideas on democratic enterprise, cooperative ecosystems, and the role of education, solidarity, and governance in building resilient and inclusive economic models. **The Mondragón group currently employs 70,000 people and is present in 150 countries.** The group generated in 2024 an annual gross added value (sales minus purchases of intermediate consumption from other companies) of €3.6 billion, of which €1.66 billion (46%) corresponds to gross profit (EBITDA) and the remaining 54% to employee remuneration. In the 2024 financial year, it invested €377 million in gross capital formation, of which €201 million was invested in R&D (Mondragon, 2025).

Origin and organizational characteristics: Mondragón was founded under dictatorship, demonstrating that democratic business models can emerge in non-democratic contexts. The fundamental principle of worker cooperatives is simple: one member-worker, one vote. In this frontier case of the worker cooperative, the avenue of ownership leads to voice. Mondragón's roots lie in education and social transformation, not industrial ambition. The first Mondragón cooperative emerged from a local vocational school founded by José María Arizmendiarieta. Education remains central to the Mondragón cooperative model, because cooperatives are not just a corporate structure, but a mindset and a set of skills that can be taught and learned.

The Mondragón model extends the fundamental principle of "one member-worker, one vote" to several basic characteristics:

- **Democratic governance:** broad worker participation in decision-making and profit distribution.
- **Wage solidarity:** wage ratios are strictly controlled (1:6), in contrast to those in the United States, which are 1:200 or more.
- **Inter-cooperation:** strong links between industrial, service, retail, banking, and educational cooperatives.
- **Resilience and solidarity mechanisms:** internal funds exist to support employment and reinvestment, reducing dependence on public safety nets.
- **Long-term vision:** Emphasis on legacy, social investment, and environmental protection over short-term profits.

The Mondragón cooperative model has spread throughout the world and across all sectors. It now includes a university, a cooperative bank as well as agricultural, service and industrial cooperatives. Worker ownership and self-management are central to all sectors, from R&D to food services and manufacturing.

Education as a foundation: Mondragón's roots lie in education and social transformation, not industrial ambition. The first Mondragón cooperative emerged from a local trade school founded by José María Arizmendiarieta. Education remains central to the Mondragón cooperative model. Cooperatives are not just a structure, but a mindset and a set of skills that can be taught and learned. The University of Mondragón offers cooperative education from primary school through graduate school. Students receive training not only in business, technical, and management skills, but also in governance and cooperative values. Education includes governance training programs on participatory decision-making. It surrounds students with cooperative environments, both within the university and in the companies where they work and creates a culture of long-term investment.

Crisis and resilience: The collapse of Fagor Electrodomésticos during the 2008 crisis is an illuminating example on the ability of the cooperative governance model to internalize externalities. Mondragón rehired the 5,000 affected workers within the companies of the cooperative group. It is essential that solidarity structures are institutionalized before a crisis. The crisis reinforced the value of the model and demonstrated that cooperative systems can avoid the social costs usually borne by the State.

Global implications and replicability: Mondragón welcomes thousands of international visitors each year but is considered by some an experience that cannot be replicated. As a response, a newly founded initiative, the Arizmendiarieta Social Economy Think Tank (ASETT), seeks to analyze, support and scale up successful cooperative models around the world. The aim is to share not only inspiration, but also viable frameworks for replicability, especially in regions facing inequality, post-conflict recovery, or rapid demographic change.

Beyond Spain, let us look at other cases across Europe and the globe:

*Stapelstein, Germany*⁵⁵

Stapelstein is a German company that makes environmentally friendly children's play and movement products (Doughnut Economics Action Lab 2025). Stapelstein enriches children's free, active play with innovative, versatile, sustainable play and movement elements. Their products are 100% made in Germany, environmentally friendly, fair, climate-neutral, and delivered through short supply chains.

After bringing investors onboard early in their journey, founders Stephan Schenk and Hannah König regained control of the company by buying out the original shareholders and establishing a steward-ownership structure, ensuring the organization's self-determination.

Stapelstein's journey emphasizes the importance of early consideration of ownership and financing options, and how these decisions impact power dynamics, especially during the early stages of financing. Nevertheless, the case also demonstrates that organizations can reclaim autonomy and regain control over a business, even after relinquishing ownership rights, albeit for high financial costs and entrepreneurial energy spent.

Finance and investors are vital in shaping what businesses can do and be in the world. Many socially driven startups struggle to find investors that support their genuine social purpose, which may entail slower growth for the business and the deployment of alternative ownership models. Companies like Stapelstein, ShareTribe and Haferkater (all of which have been written up as case studies as part of this project by DEAL) exemplify different paths to executing the financial transition towards steward-ownership. The company's structure, key players, and customers must be considered to find the right model. The Purpose Foundation has advised the companies on their transition. They offer great resources and advice for any company considering steward ownership.

Globally, steward-ownership is helping drive new discussions and models for corporate purposes. Policymakers are also taking note. In Germany, a new legal form is envisaged to facilitate the founding of steward-owned businesses. Historically, companies like Bosch, John Lewis and Zeiss are examples of steward ownership companies. These recent developments demonstrate that a fresh wave of startups are joining established players in applying steward-ownership to embrace a purpose-led model.

⁵⁵ This box is drawn from a case study published by Doughnut Economics Action Lab (2025), with the express permission of Doughnut Economics Action Lab

AMUL is an acronym for Gujarat Milk Marketing Federation - an Indian multinational cooperative society based in Anand, Gujarat (Doughnut Economics Action Lab, 2025). It is under the ownership of Gujarat Cooperative Milk Marketing Federation Limited, Department of Cooperation, Government of Gujarat. It is one of the household names when it comes to milk and milk products in India.

AMUL takes a farmers-first approach: it supports farmers by returning 85% of every rupee earned on a product back to them. This rate is higher than the global average of 33%. It also procures milk from local producers at a rate that is 15% - 20% higher than other private dairies and 5% - 7% higher than other cooperatives. Beyond paying premiums, AMUL supports local communities through initiatives like providing veterinary services, offering cattle feed at cost-price, and enhancing digital tools, such as the AMUL Farmer app and the AMUL Dairy Trade platform, for efficient supply chain management.

AMUL's structure is built on collective ownership, allowing profits to be distributed among its 3.6 million farmer-members. The cooperative's democratic governance ensures that farmers' interests are prioritized; board members are elected from among the farmer-members to directly represent their voices. The election process follows a distinct pattern. The heads of each district's milk union — who are themselves elected by the farmer-members of their respective cooperatives — elect the Chairman and Vice-Chairman of Gujarat Cooperative Milk Marketing Federation Limited (GCMMF), the central unit for marketing AMUL products. These elections are held every two and a half years to ensure continuous representation of the farmers' voices in decision-making processes.

The uniqueness of AMUL's model hinges more on its ability to offer higher prices to milk producers for their products on procurement side while keeping the product prices' reasonable. A part of the profit is also invested into farmer support initiatives. This financial model, characterized with lower margins at the end of retailers and distributors, has been possible owing to the years of brand building and supply chain efficiencies witnessed by AMUL. It provides a lesson for other cooperatives who may be struggling to balance income enhancement of artisans/farmer members with business sustainability.

⁵⁶ This box is drawn from a case study published by Doughnut Economics Action Lab (2025), with the express permission of Doughnut Economics Action Lab

Manos del Uruguay is a network of 12 rural, female-led worker cooperatives that produces, exports and retails \$5m of luxury clothing (Doughnut Economics Action Lab, 2025). Since 1968, generations of craftswomen in rural areas have worked in their cooperatives, enabling them to earn a living without needing to leave their hometowns. Their livelihoods are sustained through long-term commitment and support to the artisans. Manos del Uruguay practises Fair Trade terms across their entire business, including paying the artisans up front. Together, they produce very high quality garments.

Manos del Uruguay is a truly empowering worker-led business. The central office – a registered non-profit association – is employed and governed by a board made up of elected representatives from the 12 rural cooperatives. The central office’s CEO reports exclusively to the board and, by extension, to the cooperative assembly. An absence of external shareholders means that they reinvest all their profits in the business, making it resilient and beneficial to the craftswomen.

By placing executives, the centres of power in a traditional business, in service to the workers, Manos del Uruguay offers a governance model that is both inspirational and robust. It is also a shining example of the strength of cooperative values – because of its longstanding history, multiple generations of *artesanías* have been employed by Manos del Uruguay, creating economic opportunities for themselves and their local communities.

A Growing Field of Alternative Business Models

These alternative business organizations are currently expanding the principles of worker access to voice and ownership through pursuing multiple objectives successfully, beyond the traditional frontiers of the so-called social economy. They span across a broad range of possible legal models which are currently demonstrating that the traditional, capitalist economy is the field where this dual principle should take hold, through such emerging concepts like steward ownership (the concept underpinning Patagonia and Organically Grown Company’s ownership model) or the expansion of worker cooperatives in traditional industries usually run by the State (like railways or other utilities).

Patagonia, originally a closely held corporation, transitioned into a benefit corporation governed by a perpetual trust. This structure ensures that profits are directed toward environmental causes and that the company cannot be sold or restructured to abandon its mission. Patagonia uses a dual-share structure: 2% of its shares, held by the Patagonia Purpose Trust, control 100% of the voting rights. The remaining 98%, non-voting shares, are held by the Holdfast Collective, a nonprofit that deploys the company’s profits for environmental activism. This structure decouples economic benefits from control, shielding the firm from takeover and reinforcing mission commitment. Patagonia’s founder, Yvon Chouinard, emphasized that “Earth is now our only shareholder”

⁵⁷ This box is drawn from a case study published by Doughnut Economics Action Lab (2025), with the express permission of Doughnut Economics Action Lab

Organically Grown Company (OGC) provides another instructive example. Originally a producer-owned cooperative, it evolved into a mission-aligned, trust-anchored enterprise. OGC employs a multi-entity structure managed by a Trust Protector Committee composed of farmers, employees, and aligned investors. It uses a perpetual purpose trust based in Delaware to protect its long-term mission and insulate governance from extractive capital strategies (Transform Finance, 2023). In France, in order to deploy utilities or other services traditionally run by the State (typically privatized in the 1980's, then closed or dysfunctional, like local transportation), the SCIC (*Société Coopérative d'Intérêt Collectif*) model, offers a legally recognized multi-stakeholder cooperative that embeds public interest objectives and restricts profit distribution (Duverger, 2021). Other noteworthy examples include Go-Op, a UK-based cooperative aiming to democratize rail transport through shared ownership and community accountability. Structured as a multi-stakeholder cooperative, Go-Op grants representation to employees, customers, and investors alike, ensuring broad participation in strategic decision-making while limiting profit distribution in line with cooperative values (Go-Op Cooperative, 2023).

As these alternative business organizations are expanding the principles of worker access to voice and ownership and pursuing multiple objectives successfully, it is time to consider their relevance for the whole of the economy. Far from being outliers or considered marginal, they should inspire and be viewed as leaders to be emulated by others. These constitute truly prefigurative practices (Monticelli 2022) that speak for the possibility of a democratic and sustainable transition of all firms through experimentation. Granting workers access to voice and ownership will be a powerful tool to transition the entire Spanish economy towards a more desirable model: one founded on worker dignity through access to voice and ownership, and considerate of its externalities, achieved by fostering genuine deliberation among workers, shareholders, and business stakeholders.

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I.B. From a Constitutional Commitment to Contemporary Relevance: Facing 9 Challenges

Challenge 1: The SME Succession Crisis

129.2 as a Safeguard to Spain's Productive Fabric

Summary

Small and Medium Enterprises (SMEs) are the backbone of the European and Spanish economies, responsible for two-thirds of private sector employment and over half of the total value added across Europe. These firms have been a primary driver of job creation, accounting for more than 70% of employment growth in the EU's non-financial sector recently. However, the impending retirement of numerous SME owners is set to cause a significant succession challenge in the coming years. This crisis poses a substantial risk to economic stability and local communities, especially since a large percentage of these businesses are family firms. The urgency of this situation is underscored by European reports which estimate that approximately 450,000 firms, representing around 2 million jobs, are transferred annually across the EU. This rate is expected to rise, with an estimated one-third of SME owners due to retire over the next decade, placing approximately 600,000 jobs at risk each year.

In Spain, the succession situation is particularly acute, with studies showing that between 70% and 90% of Spanish family businesses lack a formal succession plan. The Committee's estimate, based on data from the INE and the Labor Force Survey, indicates that as many as 175,000 companies could be affected by succession in the country in the near future. As traditional family transfers decline, the prevailing succession channels, such as mergers and acquisitions (M&As) or sales to private equity, often lead to a loss of local control and job reductions, progressively eroding Spain's productive fabric. The rapid increase in foreign acquisitions further highlights the strategic nature of this trend, raising serious concerns about a loss of economic sovereignty. Specifically, the total value of US-held EU business assets has surged from 1.05 trillion in 2011 to 3.79 trillion in 2024, now constituting roughly 32% of all EU business assets.

Connection to the Constitutional Mandate:

The transfer of ownership to employees is increasingly recognized as an excellent mechanism for facilitating business succession and ensuring continuity among SMEs and has been highlighted by EU initiatives as a policy objective. Worker ownership, particularly through vehicles such as worker cooperatives and *sociedad laborales* in Spain, preserves a company's relational capital with stakeholders. Other advantages over a sale to private equity are numerous, including a broader distribution of ownership and income, enhanced financial well-being and stability for employees, and a commitment to long-term operation that anchors the business in its territory. While some Spanish Autonomous Communities have marshaled adequate resources to cover acquisition transactions up to €400,000, larger transactions between €500,000 and €30,000,000 face difficulties in securing the necessary financing. Furthermore, structural barriers, such as a chronic lack of access to financing for workers and the design of most existing schemes for full, immediate property transfers, keep employee ownership marginal despite its desirability.

The current succession crisis is one justification - and even an imperative - for expanding the application of Article 129.2 by advancing worker access to voice and to ownership. This constitutional mandate is clearly and productively applicable as a solution to guarantee stable SME succession, aligning with the need to strengthen Spain's SME fabric and safeguard Spanish and European sovereignty.

Small and Medium Enterprises (SMEs) form the backbone of the Spanish as well as the European economy, accounting for two-thirds of private sector employment and over half of total value added at the European level. They have also driven more than 70% of employment growth in the EU's non-financial sector in recent years. A large percentage of them are family firms.

1. The SME Succession Challenge in Spain and in Europe

European reports estimate that approximately 450,000 firms—representing around 2 million jobs—are transferred each year across the EU. Over the next decade, **one-third of SME owners are expected to retire, placing an estimated 600,000 jobs at risk annually.**⁵⁸

With family transfers in decline, other prevailing succession channels such as mergers and acquisitions by larger competitors, or sales to private equity, frequently **result in the loss of local control**, job reductions, and a gradual erosion of Europe's productive fabric.

The rapid rise in foreign acquisitions, particularly by American investors, underscores the strategic dimension of this trend. According to certain estimates, the total value of US-held EU business assets has surged from \$1.05 trillion in 2011 to \$3.79 trillion in 2024, now representing roughly 32% of all EU business assets (Gonza & Duverger, 2025). This development raises serious concerns about the loss of economic sovereignty and decision-making power over key sectors of the European economy.

In Spain, the situation is acute: most Spanish family businesses do not have a formal succession plan (from 70% to up to 90% depending on the studies).⁵⁹ Official data on the companies potentially affected by unplanned succession could not be found, but data was collected by the Committee to have an estimation of the number of potential companies and their respective entrepreneurs that could face a succession situation in the following years. In this respect, there are in Spain 175000 firms with an age of 20 years or older that employ at least two employees (INE-DIRCE data). Secondly, data from the EPA (Survey on Active Population) indicates that there are 175000 employers (self-employed with employees) that have 60 years or more (coincidence) that will eventually retire in the next five to ten years. Finally, from the same data source, considering the stock and flows of employers with 60 years or older in a five-year interval,

⁵⁸ fi-compass (2025) ESF+ Study on Worker's Buyout. p 28. Available at: <https://www.fi-compass.eu/library/marketanalysis/esf-study-workers-buyout>

⁵⁹ See ASCEF (2020) Over 70% of today's family business leaders admit to having no succession plan. Last accessed on 15 September 2025. https://www.ascef.com/en/family-businesses-succession/?utm_source=chatgpt.com ; El Economista (2024) "El 90% de las pymes no cuenta con un plan de sucesión." 27/02/2024. Last accessed on 15 September 2025. https://www.eleconomista.es/economia/noticias/12694961/02/24/el-90-de-las-pymes-no-cuenta-con-un-plan-de-sucesion.html?utm_source=chatgpt.com

an estimated number of 110900 employers would have retired between 2020 and 2024. The total number of employers in Spain according to EPA is around one million.

2. Employee Ownership as a Solution to the SME Succession Challenge

Two recent reports promoted by the European Union on employee ownership of companies expressly mentioned the problem that Spain is confronted with the continuity of companies whose main owners will reach retirement age in the coming years. **The PEPPER V Report 2024 highlights the transfer of ownership to employees as a way to facilitating business succession and continuity among SMEs** as one of the main policy objectives of various Commission initiatives (Lowitzsch & Hashi, 2024, p. 267). It highlights the importance of paying attention to challenge of business succession in Spain, and Europe more generally, and why opening a path for employees of companies whose owners are facing retirement to taking over ownership should become public policy objective: *"It is anticipated that, due to new forms of business financing, transfers within the family will decrease, while sales to third parties outside the family will increase. The entry of international investors into a market that was traditionally mainly a domestic market will broaden the range of potential buyers for European SMEs. SMEs are the backbone of the economies, culture, and traditions of the various European nations. Their sale to impersonal private equity funds and other strategic investors will affect not only the working lives of Europeans, but also the material well-being and quality of their communities. The process is likely to pose a threat to the successful regional structure of European (family) businesses and will profoundly affect the European Community itself, its values, its vision, and its effectiveness."* (Lowitzsch & Hashi, 2024, p. 269-270).

The **ESF+Study on Workers' Buyout**, prepared at the request of the European Social Fund and funded by the European Commission, **in collaboration with the European Investment Bank** provides a separate monographic study for Spain.^{60,61}

Based on the assessment of 450,000 companies and 2 million workers affected by transfers of ownership in the EU each year, the study highlights the urgent need for the EU to have effective strategies in place to ensure the continuity of companies. The report analyzes the situation of worker ownership of companies in the European Union, with particular attention to the possibility of workers having a real option to access ownership in situations of change of ownership, especially at the time of succession due to the retirement of owner-entrepreneurs.

The ESF **monograph on Spain** highlights the importance of worker cooperatives and the uniqueness of worker-owned companies (*worker cooperatives* and *sociedad laborales*) as forms of enterprise under the control and ownership of workers, and as corporate vehicles to facilitate the transfer of company ownership to their workers. It does note the different traditions and realities in experiences of worker ownership of companies in different parts of the country, which have resulted in differences in the financial and technical support offered to worker ownership initiatives among them. The study concludes that, according to the information gathered, in the autonomous

⁶⁰ fi-compass (2025) ESF+ Study on Worker's Buyout. p 28. Last accessed 15 September 2025: <https://www.fi-compass.eu/library/marketanalysis/esf-study-workers-buyout>

⁶¹ fi-compass (2025) ESF+ Study on Workers' Buyout SPAIN. Last accessed 15 September 2025 https://www.fi-compass.eu/sites/default/files/publications/ESF%2BCountry_Report_Spain_RTW.pdf

communities that are most advanced in providing technical and financial support for worker ownership transactions, the needs of acquisition transactions requiring up to €400,000 in equity and debt financing are adequately covered. However, **transactions between €500,000 and €30,000,000 encounter difficulties in finding the necessary funds and completing the transaction.**

The advantages of transferring ownership of the company to the workers themselves, as opposed to selling it to a private equity fund, are numerous. When a private equity fund acquires a company, it tends to concentrate control over productive assets and the income they produce in the hands of a few. In contrast, when workers purchase a company, it spreads ownership more broadly across society and leads to a more equitable distribution of income. A fund's acquisition typically enriches a small group of investors, while worker ownership enhances the financial well-being and economic stability of employees and their families. Private equity deals are usually short-term in nature, aiming to quickly restructure and resell the company—often to another fund. On the other hand, worker ownership represents a long-term commitment that supports the ongoing operation of the business and anchors it in its territory. When workers own the company, they are more likely to take into account the broader impact on the local community, unlike distant investment funds that lack local ties, commitment to the local community and investment in the area.

Takeovers by private equity funds and other strategic investors may lead to the unilateral breach of implicit contracts and end up destroying trust capital and a loss of opportunities for shared wealth creation. The relational capital that the entrepreneur has built with other stakeholders, customers, suppliers, and the local community can indeed be destroyed by new investors who do not feel bound by the implicit contract, break the commitments made, lower wages, increase prices for customers... and extract rents that they have not contributed to creating. Transferring ownership to the workers themselves will instead be an effective way of preserving the relational capital accumulated by the company, i.e. its workers, with stakeholders.

In summary, the constitutional mandate of Article 129.2 of the Constitution, whereby public authorities must promote worker access to the means of production, is reinforced by economic reasons (internalisation of externalities, protection of returns on investments in specific human capital that preserve incentives to invest and create wealth) and social reasons (redistribution of property and income), especially at a times of succession crisis such as the one affecting the Spanish economy.

Employee ownership schemes—known as Employee Stock Ownership Plans (ESOPs) in the US and Employee Ownership Trusts (EOTs) in the UK— **offer a credible pathway to stable SMEs succession challenge and enable them to continue to prosper.** These models have a well-documented track record in the United States and the United Kingdom, where thousands of businesses have transitioned to employee ownership. Several EU Member States, notably France, Italy, and Spain, have also developed advanced legal and institutional frameworks to support WBOs, including cooperative conversions, tax incentives, and state-backed financing mechanisms

(National Center for Employee Ownership, 2025). The legal instruments vary in each country with **Sociedad laborales in Spain**, or employee ownership mutual funds (FCPE) in France.⁶²

Despite their promise, employee ownership remains marginal in the EU due to structural barriers. First, there is a chronic lack of access to financing for workers, particularly when owners seek immediate cash-out options. Commercial banks often show limited interest in such transactions. Second, most of the existing schemes are designed for full property transfers, while rewarding gradual conversions could have more potential. Innovations in terms of public policy need to happen in this area so that these moves can happen at a speed that is fast enough for retiring owners to be able to share the practice of governing their business with their workers, and put in place a sales plan for the transfer to happen in a fashion that is reliable to both parties.

Moreover, existing models of ESOPs fall short in terms of participatory governance. For example, in typical US ESOPs, employees are only passive beneficiaries of a trust managed by a third-party trustee with fiduciary obligations focused narrowly on share value—which may lead to outcomes contrary to long-term employee or community interests (Gonza, Ellerman, & Kosta, 2024). In Part II, we will explore which **policy instruments** at the Spanish and the EU level are needed to encourage succession plans to happen at a speed that is fast enough to catch up with the economic reality and strengthen Spain's SME's dense fabric. To be repeated, according to certain estimates, the total value of US-held EU business assets has surged from \$1.05 trillion in 2011 to \$3.79 trillion in 2024, now representing roughly 32% of all EU business assets (Gonza & Duverger, 2025).

In the current geopolitical context, the adoption of policy instruments favourable to employee ownership, including those promoting employee buyouts (EBOs) is a matter of Spanish and European sovereignty. **Foreign investors own 49% of the stock on the Spanish Stock Exchange** according to the latest estimate, in 2024, of BME, the Operator of the Spanish Financial Markets and Systems (BME, 2024). While the figure for foreign investors has remained relatively stable in recent years, it represents a leap of 20 percentage points from the early nineties, and is more than 10 points higher than before the 2008 global financial crisis (BME, 2022).

The United States is the largest investor in Spain according to their International Trade Administration, as measured in terms of either foreign direct investment stock or flows (U.S. International Trade Administration, 2024). In 2023, the United States was the leading source of investment flows (28.9%), followed by the United Kingdom (13.1%), Germany (10.6%) and France (9.2%) (Invest in Spain, 2025). More details on the internationalization of the Spanish economy, and its impacts, can be found earlier in this report (See *Chapter I. A.2.b The avenue of ownership: a context of transnational financialized capitalism*).

⁶² fi-compass (2025) ESF+ Study on Worker's Buyout. Op cited.

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Challenge 2: The Competitiveness and Innovation Crisis

129.2 as a Bridge to Better Job Quality and Closing the Innovation Gap

Summary

Facts and Analysis:

This chapter examines the crisis of job quality and its relationship to innovation and competitiveness. The rise of precarious work, characterized by high temporary employment rates and low wages, is a significant issue in developed economies, including Spain. This trend has been fueled by deindustrialization, globalization, and a decline in union influence. The result is a polarized labor market, with a concentration of high- and low-wage jobs, a shrinking middle class, and a growing number of "working poor." The United States offers a powerful example of what happens to workers when firms are left to choose a "Low Road" approach, which maximizes private profit by offering low-quality jobs and ignoring the social costs this generates. Research has shown that "High Road" models that align innovation, good jobs and high profits, offer many functional organizational alternatives, but that it is difficult to shift the balance from Low Road to High Road models, without the support of public authorities.

Connection to the Constitutional Mandate:

The Committee's analysis revealed a strong link between worker participation, job quality, and innovation. Studies show that when workers have a voice, they contribute to more successful process innovations and higher productivity growth. The Committee also noted an important distinction: participation at the level of the works council or team may have a more direct impact on job quality and innovation than participation on corporate boards. This is because direct workplace participation, which empowers workers with autonomy and responsibility, leads to job enrichment and a greater sense of purpose and self-worth. However, the Committee cautions that both levels of influence are mutually necessary to ensure that workers have and maintain significant voice. Indeed, influence at the corporate level is the guarantee that workers will have meaningful influence at the most immediate and everyday levels of decision-making that define the quality of their work experience.

To improve job quality and foster a more innovative and competitive economy, it is essential to re-evaluate the role of public policy. The chapter concludes that traditional industrial policies and conventional labor regulations are insufficient. Instead, a new, bottom-up industrial policy is needed, one that prioritizes strategic collaboration with businesses to create "good jobs" in the service sector and leverages technology to complement, rather than replace, human labor. This requires proactive investments and policies that elevate the role of workers in corporate decision-making. By promoting substantive worker participation at the local level and within workplaces, public policy can help align private business interests with the collective well-being of society, creating an economic model that is both more prosperous and more just.

Hearings Report: This chapter has been prepared drawing extensively on evidence given to the Commission by Professors Paul Osterman, Professor Emeritus of Human Resources and Management at the MIT Sloan School of Management, and Dani Rodrik, Professor of International Political Economy at the John F. Kennedy School of Government at Harvard University, as well as their prior work.

Introduction

Concerns about the quality of work in developed countries have their roots in the economic and social transformation processes of the 20th century. After World War II, the rise of the welfare state in Western Europe and sustained economic growth in the US promoted stable employment, with social protection and decent wages as the norm. However, starting in the 1970s, with the oil crisis and the adoption of market-liberalizing public policies, there was a shift toward more flexible labor markets, accompanied by an increase in precarious employment and job insecurity. This trend intensified after the 2008 financial crisis, when many countries prioritized job recovery without paying sufficient attention to job quality.

In this context, organizations such as the OECD, the G20, and the ILO began to highlight the importance of combining quantity and quality of employment as pillars of well-being and inclusive growth. The 2015 G20 Labor Ministers' Declaration and the OECD's framework on job quality reflect this evolution. At the same time, the United Nations' 2030 Agenda included decent work as a central goal of sustainable development, emphasizing that job quality is essential for reducing inequalities and improving social cohesion. In recent years, several countries have launched specific initiatives to correct labor market dysfunctions and, in particular, to improve the quality of employment: the Danish Disruption Council, Germany's 4.0, the Swedish Job Security Council, the New Zealand Future of Work Forum, and the Good Jobs Challenge of the Biden administration in the United States.

What is meant by “good jobs”? Although there is no unanimous answer, there is agreement on the minimum requirements: jobs with sufficient pay to allow for a reasonable standard of living (middle class), stable, secure, and with opportunities for professional development. In a broader sense, job quality is also related to workers' voice and participation and to a sense of purpose. In market economies, job characteristics arise from the conditions of supply and demand in labor markets, with an important role played by the companies that hire the people who will fill those jobs. Public interest in job quality is justified by the social externalities that result from decisions that respond to particular interests. In this sense, companies that offer good jobs generate positive externalities because they contribute to creating prosperous communities. Conversely, “precarious jobs” entail a series of social and economic costs that degrade community life (exclusion, broken families, addiction, and crime, as well as a decline in physical and mental well-being). Decisions that respond to private interests ignore external effects, both positive and negative, so that the collective outcome ends up being suboptimal, something that public policies seek to avoid. This description of what is meant by quality employment and its implications is virtually identical to

that presented by Dani Rodrik at the conference and broadly coincides with that of Paul Osterman, although the latter adds some nuances.

Job insecurity has been linked to deindustrialization (the relative decline of manufacturing), globalization (outsourcing to economies with lower labor costs), and the decline of protections (the loss of influence of trade unions) in developed economies, although the degree of job insecurity and its consequences have been uneven (more marked in the United States than in Europe). Technological advances have also played a role, accelerating the processes of change and giving rise to polarized production structures, with a relatively small number of highly productive companies and a long tail of low-productivity companies. The duality in the distribution of company sizes has led to a duality and polarization of employment.

The Appendix following this hearings report presents evidence from various studies and statistical sources that complete the framework for reflection on the quality of employment and the implications for the Commission's mandate. Of particular note is the recently published study, 2025, “Dignity and Good Employment in the Age of AI: Evidence from a Large-Scale Survey” carried out by the ISEAK team, provided by ISEAK Director Sara de la Rica as a contribution to the Commission's June hearings in Madrid. This is undoubtedly the best and most comprehensive qualitative study on job quality in Spain.

1. Macro and Micro Explanations of Job Quality and Innovation

Job quality is assessed from the perspective of the general interest of society, which includes the direct consequences for employers and employees of the high or low quality of the jobs created, and the indirect consequences for society as a whole of private decisions resulting in the dominance of good or bad jobs (what in economic terms are called the positive and negative externalities of private actors' decisions guided by self-interest). In his presentation, **Rodrik** emphasized the direct benefits for workers of working in quality jobs, as well as the benefits for society.

For workers, having a quality job means receiving a wage that ensures sufficient purchasing power to comfortably meet their basic personal and family needs. Furthermore, quality jobs provide intrinsic satisfaction to the workers who hold them, because they feel that they are contributing to the production of something that other people recognize as valuable to them. For Rodrik, work is not only a means of earning a monetary income (wages) on which consumption outside work depends, but also an opportunity, such as that offered by quality jobs, to achieve satisfaction in the performance of one's work.

Regarding the effects on collective well-being of the spread and generalization of quality jobs, Rodrik believes that a broad base of quality jobs provides a good quality of life for large segments of the population (i.e. expanding the middle class), which in turn becomes a factor of social and political stability (i.e. confidence in political democracy as a way of dealing with problems of collective coexistence). The quality of work contributes to a more just society, not only because the wealth created is distributed more equitably, but also because it gives more people the opportunity

to experience the positive feeling of having participated in improving the lives of others by producing goods and services that they value (i.e. “contributive justice,” a term Rodrik borrowed from Michael Sandel). On the other hand, a society with insufficient quality jobs will experience internal tensions that will lead to populism and the destruction of democracy itself.

Rodrik points out that, for workers without a university degree, the main source of good jobs has been manufacturing and related services—the basis for economic mobility and a pathway to the middle class. However, globalization, deindustrialization, automation, and, in general, technological change biased toward more advanced skills have reduced the demand for workers who lack higher levels of education, decreasing the supply of such job opportunities. Since the 1980s, the US economy has clearly failed to generate enough good jobs to sustain a prosperous and growing middle class.

This process has led to a **polarization of the labor market**, where middle-income jobs are declining while low- and high-income jobs are increasing. As a result, the middle class has shrunk, especially in the US, and real wages for many workers have stagnated, increasing economic insecurity.

On the **social** front, the loss of stable jobs has weakened community and family structures, leading to problems such as rising crime, addiction, premature mortality, and child poverty, especially in communities most affected by competition from imports, such as those from China.

In terms of **political consequences**, the deterioration of the labor market has fueled the rise of populist, nativist, and authoritarian movements in both the US and Europe. In the United States, the “trade shock with China” has contributed significantly to political polarization, the strengthening of the most conservative wing of the Republican Party, and, possibly, Donald Trump's victory in 2016. Studies show that regions most affected by globalization have shown less adherence to democratic values and greater support for authoritarian leaders, as well as a hardening of attitudes toward immigrants and minorities.

In short, bad jobs lead to backward communities with poor social outcomes (poor health, poor education, high crime) and social and political conflicts (populist backlash, democratic dysfunction). **In the absence of incentives to do so, private employers do not take these costs into account. These negative externalities can be considerable—perhaps so large that they threaten the economic order that sustains our form of government. Good jobs, on the other hand, generate enormous positive externalities. The external costs associated with the private sector's failure to create good jobs are a reason to implement public policies that Rodrik considers an adaptation of traditional industrial policy to the current times.**

Osterman delves deeper into a different issue: understanding employers' motivations in deciding between creating a quality job or a precarious job. The starting point is that, within the constraints imposed by law and competition, firms have a high degree of discretion to influence whether high-quality or low-quality jobs are created. His research has focused on better understanding this discretion and assessing the incentives to choose the socially most desirable alternative.

With these considerations in mind, Osterman (2017, 2019) distinguishes between what labor sociology calls “High Road” (HR) jobs and “Low Road” (LR) jobs, a term coined by Joel Rogers at the University of Wisconsin-Madison in the 1990s. HR jobs are those in which the quality of work, in the sense already mentioned above of sufficient wages for a decent life, job security, and predictability, is aligned with above-average corporate profits. These are jobs in which employers and employees both win (“win-win”) and, therefore, their spread throughout the business and labor fabric should occur without friction and with a clear alignment between individual interests and collective well-being. LR jobs result from decisions by employers who maximize the company’s profits by offering low-quality jobs. The negative externalities for society as a whole, resulting from choices that respond to private interests only, are not taken into account by employers, leading to a conflict between individual rationality and collective good.

In his presentation and through his past research, Osterman highlights the quantitative importance of LR situations in the United States (between 20% and 25% of all employees in the United States, mainly workers in retail, catering, personal services, etc.), which he believes will continue to grow over time, given that more and more companies in the United States consider workers to be a productive resource whose cost must be minimized. Osterman acknowledges that there are companies that choose HR jobs, citing the American company Costco and the Spanish company Mercadona, as possible examples. However, these are usually unique cases that respond to owners, generally in the context of family-owned businesses, whose family shareholders’ preferences are sensitive to the well-being of workers, or to companies that are not listed on the stock exchange and serve market segments with high purchasing power. On the other hand, Walmart, for instance, is a highly profitable and innovative LR company. In reality, companies such as Costco and Mercadona are the exception rather than the rule, and therefore free market dynamics will not be sufficient to eliminate or reduce LR jobs.

According to Osterman, academic research, beyond anecdotal cases, has found no evidence to question the private rationality of employers; that is, researchers have been unable to demonstrate that employers are wrong to choose LR because they have overlooked HR alternatives with higher private benefits than those reported by the LR choice. There is evidence that HR jobs provide benefits for workers: the introduction of autonomous teams of workers results in increases in productivity and wages; jobs with more autonomy and responsibility for the people who hold them are assigned higher wages (Nelson et al., 2024) Osterman invites employers to pay attention to the results of rigorous research studies that demonstrate that HR has positive impacts on intermediate outcomes for the company and also for workers. These are, above all, proven results obtained after applying forms of work organization and management based on the model popularized by Toyota and spread throughout manufacturing worldwide in the 1980s and 1990s. The characteristics of the Toyota production system, which rendered Fordism obsolete, included good wages, job enrichment, autonomous teams to perform the multiple tasks assigned to them, ongoing training, and job rotation.

2. Worker Participation, Job Quality, and Innovation

The mediating effect of job quality on technological innovation is the main theme of the project promoted by MIT under the title *The Work of the Future* (See Appendix). The Work of the Future program identifies public policies aimed at improving the quality of employment, in particular through greater worker participation in decisions related to the adoption of new technologies.

The Commission has been interested in collecting evidence on the relationship between worker participation in the company, job quality, and innovation. The relationship between innovation, employment, and business organization is addressed in the scientific literature. Here are a few key research results:

In the joint research conducted by the MIT Industrial Performance Center and MIT The Work of the Future, “Automation from the Worker's Perspective: How Can New Technologies Make Jobs Better?,” Armstrong, , Chen, Cuellar, Forsey-Smerek, and Shah (2024), present the results⁶³ of a **multinational survey of more than 9,000 workers in nine countries, including Spain**, exploring their perspectives on automation and new technologies at work. Contrary to common narratives that pit technology against workers, the survey reveals that more workers report potential benefits than costs from automation, in areas such as safety, convenience, wages, and autonomy. More specifically, **workers with jobs that require them to solve complex problems, those who feel valued by their employers, and those who are motivated to advance in their careers are more likely to view new technologies as beneficial**. Contrary to previous research, a higher level of formal education is associated in some cases with more negative attitudes toward automation and its impact on work.

The Management review (MRrev) - Socio-Economic Studies published research results by R. Scholz (2021) which analyzes the impact on job quality (‘Good Work’ in its terminology) of co-management at the supervisory board level in Germany. The study highlights that the influence of employee representatives on the supervisory board is exercised through participation in the development of the overall strategy, which is reflected, for example, in long-term personnel development and influence on the appointment of members of the executive board. Three examples illustrate these findings. First, how in a company with strong co-determination, thanks to the influence of employee representatives, aspects of decent work (in this case, job security, personnel development, and continuing education) were linked to the remuneration of executive board members. Second, how co-determination guarantees the independence of the human resources director within the executive board and acts as a prerequisite for decent work. Third, how the consolidated presence of co-management on the supervisory board coincides with higher levels of vocational training in companies.

⁶³ See executive summary at https://ipc.mit.edu/wp-content/uploads/2024/09/workers_and_automation_r04M.pdf.

An extensive review of the literature on the influence of worker participation in the company on the adoption of innovations by (Breitling and Scholl 2022), especially participation through works councils, and at board level, based on 44 cases of companies in Germany, shows that worker participation at the works council and board level favors the adoption of innovations that improve the economic success of companies and well-being of workers. For all types of innovations, their economic success is positively associated with more intensive worker participation: “works councils and employee participation further the growth of appropriate knowledge” which is identified as key to “raise coordination capability” that foster innovation; while both are identified as “essential preconditions for innovation success.”

Lastly, recent data from Germany provides new evidence on labor participation and technological innovation in firms. The study conducted by Findeisen, Dauth, and Schlenker (2025) starts from the premise that new technologies drive productivity growth, but the distribution of benefits is often uneven, contributing to economic inequality. In their empirical analysis, they find that labor market institutions—specifically worker representation in the workplace—mediate the impact of automation. Combining individual-level administrative records from Germany with plant-level data on the adoption of industrial robots, they find that works councils reduce the risk of dismissal for current workers as automation advances. When labor markets are tight and worker replacement costs are high, current workers become more valuable from the firm's perspective and works council intervention is less relevant. Older workers, who face greater challenges in relocating to new employers, benefit most from organized labor in terms of wages and employment. **The final conclusion of the study is that works council activism does not hinder the adoption of robots; on the contrary, it encourages the use of higher-quality robots, promotes greater worker training during robot adoption, and favors higher productivity growth after automation.**

3. Public Policies

Osterman's diagnosis of the lack of private incentives for widespread diffusion of the High Road in work organization and employment relations, together with Rodrik's assessment of the significant external effects of business decisions that influence job quality, lead to the conclusion that public policies are needed to contribute to a better alignment between private and general interests.

Rodrik insisted on the fact that “reindustrialization” policies aimed at increasing the weight of manufacturing and thereby increasing the supply of quality jobs such as those created in the past in developed countries in Europe and North America are not by themselves an effective solution to the social problems arising from the relative precariousness of current employment. Secondly, Rodrik sees possibilities for improving the quality of employment through more conventional public policies, such as investment in training and education, labor regulation (minimum wages), and strengthening the bargaining power of workers (unionization), but he considers them to be ineffective, mainly because they are policies that ultimately increase labor costs without a corresponding, automatic increase in labor productivity.

Rodrik's proposal (Rodrik, 2022, Doshi et al. 2023) involves public policy adapted to the conditions of the current economic reality. First, it is necessary to recognize that the target jobs whose quality

needs to be improved are in the service sector and, within services, these are activities such as care, hospitality, and retail, which do not require high levels of training (i.e. a university degree) to perform them. Secondly, it is important to act on the supply side, adapting workers' qualifications to the needs of the jobs they are going to fill, but also on the demand side, helping companies to create jobs and provide them with conditions that enable those who fill them to be more productive and more autonomous, as well as intrinsically motivated (job enrichment).

With these preliminary considerations in mind, Rodrik's public policy proposal falls under the general heading of “industrial policy,” although it differs in meaning and scope from traditional industrial policy aimed at favoring certain economic activities/sectors over others and implemented from the top down.

On the contrary, the industrial policy advocated by Rodrik should focus on creating incentives for companies to adopt and implement work-friendly technologies, divided between policies designed and intended to be applied at the local level and aimed at small and medium-sized enterprises, and policies with a national scope. One of his specific proposals is the creation of an ARPA-W, i.e., an Advanced Research Projects Agency (ARPA) with the suffix “Work” (W). There are currently two ARPAs in the United States, one with the suffix ‘D’ (Defense) and the other with the suffix “E” (Energy). At all levels, including the local level, industrial policy must act iteratively, prioritizing strategic collaboration with business actors and public sector functions aimed at setting objectives, discovering and contributing to the creation of public productive resources that are not adequately provided, coordinating initiatives, flexible and adaptive conditions for eligibility for aid, and ongoing monitoring and evaluation of policies with the will and capacity to terminate those that prove not to work, while encouraging local experimentation. See Figure 16 highlighting the differences that Rodrik draws between “traditional” industrial policy and the proposed approach.

FIGURE 16: Traditional Industrial Policy and Proposed Approach

	Traditional Industrial Policy	Proposed Approach
Externalities targeted	R&D, innovation, learning externalities; coordination failures in investment	Good-job externalities in local economic development and direction of innovation
Sectors	Manufacturing, tradable sectors	Largely services (in addition to manufacturing)
Firms	Large, globally competitive firms	Small and medium-size firms
Assumptions about the government	Governments can identify market failures ex ante and are sufficiently insulated from capture	Widely dispersed knowledge about location and magnitude of market failures; governments face substantial uncertainty; endogenous state capacity
Types of incentives	Tax, credit subsidies	A portfolio of business services, including marketing, management & tech assistance, customized training, infrastructure, seed capital/loans for directed technologies
Application of incentives	Fixed schedule of incentives, except for incentive packages for large firms which may be negotiated	Customized to firms’ needs and adapted to context
Selection criteria	Pre-specified	Voluntary buy-in and participation

Conditionality	Hard; rigid ex-ante criteria	Soft; provisional, open-ended and evolving
Relationship with recipients	Arms' length	Collaborative, iterative; active project management

Source: Rodrik (2022)

https://www.brookings.edu/wpcontent/uploads/2022/09/20220928_THP_Proposal_Rodrik_GoodJobs.pdf

The work on the UK case expands on proposals for public intervention in the economy to improve job quality, proposals that we believe are perfectly transferable to the Spanish case. To summarize, directly from the original text:

Following the approach in Rodrik and Stantcheva, we argue that four elements should underpin any good-jobs mission in the UK. First, a series of active labor market policies at the local level that are designed in partnership with firms to increase skills and employability. Second, industrial policy at the regional level that creates a suite of customizable public inputs for firms that go beyond tax incentives and subsidies. Third, innovation policy at the national level that explores how technology can complement labor as well as replace it. Lastly, an approach to international trade that enables the maintenance of high domestic labor and social standards. (Doshi et al., 2023; page 4).

The ISEAK report includes public policy recommendations aligned with the recommendations in Rodrik's publications.

Paul Osterman also makes proposals for intervention in business decisions in order to increase the attractiveness of the High Road alternative for labor relations and work organization, the details of which can be found in Osterman (2017): Specifically, from his work *In search of the High Road: Meaning and evidence*, ILR Review, 2017: 1-32, the following recommendations can be drawn:

1. **Demonstrate profitability or financial sustainability:** Although evidence suggests that the High Road may not be as profitable as the Low Road model in the conventional definition of profit, demonstrate that it can at least be financially sustainable. *This involves showing that intermediate benefits, such as reduced turnover, increased productivity, and improved quality, can partially offset higher labor costs.* However, the article cautions that evidence on direct profitability is limited.
2. **Change in incentive structure:** It is possible to influence companies to adopt “High Road” practices by modifying the incentives to which they respond. This could include:
 - Limiting short-term speculative stock market operations.
 - Restricting certain financial engineering practices.
 - Deepening relationships with long-term investors.
 - Restructuring investment strategies.
 - Decoupling senior executive compensation from short-term stock movements.
 - Pressuring pension funds and other large investors to set broader goals for their investments, including stakeholder considerations.
 - Encouraging investors with a stakeholder perspective.

3. *Countervailing power: Pressure and coercion may be necessary to drive adoption of the High Road:*
 - Trade unionism has been shown to improve compensation in low-wage industries.
 - Organized public pressure, such as the Fight for Fifteen movement, can influence business practices.
 - Modernizing labor legislation in areas such as the definition of employee and joint employer liability can limit tactics that reduce the quality of work.
4. *Developing support institutions: Creating a supportive environment can help sustain stakeholder behavior:*
 - Promote values that support a new social contract in the workplace.
 - Implement government procurement policies that target High Road companies.
 - Increase investment in publicly supported skills development.
5. *Visible examples, information, and technical assistance: Showcasing successful examples of “High Road” companies in low-wage industries can be inspiring. In addition, providing access to information and technical assistance to interested companies can facilitate the adoption of these practices. Industry associations and public entities can play a role in this.*
6. *Deep understanding of specific industries: It is essential to understand the specific dynamics of each low-wage industry in order to tailor High Road strategies. This includes analyzing labor supply, consumer demand, competitive dynamics, technology, and management strategies that lead to low wages, as well as the influence of the external environment (regulation, legal framework).*

In his various works, Osterman emphasized the influence of business decisions on employment policies and internal work organization on job quality, in addition to the influences that may derive from individual skills and labor laws. In fact, in his testimony, Osterman highlighted the most favorable environment for the High Road to be a win-win for all stakeholders: it results from the adoption of work organization models inspired by Toyota's practices, i.e. work teams, autonomy, task rotation, etc. See also Nelson et al. (2024) that demonstrate the importance that business decisions about production and work organization have over job quality.

4. Contributions to the Commission's Work

This final section seeks to highlight the contributions of the expert testimonies given by Professors Osterman and Rodrik, as well as the works consulted, to the Commission's mandate. The causal relationship between worker participation and job quality, and innovation are visible in two ways: the social and intrinsic value of work while it is being performed, from a worker's perspective, and the business value of the results obtained from that work.

Firstly, there are good reasons to believe that the social and intrinsic value of work coincides with what is desirable from a business perspective, leading the country toward a High Road economy. This conclusion would justify public authorities' concern for the quality of work, as well as a

possible political decision to make quality improvement a priority of economic policy at the national and supranational levels.

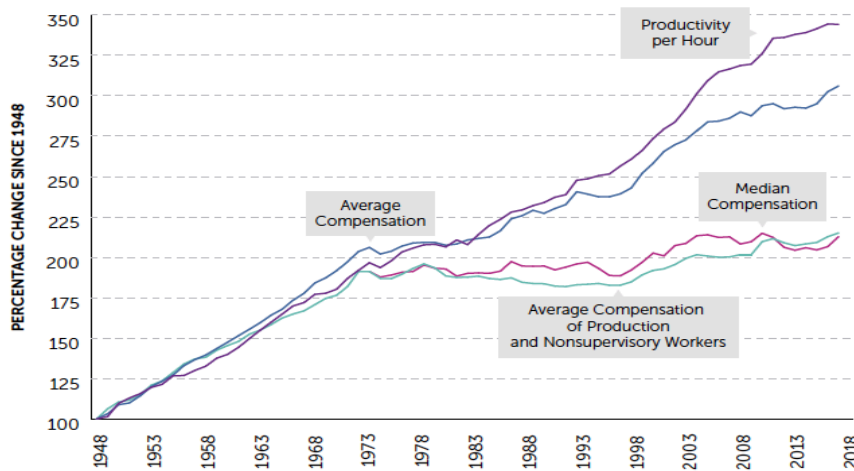
Secondly, the concept of “contributive justice” captures the idea that labor participation has private and social value in itself. Participation enriches people's work and increases their sense that their work improves the lives of others. In other words, the participation of workers in the workplace, their voice and influence, is one of the attributes that enriches and gives value to work and, with it, intrinsic satisfaction to those who perform it.

Thirdly, Osterman referred, on the one hand, to economic studies that do not detect significant macro effects attributable to co-management at the level of representative participation (a thesis put forward by Professor Jäger, who spoke at one of the first working meetings), but, on the other hand, he acknowledged the positive contributions to the quality of work, in terms of its content and productivity results, of participation at the center and workplace level brought about by the spread of the Toyota production model among many companies. It could therefore be said that researchers directly (i.e. Osterman) and others indirectly (i.e. Rodrik) recommends advancing substantive participation in workplaces as a way to improve the quality of employment in all directions. The results of the research cited in the previous section on participation, job quality, and innovation point in the same direction, placing the focus on participation in workplaces and jobs. In other words, co-determination at the level of the Works Council (Work Council) may be more effective than participation in boards of directors when it comes to linking worker participation and job quality.

Appendix: Additional Evidence to Frame the Analysis of Job Quality

Below are some data documenting the process of change in wealth production and distribution in developed economies, which are related to the inadequacy of quality jobs.

FIGURE 17: Productivity and Compensation Growth in the United States, 1948-2016



Source: Autor et al (2022) <https://doi.org/10.7551/mitpress/14109.001.0001>

The figure highlights the gap between average labor productivity and average wages in the United States since the mid-1990s (consolidation of ICT?) and the gap between average wages and median wages since the mid-1970s (automation of production processes and the onset of globalization).

FIGURE 18: Good Jobs in Long-Term Care?

Consider the care economy, and long-term care specifically. This is a sector where employment could increase rapidly in future years as the population continues to age and demand for in-home or assisted living arrangements increases. Yet there is a shortage of workers, due to low wages and other undesirable characteristics of the job (Poo and Berger 2022; Stevenson 2018).

Much of long-term care work is done in homes (through agencies that provide the caregivers or through self-employed caregivers) or in assisted living or retirement communities where, unlike hospitals or nursing homes, regulations are weak. In such settings, remuneration and work conditions have traditionally been very poor characteristics that epitomize bad jobs. Employees are mostly women and disproportionately are people of color. Long-term care workers are typically regarded as performing low-skill jobs and are not viewed as “real members of the care team” (Osterman 2019). Home-care aides are unable to undertake simple tasks (such as changing dressings or bandages, or applying nasal or eye drops), so that “it is difficult to increase the productivity of aides in a way that might underwrite compensation gains” (Osterman 2019). In many ways, long-term care is a test case for the idea that sectoral policies organized along the lines of industrial policy can boost good jobs.

As Osterman notes (2019), there are three ways in which jobs in long-term care can be improved. First, the government can regulate and impose standards (such as high minimum wages). Second, reimbursement rates from Medicaid and Medicare can be increased, in the hope that higher rates show up in increased wages. Third, the productivity of direct-care workers can be raised, allowing the long-term care system to serve patients’ needs better and to reduce costs, generating room for better compensation. While both of the first strategies might be useful, greater productivity is ultimately the most reliable source of better jobs.

Osterman suggests that it might be useful to increase productivity in long-term care through a strategy that is analogous to the deployment of innovations in manufacturing pioneered by Japanese auto producers. This entails a combination of investing in worker skills; providing workers with greater voice, discretion, and autonomy; and giving them more responsibility for the quality of the service. Bishop (2014) notes that, with respect to nursing homes, care workers that are empowered with greater autonomy and decision-making can use their knowledge of residents and patients to customize their services and provide more flexibility (e.g., in schedules, food, and treatment); the same approach can be applied to in-home care and long-term care facilities as well. An important component of the strategy would be the introduction of new technologies that complement caregivers’ skills, such as digital tools that enable caregivers to collect real-time information, and to respond quickly and efficiently to the needs of individual residents.

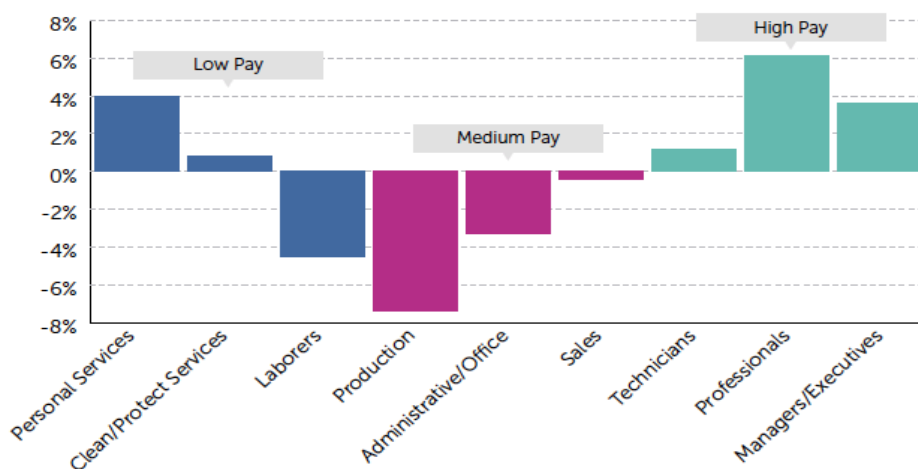
If long-term care is managed better in these ways, there would be real productivity benefits: lower turnover and burnout on the part of care workers, reduced admissions to nursing homes and reduced hospitalization rates, better management of chronic conditions, and quicker and smoother transitions out of acute-care facilities, in addition to improved customer satisfaction (Osterman 2019).

These changes would require a willingness to experiment with novel work practices and a continuum of efforts—from R&D and the introduction of new technologies for long-term care, on the one hand, to their local adoption, adaptation, and contextualization in specific communities, on the other. Importantly, there is a complementarity between the provision of good jobs (with high wages and job security) and the adoption and successful implementation of these practices by workers (Bishop 2014). Workers who believe they are remunerated well and are treated with dignity and respect are more likely to respond positively to additional responsibilities and to perform at a high level.

Source: [Rodrick \(2022\)](#)

https://www.brookings.edu/wp-content/uploads/2022/09/20220928_THP_Proposal_Rodrik_GoodJobs.pdf

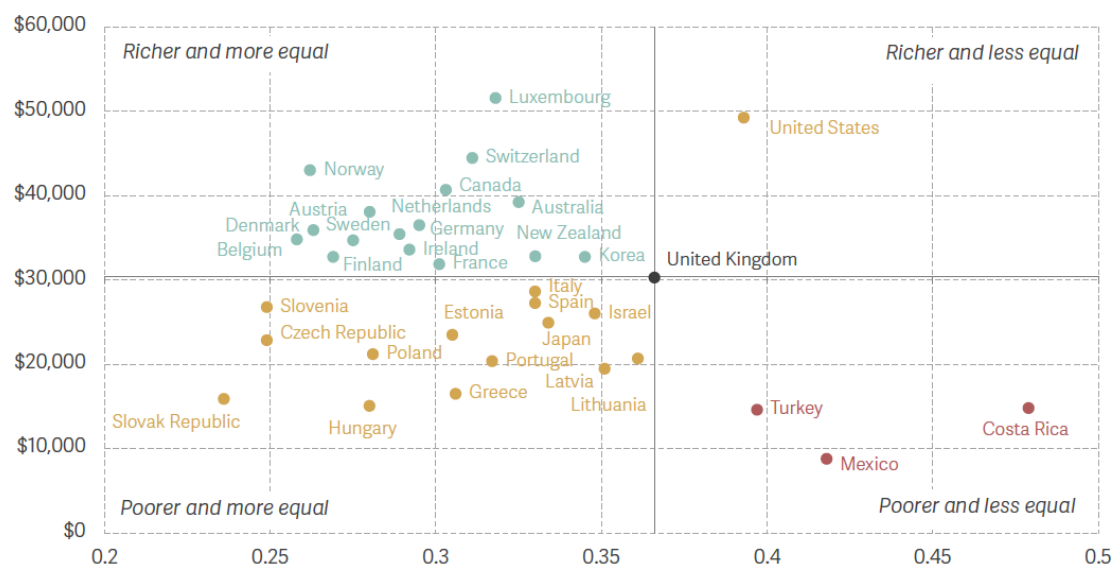
FIGURE 19: Employment Growth Has Polarized Between High- and Low-Paid Occupations Changes in Occupational Employment Shares Among Working-Age Adults, 1980-2015



Source: Autor et al (2022) <https://doi.org/10.7551/mitpress/14109.001.0001>

The figure, also included in Dani Rodrik's presentation, highlights the polarization of employment in the United States, with a decline in the number of people employed in middle-wage jobs (middle classes) and an increase in the number of people in higher- and lower-wage jobs.

FIGURE 20: The UK Performs in the Middle of the Pack of OECD Countries on Income, but Poorly on Inequality



Source: Doshi et al.

(2023) <https://economy2030.resolutionfoundation.org/wp-content/uploads/2023/07/Creating-a-good-jobs-economy-1.pdf>

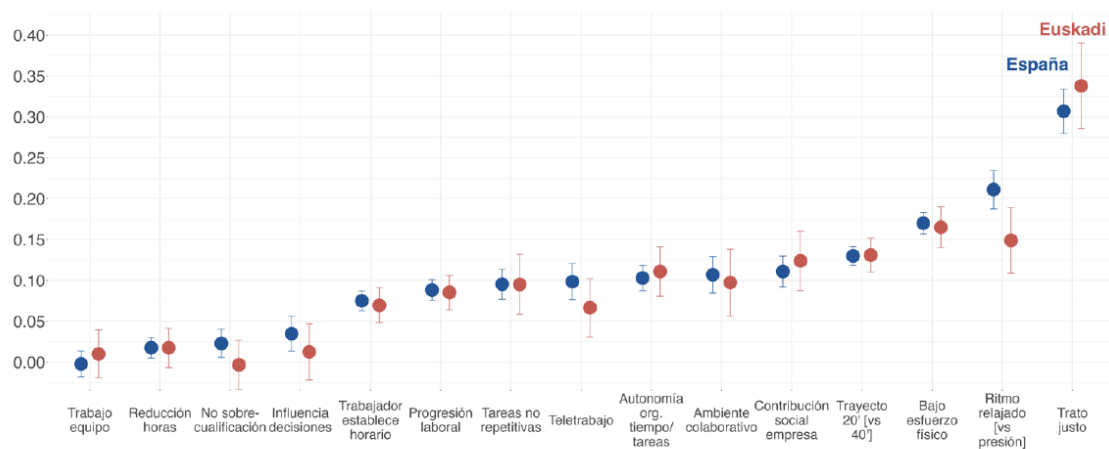
The figure, corresponding to a study on quality employment in the United Kingdom in which Rodrik, Doshi et al. (2023) also collaborated, summarizes the disparity in combinations of income levels and inequality between countries, highlighting the differences between the United States and the United Kingdom on the one hand, and the countries of central and northern Europe on the other.

FIGURE 21: Indicators that Reflect the Progressive Loss of Quality Jobs in Spain, Based on Recent Data from Official Sources and Specialized Studies

Indicator	Current Value	Evolution / Observations
Temporary employment	~ 17% of total employment	Spain maintains one of the highest rates of temporary employment in Europe, indicating persistent job insecurity.
Part-time employment	~ 60% of part-time employment	A significant proportion of part-time workers would like to work more hours, reflecting underemployment and a lack of adequate job opportunities.
In-work poverty in households with children	17,1%	According to a Save the Children report, 17.1% of Spanish households with children and at least one working adult live in in-work poverty, showing that having a job does not guarantee escaping poverty.
Spending on sick leave	15.000 million euros (2024)	Spending on temporary disability benefits has increased by 78.5% since 2019, reaching nearly 1% of GDP, indicating a deterioration in workplace health conditions and a rise in job insecurity.
Unionization rate	~ 13%	Union membership has dropped significantly in recent decades, reducing the capacity for collective bargaining and the protection of workers' rights.
Employment rate of recent graduates (age 24-34)	76,8% (2021)	Spain is below the EU average (85.0%), reflecting difficulties for young people entering the labor market and a possible overqualification or mismatch between education and labor market demand.

Source: Own elaboration with data from different sources

FIGURE 22: Willingness to Pay (WTP) for Non-Monetary Attributes: Working Population



Source: Own elaboration of ISEAK based on ISEAK polls 2023 and 2024)

<https://iseak.eu/publicacion/dignidad-y-calidad-del-empleo-en-la-era-de-la-inteligencia-artificial>

The horizontal axis shows the non-wage attributes that determine job quality according to the ISEAK study. The vertical axis shows an indicator of the relative average importance that the workers surveyed give to each of the dimensions that determine that quality (proportion of salary they would sacrifice to improve the attribute).

FIGURE 23: Working Conditions in Spain and the Basque Country (Euskadi). General Population. Selection of Attributes

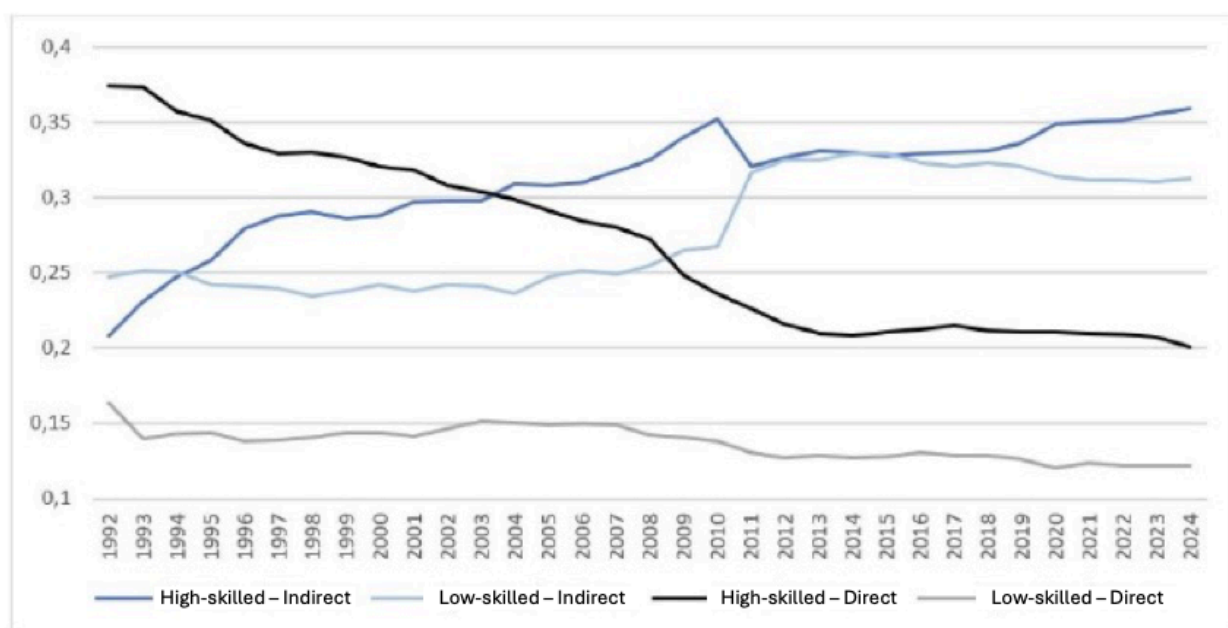


Source: Own elaboration based on the poll of ISEAK 2024)

<https://iseak.eu/publicacion/dignidad-y-calidad-del-empleo-en-la-era-de-la-inteligencia-artificial>

Note: This figure shows the prevalence of a selection of working conditions based on the responses of salaried employees. The **blue (red)** dot indicates the percentage of workers in Spain (the Basque Country) who state that their job includes that attribute.

FIGURE 24: Proportion of Salaried Employees in Spain Based on the Level of Qualification Required for the Job and Whether the Position is Direct or Indirect, according to the ISCO Classification



Source: Salas-Fumás, V. (2025) Changes in the Occupational Distribution of Workers in Spain: Lessons in the Face of the Challenges of Artificial Intelligence. *Labour Market Papers Journal*, Issue 13, May 2025)
<https://www.sepe.es/HomeSepe/que-es-observatorio/Hipatia/cuadernos-mercado-trabajo/revista-cuadernos-mercado-trabajo/detalle-articulo.html?detail=/revista/Din-micas-de-las-empresas-en-t-rminos-de-empleo/cambiosenladistribucionocupacionaldelostrabajadoresenespaaenseanzasantelosretosdelainteligenciaartificialia>

FIGURE 25: Collaboration Between Management and Workers Around Technology Adoption

Collaboration Between Management and Workers Around Technology Adoption

Kaiser Permanente, one of the largest managed care systems in the United States, has opened over a dozen new outpatient clinics in Southern California to advance patient-centered healthcare. Personnel from across the healthcare system were actively engaged in the design, testing, and subsequent roll-out of the new clinics, called Health Hubs. Based on approximately 70 interviews with a cross section of those involved in the design, rollouts, and operation of the new clinics, Task Force member Thomas Kochan and colleagues Anubhav Arora and Barbara Dyer found that familiar technology is used in conventional and novel ways as new advances are introduced.¹³¹ Health Hubs make extensive use of:

- Self-service kiosks for patient check-in
- Electronic dashboards that allow care provider teams and patients to track patient flow
- Smart exam chairs and exam rooms to enhance efficiency and patient communication
- Tablets, laptops, and other mobile devices for care team providers
- Expanded use of telemedicine to serve patients remotely

A key part of implementation was winning the trust of incumbent workers by making clear that the technology was not intended to replace them and that there would be ample training in the new systems. Some of the steps the company took to secure that confidence include:

1. Holding focus groups with patients, Kaiser Permanente staff, and medical personnel deepened the understanding of aspirations for care transformation.
2. Running workshops with healthcare leaders, technology experts, and employees refined a vision for the new clinics.
3. Seeking early consultation with labor unions about potential changes in work processes and job descriptions was followed by negotiations to reach agreement on changes in compensation, training, and scope of practices.
4. Engaging physicians, nurses, and other employees in testing and refining the new technologies, patient flow, and work arrangements through simulations well in advance of opening.
5. Elevating workforce members who participated in simulations as peer-trainers. This “train-the-trainer” approach built needed initial capacity and forged a learning culture.
6. Fostering continuous improvements in operations after the clinics open with “Unit-based team” meetings and other informal group sessions.

Health Hubs reflect a shift from a physician-centered to a patient-centered system. This case offers an illustration of a strategy that integrates new technologies and work practices through active engagement of the workforce and its representatives.

Source: Autor et al. (2022) <https://doi.org/10.7551/mitpress/14109.001.0001>

The MIT group's publications on *The Work of the Future* include proposals for reforming the organization of work and empowering workers in the United States, with the overall aim of improving business decisions in the field of employment and the adoption of new technologies. These proposals are inspired by the participatory systems that are widespread in central and northern Europe, which could be extended to Spain, taking into account the distance between the Spanish reality and that of European countries in terms of labor participation. We have selected some of the conclusions/recommendations from the work of Autor et al. (2022):

1. *The failure of the US labor market over the past four decades to deliver shared prosperity despite rising productivity is not an inevitable outcome of current technologies or free markets. Public and private institutions (education systems, labor market regulations, collective bargaining, financial markets, public investment, and fiscal policies) play a key role. Other industrialized countries have distributed productivity gains more equitably.*

2. *Proactive investments and **policies are needed to shape the future of work** toward greater economic security for workers, higher productivity for businesses, and broader opportunity for all. The report identifies four broad areas for public and private action, in addition to education and training:*
 - o **Rebalance fiscal policies** to favor investment in human capital rather than just physical capital.
 - o **Restore the role of workers as stakeholders**, alongside owners and shareholders, in corporate decision-making.
 - o **Encourage technological and organizational innovation to complement workers.**
 - o **Reaffirm U.S. leadership in technology and innovation.**
3. ***Investment in education, training, and lifelong learning** is urgent and indispensable, especially in non-elite postsecondary education, such as community colleges, work-based apprenticeship programs, and sectoral training. Improving the quality and accessibility of these programs is crucial. It is also important to better understand how adults learn and how new technologies can increase the effectiveness of traditional educational models.*
4. *There is a need for **experimentation and innovation** in skills delivery systems, as well as rigorous evaluation of the effectiveness of new programs and credentials.*

See: [https://mitsloan.mit.edu/sites/default/files/inline-files/inline-files/IWERJune%205%202019%, which summarizes the conclusions of a workshop organized by the Sloan Management School at MIT in June, to be particularly relevant to the work of the Commission.20Worker-Centered%20Technology%20Workshop%20Highlights 0.pdf](https://mitsloan.mit.edu/sites/default/files/inline-files/inline-files/IWERJune%205%202019%,%20which%20summarizes%20the%20conclusions%20of%20a%20workshop%20organized%20by%20the%20Sloan%20Management%20School%20at%20MIT%20in%20June,%20to%20be%20particularly%20relevant%20to%20the%20work%20of%20the%20Commission.20Worker-Centered%20Technology%20Workshop%20Highlights%200.pdf)

The Work of the Future: Shaping Technology and Institutions <https://web.mit.edu/2.810/www/files/readings/WorkOfTheFuture.pdf> report published in the fall of 2019 as a summary of the work carried out by the Working Group in its first year since its establishment. The subtitle sums up the aim of the workshop very well: It's a well-accepted tenet of modern life that technological change shapes how we work. But what if workers were to shape technological change? Could that improve organizational success and the quality of jobs?

The Work of the Future: Building Better Jobs in an Age of Intelligent Machines by David Autor, David Mindell, and Elishabeth Reynolds, published in 2022 by MIT Press <https://doi.org/10.7551/mitpress/14109.001.0001>. The book analyzes the relationship between emerging technologies and work, with the aim of shaping public discourse and exploring strategies for a future of shared prosperity. The report documents and diagnoses the challenges facing the US labor market, examines the technological frontier and its potential impacts on employment, skills demand, and opportunities, and considers how policies and institutions must innovate to harness technological and economic opportunities.

Studies on Quality Promoted by the EU

QuInnE - *Quality of jobs and Innovation generated Employment outcomes* is an interdisciplinary project carried out between 2015 and 2018 with funding from the European Commission's Horizon 2020 Programme 'EURO-2-2014 - The European growth agenda', project reference number: 649497. A summary of the main results of the project can be found in Warhurst et. Al (2028) https://bryder.nu/quinne1/sites/default/files/WP_11.pdf. The project directly addresses the relationship between innovation and job quality. The content of the working paper is mainly methodological and conceptual. The project includes country studies, including the Spanish case, Duhautois et al. (2020) https://hal.science/hal-02966011v1/file/WP_7.pdf.

The European Union commissioned the OECD to carry out a project on "Defining, Measuring and Assessing Job Quality and its Links to Labor Market Performance and Well-Being" [VS/2013/0108 (SI2.666737)]. The project led to the publication in 2016 of *Measuring and Assessing Job Quality: the OECD Job Quality Framework*, signed by Sandrine Cazes, Alexander Hijzen, and Anne Saint-Martin, <https://dx.doi.org/10.1787/5jrp02kjlw1mr-en>. The work is methodological and descriptive, without providing particularly relevant results for diagnosis and public policy, although it contains comparisons of job quality measures between EU countries.

The OECD has recently published a study commissioned by the French Treasury entitled "Low-wage employment in France: A cross-country perspective, Barreto et al, 2025) <https://dx.doi.org/10.1787/82539f44-en>. The results may be relevant in putting the European reality of low-quality jobs into perspective, with the results of the studies cited by Paul Osterman in his book referring to the United States. Spain is not among the countries compared.

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Challenge 3: The A.I. Governance Crisis

129.2 as a Tool to Co-construct the Future of Work

Summary

Facts and Analysis:

This chapter examines the impact of Artificial Intelligence (AI) on the world of work. It clarifies that while fears of widespread unemployment due to technological change seem unfounded, **the quality of most jobs is fundamentally at risk due to the rise of AI systems**, most significantly algorithmic management (ARM), and choices made by firms. In particular, ARM automates traditional employer functions, from hiring to termination, intensifying managerial control and surveillance to an unprecedented degree.

Connection to the Constitutional Mandate:

The rise of algorithmic management (ARM) poses a critical challenge to democratic governance and worker rights, creating a significant "democratic blind spot" in the workplace. The enhanced surveillance capabilities of AI systems allow for relentless monitoring and control, which can stifle dissent and unionization efforts. This disempowerment extends beyond the workplace, contributing to political disengagement and susceptibility to authoritarian ideologies. However, the chapter also argues that the rise of ARM is an opportunity to rethink regulatory regimes and redistribute power. **It challenges the notion of AI's developmental trajectory as predetermined and argues for an alternative scenario where AI supports and enhances, rather than replaces, human workers.**

The key to this optimistic path is to reframe the role of labor from an adversarial one to a positive, creative, and strategic one, actively shaping technological choices and implementation. This requires strengthening, and even creatively reinventing, collective bargaining mechanisms, as employment law alone is insufficient to address these complex issues.

To navigate the challenges of AI, the chapter suggests a **collaborative approach that transforms worker knowledge into worker voice.** This necessitates fundamental changes in bargaining dynamics, moving beyond traditional wage negotiations toward a more holistic collaboration on technology adoption decisions. The report suggests a strategy centered on identifying and promoting "pro-worker use cases" of AI. **The democratization of work stands out as an essential means to affirm human control** (Ponce del Castillo 2024) through **rebalancing and checking the power of algorithmic management and AI systems in general and ensuring that the deployment of AI serves to enhance human capabilities and contributions, rather than to stifle and constrain them.**

The Committee notes that this is a realm in which all workers, throughout the value chain in the global North and South, are affected, beyond salaried employees in any given firm. Given the breadth and the depth of the impact of AI on the content and organization of work as well as on workers themselves, but most of all given its speed, it seems clear that this is one of the

more urgent realms of application of Article 129.2. Participation in firms by engaging with AI as a strategic partner and ensuring that workers' individual expertise is taken into account in the creation of company-specific AI strategy can help to safeguard against abuses and misuses. Workers who engage with AI in the co-creation of a more desirable future could help firms to build more productive and less adversarial workplaces. The cornerstone to the collaborative and constructive deployment of AI is trust. Worker voice at the corporate level and co-ownership of the process (not to mention of the tools) is a critical step to consider.

Hearings report: This chapter has been prepared drawing extensively on evidence given to the Commission by Professors Daron Acemoglu, and Valerio De Stefano, as well as the authors' prior work on AI systems' impact on employment and work, and algorithmic management in particular.

1. Artificial Intelligence and the Future(s) of Work

AI is revolutionising the world of work. Fears of wide-spread technological unemployment driven by the rise of artificial intelligence continue to prove unfounded – but this does not detract from the fundamental impact which the deployment of emerging technologies has on the organisation of work. The rapid pace of technological innovation has set the stage for algorithmic management (ARM): the potential automation of the full range of traditional employer functions, from hiring workers and managing the day-to-day operation of the enterprise through to the termination of the employment relationship. Understood in this way, the 'rewiring of the firm' poses just as much a threat to the Coasian 'entrepreneur-coordinator' as to her workforce (Adams-Prassl 2019).

Viewed thus, AI is not just a challenge to job *quantity* – but much more fundamentally, to job *quality*. Vendors promise solutions covering the full range of employer functions, in workplaces across the socio-economic spectrum, from warehouses and factories to universities and professional service firms. Even where AI is not yet advanced enough to replace management, it has intensified managerial control by creating hybrid management models that are making life opaque and unpredictable for workers. The emerging evidence is disconcerting: algorithmic management tools surveil workers, collecting intimate data at an unprecedented scale, and allowing a hitherto unimaginable degree of control. Taylorism has finally become technically feasible.

And yet, the story is not exclusively one of crisis, and inevitably negative path dependencies. As the introduction of new technologies radically reconfigures inequalities of bargaining power (Joyce et al, 2019), the need to rethink regulatory regimes is becoming ever more pressing. As governments, scholars, and unions begin to grapple with the implications of algorithms at work, renewed calls for voices at work emerge across jurisdictions.

Seen thus, the rise of algorithmic management is not just a challenge - but equally an opportunity. An opportunity to reopen questions as to the distribution of power in the workplace, an opportunity to create new norms for participation and co-governance and an opportunity to promote the ethical deployment of AI.

It was in this spirit that the Commission invited two leading experts in the field of Artificial Intelligence, Automation, and the Future of Work to give evidence on AI in their respective domains: Daron Acemoglu, Institute Professor at MIT, Faculty Co-Director of the James M. and Cathleen D. Stone Center on Inequality and Shaping the Future of Work, and winner of the 2024 Nobel Prize in Economics; and Valerio De Stefano, Canada Research Chair in Innovation, Law and Society, at Osgoode Hall Law School, York University, Canada.

Exploring the Facets

Discussion proceeds as follows to explore three distinct yet closely interrelated aspects of AI and the workplace, in line with witnesses' contributions: we begin with the issues raised by the rise of algorithmic management in the workplace and then address fundamental issues of the relationship between AI and Labor going forward.

As many have argued, the integration of automated management tools into the world of work over the past two decades has created entirely new categories of need for rights, privacy and protection. From algorithmic management systems to datafied employee evaluations to an emerging frontier of testing artificial intelligence tools, workers in nearly every sector are increasingly governed by the use of various kinds of software meant to increase productivity and reduce labor costs. While these technologies differ significantly in their functions and logics, they introduce a set of shared questions about democratic governance and worker voice in how we structure our working lives (Adams-Prassl, Ferreras et al 2024).

2. Algorithmic Management and Workplace Power

Turning next to the deployment of AI systems in the workplace, the Commission turned to evidence given by Professor De Stefano, focusing on the critical intersection of artificial intelligence, democratic governance, and human rights at work, with a particular emphasis on how AI and algorithmic management systems fundamentally impact the quality of work environments, human rights and democratic processes within workplace environments.

AI as a Tool of Power and Surveillance

Professor De Stefano defined algorithmic management as the systematic delegation of traditional managerial tasks to machines, software, and AI systems – a technological shift with profound implications for workplace authority structures as employers now wield unprecedented power to monitor, direct, and discipline workers through technological means. This enhanced authority is not merely a technological development but is legally created and augmented by existing employment law, creating a framework that amplifies employer control over workers.

The surveillance and control capabilities enabled by these technologies, according to Professor De Stefano, allow for relentless monitoring of workers' actions, productivity levels, and even emotional states. This begins at the hiring stage, where automated systems screen resumes and monitor candidates during interviews using emotional and behavioural analysis techniques.

Workers across various roles then increasingly receive tasks and undergo monitoring through AI systems that fundamentally alter the employment relationship.

Professor De Stefano outlined the expanded surveillance landscape, describing how tracking technologies now include wearable devices, RFID badges, GPS systems, and keystroke monitoring. He particularly highlighted a trend towards emotional and mental state surveillance, which he characterized as both scientifically unreliable and deeply invasive, and the challenges posed by the perceived neutrality of algorithmic systems, arguing that algorithms are often incorrectly viewed as unbiased when they replicate and magnify existing societal biases.

Countering Threats to Workplace Democracy and Fundamental Rights

Regarding threats to democracy and worker rights, Professor De Stefano expressed particular concern about the deployment of surveillance technologies in the public sector, arguing that such applications undermine democratic processes and stifle dissent within civil service environments. He contended that relentless oversight through AI systems prevents workers from effectively exercising their rights or engaging in democratic activities, including unionization efforts, as well as noting the psychosocial harm resulting from constant surveillance which contributes to increased stress, burnout, and unsafe working conditions.

Professor De Stefano examined current legislative responses and their inherent challenges, focusing on the European Union's AI Act, which classifies AI applications in employment contexts as 'high-risk,' thereby triggering specific compliance requirements. He noted that the Act bans emotional surveillance in workplaces, though it includes exceptions for occupational health and safety measures. Professor De Stefano also discussed the Platform Work Directive, which grants platform workers rights to explanations of AI-driven decisions and ensures that worker representatives are informed when AI technologies are introduced into workplace environments.

However, Professor De Stefano also argued for the need for broader legislation, proposing that protections should be expanded to encompass all workers affected by AI and algorithmic management systems, not just those in platform work arrangements. He advocated for a holistic approach to address AI's impacts that extends beyond privacy concerns to focus on collective rights, anti-discrimination measures, and occupational safety considerations. Professor De Stefano emphasized that AI amplifies employer authority in unprecedented ways, necessitating updated employment laws to effectively balance power relationships and protect democratic principles.

Case Study: the EU's Platform Work Directive

In the autumn of 2024, the European Union enacted the first legally binding instrument regulating algorithmic management. Despite its limitations (such as, notably, the exclusion of workers other than those engaged through gig economy platforms), it provides a comprehensive framework for worker voice in the introduction of emerging technologies at work.

Once the Directive has been implemented by the Member States, workers will have to be informed about the use of automated monitoring and decision-making systems (Art 9). Furthermore, digital labour platforms will not be able to process certain kinds of personal data (Art 7), including

al data on the emotional or psychological state of platform workers	person
related to private conversations	data
predict actual or potential trade union activity	data to
used to infer a worker's racial or ethnic origin, migration status, political opinions, religious beliefs or health status	data
ric data, other than data used for authentication	biomet

Furthermore, algorithmic management systems need to be monitored by qualified staff, who enjoy special protection from adverse treatment (Art 10). Human intervention is required for significant decisions such as the suspension of accounts (Art 10(5)), as well as review of AI systems' operation and impact on working conditions and fundamental rights (Art 11)

Source: Platform Work Directive (2024/2831)

In particular, Professor De Stefano identified significant gaps in the EU Directive's protective framework, noting that these protections are actually weaker compared to many existing national laws. He explained that in numerous EU countries, installing basic video surveillance requires union consent or labour inspectorate approval, while the EU directive merely requires informing and loosely involving unions regarding far more invasive AI-based technologies. This leads to a risk of creating inconsistent legal frameworks that could result in paradoxical situations where basic surveillance tools face more stringent regulation than advanced AI-based monitoring systems.

The Workplace as a Democratic Blind Spot

Taking a step back to look at the broader picture, Professor De Stefano characterized the workplace as a significant democratic blind spot, highlighting the fundamental lack of worker voice in employment settings. He observed that most people spend substantial portions of their lives under the private authority of employers without meaningful input into decisions that affect them. These problems are heightened once decisions are being made by AI systems created by external parties who possess no specific knowledge of particular jobs or industries.

The consequences of this disempowerment, according to Professor De Stefano, extend far beyond the workplace itself. He argued that worker disempowerment leads to stress, alienation, and feelings of worthlessness, which correlate with broader political disengagement, voter abstention, and increased susceptibility to populist or far-right ideologies. Workplace democracy thus fundamentally affects broader society, as experiences of voicelessness at work erode individuals' sense of civic agency in other aspects of their lives.

Strengthening Collective Bargaining

Professor De Stefano concluded his testimony with a strong call to strengthen collective bargaining mechanisms. He positioned unions as essential counterpowers, arguing that collective bargaining is vital for checking and negotiating how technology is implemented and used in workplace settings, and suggesting that only union involvement would ensure that critical decisions regarding wages, working hours, and employment conditions are not solely dictated by algorithmic systems (Doellgast, V, S. Appalla, D. Ginzburg, J. Kim, W.L. Thian 2025).

Professor De Stefano noted that employment law alone proves insufficient to address these challenges. While legal frameworks provide general protections, he contended that unions are necessary to enforce and adapt these protections at the ground level. Professor De Stefano criticized current legislation for failing to adequately empower worker representatives to oversee technological change effectively. **He concluded that democracy fundamentally requires worker voice in workplace decisions, emphasizing that ensuring workers have meaningful input through collective structures is critical to sustaining democratic societies in an age of increasing algorithmic management.**

3. (Re-) Framing the AI-Labour Relationship

We are now moving from the study of AI in the workplace into the fundamental implications AI will have for labor markets more generally. In his presentation, Professor Acemoglu outlined a comprehensive framework for understanding the relationship between artificial intelligence and labor, challenging conventional assumptions about the inevitability of AI-driven displacement whilst also proposing concrete pathways for more constructive engagement.

Two Foundational Questions

Professor Acemoglu began by establishing two foundational questions that frame the entire AI-labor discourse. First, is AI's developmental trajectory predetermined, or can it remain malleable to policy influence and design choices? Second, and equally importantly, should labor's role be characterized as merely negative, focused on resistance and opposition to innovation and change, or could workers and their representatives adopt a positive voice that actively creates new possibilities and shapes technological implementation?

Discussion began with the 'deterministic AI scenario', where artificial intelligence is understood as fundamentally fixed in its orientation toward automation and surveillance. Professor Acemoglu argued that under this framework, labor resistance becomes not only futile but might even be counterproductive. He explained that opposition to AI adoption may temporarily delay implementation but ultimately serves to increase incentives for automation by making human labor appear more costly, thus in turn creating further incentives towards technology adoption: a self-defeating dynamic where resistance efforts inadvertently accelerate the very automation they seek to prevent.

In contrast, Professor Acemoglu presented an alternative scenario where AI functions as a versatile tool capable of supporting rather than replacing human workers. Viewed thus, **artificial intelligence possesses the potential to enhance worker productivity and expand human capabilities, provided it is designed and implemented with worker welfare in mind. Central to this alternative vision, however, is the adoption of a positive, creative, and strategic role for workers' representatives, rather than maintaining a purely oppositional stance.**

An Optimistic Path Forward

Professor Acemoglu then articulated his belief that the latter, more optimistic path represents genuine possibility rather than wishful thinking. He pointed to current generative AI technologies, noting their particular strengths in real-time information provision, arguing that these capabilities create genuine potential for supporting human decision-making and supporting human decision-making and creating new human tasks rather than displacing human labor, contingent upon appropriate design and implementation choices.

At the same time, Professor Acemoglu identified several significant obstacles preventing the realization of AI's pro-worker potential. This includes current managerial incentives designed to systematically favor automation, including tax structures that encourage capital investment over human labor and organizational preferences for avoiding labor conflicts. There is furthermore a chronic lack of support for human capital investments, particularly in worker training and skill development, and a problematic disconnect between AI developers and the practical realities of workplace environments; a separation which impedes the development of truly worker-supportive applications.

From Worker Knowledge to Worker Voice

The role of worker knowledge emerged as a central theme in Professor Acemoglu's analysis. He argued that workers possess crucial tacit knowledge about contextual, day-to-day workplace problems that engineers and developers typically lack. It is this intimate understanding of work processes which makes labor input critical for identifying genuinely useful AI applications rather than pursuing automation for its own sake.

In order to transform worker knowledge into worker voice, however, fundamental changes are required in bargaining dynamics, moving beyond traditional wage negotiations toward more holistic collaboration on technology adoption decisions. One of the prime illustrations of such trends is the AFL-CIO's Technology Institute which, unlike the recent longshoremen' stance simply opposing automation, demonstrates how labor can take a proactive stance in engaging with technological change rather than simply opposing it.

The presentation then turned to necessary institutional and structural changes, including specific responsibilities for the labor movement, such as building stronger trust relationships between union leaders and their membership base. Professor Acemoglu emphasized the critical importance of investing in AI literacy and strategic thinking capabilities among union leadership while carefully

managing the risk of appearing to ‘sell out’ worker interests when taking a different labor technology negotiation stance. He also highlighted the need for a supportive ecosystem that includes comprehensive training and education for both labor and political leaders, and legislative innovation to overcome structural limitations in existing US labor law, not least given that the Taft-Hartley Act in the United States restricts the scope of collective bargaining beyond traditional wage and benefit issues, among other things.

Turning to questions of implementation, Professor Acemoglu proposed a strategy centered on identifying and promoting specific ‘use cases’ that demonstrate AI's pro-worker potential. He emphasized the importance of publicizing successful applications and developing proof-of-concept demonstrations, even when such applications may not yet be immediately profitable. Professor Acemoglu argued that these examples could serve as powerful tools for changing perceptions about AI's possibilities.

Professor Acemoglu encouraged learning from international models, highlighting Germany's sophisticated system in employment and corporate law, designed to facilitate ongoing dialogue between labor and capital. He also pointed to Nordic collaboration models that emphasize information exchange and cooperative problem-solving rather than adversarial relationships.

From Adversary to Strategic Partnership

Central to Professor Acemoglu's overall vision is the creation of a comprehensive roadmap that develops best practice cases as blueprints for broader adoption. He argued for leveraging demonstration effects to build momentum, showing how successful worker-friendly AI implementations could inspire similar approaches across different sectors and organizations.

Professor Acemoglu acknowledged that the path he outlined represents a challenging approach to AI-labor relations – but all the more so, an essential one. He emphasized that **this strategy requires trust for this collaborative vision to succeed labor. This requires in particular for labor to – have the possibility to – engage with artificial intelligence not as an inherent adversary but as a strategic partner in shaping how these technologies are developed and deployed.** This collaborative approach offers workers significantly more agency in determining their technological future compared to simply resigning themselves to inevitable automation. While demanding substantial effort and strategic thinking, Professor Acemoglu presented this engagement model as offering the most promising pathway toward a future where AI genuinely serves to enhance rather than replace human capabilities and contributions in the workplace.

Policy Responses

Given the breadth and the depth of the impact of AI on the content and organization of work as well as on workers themselves, but most of all given its speed, the Committee notes that this is one of the more urgent realms of application of Article 129.2.

Participation in firms by engaging with AI as a strategic partner, and ensuring that workers' individual expertise is taken into account in the creation of company-specific AI strategy can

help to safeguard against abuses and misuses. In particular, making sure that workers feel free to voice their ethical concerns during both AI development and deployment, and enjoy adequate legal protection and proper institutional channels to do so, is critical (Santoni de Sio 2024, Ferreras 2025). **Workers who engage with AI in the co-creation of a more desirable future could help firms to build more productive and less adversarial workplaces.**

The cornerstone to the collaborative and constructive deployment of AI is trust. Trust is built through appropriate institutional arrangements. Worker voice at the corporate level and co-ownership of the process (not to mention of the tools) appears like an obvious step on this path.

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Challenge 4: The Crisis of Territorial Resilience

129.2 as a Buttress for Territorial Flourishing

Summary

Facts and Analysis:

This chapter identifies offshoring as a significant socioeconomic challenge. Globalization has empowered transnational corporations with unprecedented mobility, allowing them to exploit differences in labor, tax, and environmental regulations across countries. This has led to the practice of “coercive comparison,” in which companies pit territories against each other in a downward spiral that deteriorates working conditions. Extensive research in the fields of Sociology of Work, Industrial Relations and Labor Geography has demonstrated that companies are deeply rooted in their territories, relying on local resources such as skilled labor, logistical infrastructure, and local subsidies. The most widely used model for organizing the corporate structure of capitalist firms creates a significant power asymmetry in which capital is mobile, while workers and local communities are largely anchored to a specific location. This makes them bear a disproportionate amount of the risk in corporate investment and disinvestment decisions in which they have no say.

Connection to the Constitutional Mandate:

The effects of offshoring highlight the critical need for a multi-level system of worker participation. Traditional labor relations institutions are not currently adequately equipped to respond to the financial and strategic decisions made by transnational holdings, which often operate on a scale beyond the reach or control of local or national institutions. The cases of IAG, Stellantis, and Volkswagen illustrate that where workplace democracy mechanisms are weak or nonexistent, corporate actions can lead to job destruction and difficult-to-repair damage to communities and the planet. Conversely, where strong social dialogue and multi-scalar labor representation are present, workers and public authorities can effectively influence corporate restructuring plans and mitigate negative impacts on employment.

To counteract the instability caused by transnational capital, granting worker access to decision-making within the firm is essential. Workplace democracy, through a multi-scalar labor representation system, must be developed to coordinate from local to transnational levels, ensuring workers' voices are heard in strategic decisions, wherever these are made. This approach will foster long-term economic efficiency and sustainability by connecting the interests of capital with the social and productive needs of the territory.

Hearings report: This chapter was largely prepared based on evidence provided to the Commission by professor Dr. Holm-Detlev Köhler, Honorary and Retired Professor of the Department of Sociology at the University of Oviedo, and Javier Pacheco Serradilla, former Secretary General of the National Workers' Commission of Catalonia (CONC), currently confederal secretary for trade union action at CCOO.

The phenomenon of productive offshoring, which involves the relocation of business operations to other territories in search of competitive advantages, has had a profound socioeconomic impact. More than just a financial decision, this process has become a fundamental challenge for public governance and the social stability of affected communities. **This chapter outlines the challenges posed by this phenomenon and how the advancement of workplace democracy can play a crucial counterbalancing role in building territorial resilience against the volatility of transnational capital.**

1. Offshoring and its Effects on Territories

Globalization has transformed the structure of the world economy, creating a scenario where transnational corporations operate with unprecedented mobility and power. This new reality has not only deepened the inequality between capital and labor but has also, and increasingly, redefined the balance of power between capital and nation-states. The latter's ability to subject corporate activity to democratic control has been significantly reduced, especially with regard to transnational corporations. Guided by the pursuit of a constant competitive advantage, transnational corporations exploit differences in labor, tax, and environmental regulations across different countries. In this context, they implement coercive comparison strategies, a tactic that pits workers and public authorities in different territories against each other, making investment or disinvestment decisions dependent on potential concessions in terms of labor or tax benefits. The result of this dynamic is a downward spiral that deteriorates working conditions, not only for the directly affected workers in transnational corporations' workplaces but throughout the entire production chain and, ultimately, the entire production system.

Traditionally, economics and business management have presented transnational corporations as apolitical entities, detached from territories and guided solely by the economic rationality of profit-seeking. However, this simplistic view has been profoundly revised by disciplines such as the Sociology of Work and Labor Geography. These disciplines show that companies cannot and do not want to be completely detached from their geographical anchors. On the contrary, the competitive advantages they seek—whether in the form of skilled labor, logistical infrastructure, innovation ecosystems, or favorable regulatory regimes (labor, tax, environmental)—are, in fact, deeply rooted in the territory. Despite the emphasis on the instability of transnational corporations' commitment to geographical spaces, corporate decisions are not reduced to an exclusively economic rationality, as they integrate a political dimension by involving more or less explicit compromises among different actors.

From this perspective, investment and disinvestment decisions are not the result of a simple cost-benefit equation but of complex negotiation processes involving multiple actors. Business managers, local and national governments, and worker representatives interact in a power game where each party tries to influence the outcome. Labor Geography emphasizes the central role of space in these processes. Territories are not merely passive containers; they are dynamic socio-spatial contexts that shape working conditions and, in turn, are shaped by the actions of labor actors. Capital needs to be anchored in specific places to exploit competitive advantages,

which requires investments in infrastructure and the construction of social and productive networks, articulating value and supply chains of different natures. In turn, workers are geographical agents who shape their environment through their collective practices and mobilizations, giving spatial significance to both production and work processes.

However, the involvement of the multiple actors (corporate, labor, local, and national authorities) in these processes does not operate on an equal footing. The scale dimension, that is, the way action spaces are organized, is relevant here, as offshoring reveals the intrinsic power asymmetry in the relationship between capital and local actors: while capital is inherently mobile and can compare and pit several territories against each other, local actors, such as workers and their families, are mostly anchored to their territory and are, therefore, much more vulnerable. The choice of the appropriate scale of action—local, inter-local, or transnational—thus becomes a crucial strategic decision for collective action. The instruments of workplace democracy represent an opportunity to address these challenges.

Challenges and Opportunities of Workplace Democracy in the Face of Offshoring

Since the original 1928 formulation by Fritz Naphtali, a German trade unionist and politician, of Economic Democracy or *Wirtschaftsdemokratie*, a large part of current conceptualizations of Workplace Democracy or Industrial Democracy encompass different scales or spaces. Democratizing the world of work requires the incorporation of workers' interests at all scales or spaces of private-corporate decision-making and the formulation of socioeconomic public policies. From works councils, through which workers' representation rights are recognized at the local or workplace level, to other inter- or transnational spheres for collective action, such as inter-plant or corporate group committees, the participation of worker representatives on boards of directors or, beyond the company itself, bipartite collective bargaining between unions and organized employers and tripartite social concertation on public policies. The development of a body of norms that articulates and gives meaning to this institutional architecture is considered a fundamental prerequisite for guaranteeing the efficiency of workplace democracy.

This perspective remains fully relevant, despite the increasingly complex articulation of institutional and geographical spaces that offshoring entails as a result of globalization and economic liberalization processes. Offshoring has become the main challenge facing labor relations in the European Union, but it is, at the same time, both a challenge and an opportunity for the development of workplace democracy.

The growing ability of companies with transnational operations to globally select which local chains of employment, goods, and services to locate their workplaces, or global sourcing, is accompanied by a profound transformation of the organizational model. The multinational company rests on the existence of management bodies at the national or even local level with operational authority over employment, investment, or productive issues; in contrast, the transnational company is characterized by the vertical integration of all processes. This causes local collective actors, whether public authorities, workers, or supplier networks, to lose their access to the appropriate management levels to negotiate the company's long-term commitment

through R&D programs, productivity and training improvements, infrastructure investments, or other aspects related to corporate social responsibility with the territory.

The organizational model of the transnational company is that of a holding or group of companies formed around a main company that controls the voting rights of the rest of the companies that are part of it. The holding concentrates strategic and operational corporate decisions, while national or local managements disappear or become mere implementers of such decisions. The holding structure facilitates much more ambitious corporate redesigns than were possible under the multinational organizational model. Thus, productive investment or disinvestment decisions not only individually affect one or more workplaces but refer to entire sectors of activity. Furthermore, the logic of corporate restructuring does not respond to productive efficiency motives but to financial motives. The decisions of the transnational company on where to locate or relocate its productive investments respond to the stock market value, which is greater the more it is in motion. The constant movement of financial flows of investment and disinvestment by shareholding holdings becomes the main engine for value creation, replacing that which comes from productive activities.

However, the possibility of implementing dynamic asset management practices is unequal depending on the economic sector. Consequently, the intensity of the flow of productive investments or disinvestments is also unequal. There are sectors with a high degree of territorial anchoring, which are less susceptible to offshoring since they produce goods and services that are extracted or commercialized within the territory and are not separable from it. These include primary agricultural and extractive industries, construction, tourism, and in-person personal care services. In contrast, industrial sectors of intermediate goods, durable and non-durable consumer goods that produce easily transportable mobile goods and whose manufacture, with very unique exceptions, does not depend on any specific territory, such as steel, automotive, or textile, are the most susceptible to experiencing this type of pressure. Finally, there are sectors that have emerged in recent decades as intrinsically un-located on the territory, related to the platform economy and including computer services, commercial intermediation, or new cognitive or content-creation professions.

Dynamic asset management practices escape any kind of democratic control of the activities of companies with transnational operations, since labor relations institutions are not designed either functionally or on a scale to provide workers' participation rights with respect to them. Even when the transnational company has labor participation institutions such as those provided by EU regulations on information and consultation in their different modalities, labor representatives often lack competent interlocutors in corporate decision-making on dynamic asset management. Similarly, there are no efficient sanction mechanisms for companies that fail to comply with their legal obligations, as European public authorities themselves recognize in the legislative review process of Directive 38/2009/EC of May 6.

With different results and learning possibilities for public authorities and the rest of the local collective actors, particularly workers, the three cases below reflect the challenges facing current institutions of democratic control of the activity of transnational corporations.

2. Challenges of Offshoring to Workplace Democracy in Light of Three Cases

The IAG Group: The Difficulties in the Face of the Collective Redundancy Plan for 12,000 Employees

The case of the airline International Consolidated Airlines Group (IAG), the result of the merger of British Airways and Iberia Líneas Aéreas de España, is interesting because both its organizational model and its value creation practice correspond to the holding model with dynamic asset management. The company's registered and tax office is in Madrid; however, its central offices are in Heathrow, London. Consequently, the meetings of its European Works Council, which are held in Madrid under the coverage of Spanish regulations on information and consultation of workers in companies and groups of companies of community dimension, do not guarantee access to the managers responsible for making decisions on asset management. This separation also facilitates that these decisions can be presented as issues that individually affect the companies or the operations of the holding and, therefore, cannot be considered of transnational relevance. This is the case of the lawsuit filed by worker representatives against IAG management regarding the breach of the European Works Council's information and consultation obligations with respect to the collective redundancy plan for more than 12,000 employees of British Airways and Air Lingus.

The initial ruling, by the Social Division of the National High Court, Judgment No. 68/2020, Section 1, Rec. 184/2020, of September 14, 2020, recognizes that the company has failed to comply with these obligations. The Court considers the claim of the worker representatives in the European Works Council regarding the transnational nature of the collective redundancy measures executed to be in accordance with the law, according to the terms defined by the IAG European Works Council constitution agreement. Consequently, the Court indicates that the IAG group management would be obliged to carry out the information and consultation procedures in accordance with the rules of operation of this body. The ruling also establishes the suspension of the measures announced by the different operating companies and of the consultation processes initiated in the United Kingdom as a precautionary measure. However, this ruling does not have immediate effects on the matter submitted to judicial proceedings, since the Social Division of the National High Court finds a lack of objective jurisdiction in favor of the Social Courts of Madrid because that jurisdiction coincides with the scope of the conflict submitted to its judgment.

Judgment 99/2023, of September 18, 2023, issued by this second jurisdictional body confirms the terms pointed out by the Social Division of the National High Court, regarding non-compliance and precautionary measures. However, the repair of the damage to employment caused by the IAG measure is difficult to achieve. Although the judgment confirms the workers' right to be informed and consulted on a matter of obvious transnational relevance, the sanction imposed on the company is not a deterrent. Furthermore, the three-year period that elapsed between one judgment and the other makes the re-hiring of the more than 12,000 dismissed workers practically impossible.

There are cases where the successful combination of pressure from public authorities and mobilization from local collective actors has managed to prevent the execution of massive offshoring plans. This is the case of the automotive group Stellantis, the result of the merger of PSA-Opel and Fiat-Chrysler. In 2009, the previous owner of the Opel brand, General Motors, presented a plan to segregate this division with the argument of giving the brand viability. The viability plan was supported by the German government, which promoted the integration of Opel into the Stellantis group, whose management presented a restructuring program that contemplated the elimination of 10,000 jobs throughout Europe, with a special impact on the German workplaces. In practice, the segregation and the restructuring plan meant the possibility of undertaking the closure of any number of workplaces and, eventually, the disappearance of the brand itself.

The European Works Council of General Motors Europe, identified throughout the 1990s and 2000s as an example of good practices, launched a campaign in support of Opel workers, which was backed by German unions. The organization of an intense protest campaign by workers, with the participation of supplier networks and local communities, initially had no effect. However, the involvement of public authorities through the support of the governments of the three most affected Länder, of different political affiliations, forced Stellantis management to initiate a negotiation process. This concluded in a profound redesign of the initial restructuring plan, agreeing on a social program of retirement and voluntary incentivized departures in exchange for the inclusion of Opel's workplaces in the automotive holding's productive investment strategy.

However, the coordinated representation of workers' interests established in the Opel group via works councils, trade unions and political actors including board-level co-determination rights seems to fade away in the new Stellantis group. The integration of the Italo-American and the French German groups in the midst of an automotive crisis marked by the transition to electric mobility, and a tough competition with China has proved very difficult as seen through the surprising resignation of CEO Carlos Tavares in December 2024 shows. In fact, the Italian and French trade unions were not able to make effective use of their right to send representatives to the company board, a right stipulated in the European cross-border merger Directive 2017/1132/EU. It also took more than three years of difficult negotiations until an agreement on a Stellantis European Works Council could be signed at the end of 2024 (Köhler, 2025). Effective participation in a very diverse company with 14 brands and divisions in all continents and very different industrial relations cultures remains a complicated challenge for workplace democracy.

Volkswagen AG: The Commitment to Social Dialogue and Workplace Democracy Mechanisms

The third case is that of the company Volkswagen AG, also belonging to the automotive sector. While it is true that the existence of institutional mechanisms for workers to access some degree of voice and ownership—a co-management model that guarantees the presence of labor representatives on the company's Board of Directors, a consolidated employee share ownership program, and a European Works Council and a World Works Council that have been recurrently identified as an example of good information and consultation practices—has not prevented the

emergence of problems with a negative impact on the company's reputation and accounts, such as the diesel gate scandal, these elements of workplace democracy have indeed mitigated the impact of recent corporate restructuring processes on employment.

Volkswagen AG has been forced to undertake a rationalization plan forced by the current context of increased competition and the speed of technological change within the automotive sector. This plan includes cost reductions, rationalization of productive capacities, and changes in product strategy, with a greater emphasis on electrification and digital mobility. All this also considering that the electric car is less labor-intensive than the traditional internal combustion car. The success of Volkswagen AG, however, is not based exclusively on the existence of institutions that favor workplace democracy because they connect and coordinate the different spaces or scales in which the dialogue between the co-responsible parties in corporate decision-making takes place. The distinctive element of the Volkswagen model is the commitment to social dialogue by the management and labor parties, shared and nurtured by the rest of the local collective actors and also by public authorities. This virtuous institutional and actor architecture is incomplete if it is only developed at the national level. For this reason, its re-scaling to at least the European level is essential. EU regulations on information and consultation of workers or on other forms of labor participation must be developed to complement the most ambitious national legislations and facilitate the democratic control of the activities of companies with transnational operations at the appropriate scale for the corporate decision-making process.

These three cases reveal, in different ways, that the development of workplace democracy is the needed vehicle for allowing the incorporation of the voice of workers and, through them, the rest of the local collective actors, in strategic and operational corporate decision-making at the transnational scale, where these decisions are actually designed, in addition to the supervision of the working and sustainability conditions of the suppliers that are integrated into the value creation chain. To this end, it is necessary to coordinate a multi-scalar or multi-level labor representation system that ensures that all workers who participate in that value creation chain are adequately represented from the local workplace scale to the transnational scale. Outside the company's own organizational structure, this system must be coordinated with a parallel labor relations system that includes sectoral collective bargaining at the industry level, regional level collective bargaining (territory-based bargaining unit), as well as transnational framework agreements which deals with establishing standards throughout the companies that are part of the value chain. Likewise, adequate sanctions must be established in case of non-compliance as well as procedures should be set in place to allow for the effective repair of the damage caused to production and employment, ensuring the reindustrialization of the territories affected by offshoring.

3. The Situation of Offshoring in Spain

Spain lacks an adequate regulatory framework to address productive offshoring. This is reflected in several recent legislative initiatives, including the Draft Law on Industry and Strategic Autonomy, of December 20, 2024 (BOCG-15-A-43-1) or the Bill to Support Measures to Discourage Corporate Offshoring and Urge the Government of Spain to Approve a Strategy to Strengthen Industrial

Localization, presented by the PSOE and Sumar Parliamentary Groups to the Congress of Deputies, of February 7, 2025 (C.Dip, 55522, of 07/02/2025).

Spanish law subsumes the consequence of job loss from these processes within the category of collective redundancy, without distinguishing between cessations of activity due to productive investment or disinvestment decisions by transnational corporations and those caused by other reasons. Workers' rights in this matter come from EU regulation that addresses this issue indirectly, through, for example, Council Directive 2001/23/EC of March 12, 2001, on the safeguarding of employees' rights in the event of transfers of undertakings or businesses or parts of undertakings or businesses. Furthermore, productive offshoring between member states is not conceptualized as such, reserving this consideration for transfers of productive investment that, originating in the European Union, are destined for a non-EU country, which implies the absence of any kind of legal control of intra-European operations (Baylos Grau, 2024).

Due in large part to the above, the statistical data collected by the Eurofound European Restructuring Monitor (ERM), or by the European Globalization Adjustment Fund for Displaced Workers (EGF) are incomplete with regard to both the number of companies with transnational operations and workplaces affected by productive offshoring and the volume of job loss. **In the Spanish case, beyond a large body of economic literature on the evolution of foreign direct investment, the absence of studies on the impact of this phenomenon on employment from a quantitative perspective stands out. Instead, there are case studies and evidence collected unsystematically by trade union organizations that, however, allow a series of common features to be identified. In general, it is noted that the net reception of industrial foreign direct investment flows, linked to the Spanish industrialization process of the second half of the 20th century, began to decline from the 1990s, particularly within manufacturing activities.** This trend is fueled by the endogenous reconversion of heavy industry, with a special impact on shipbuilding and steel. In recent decades, the pressure of productive offshoring processes has shifted to intermediate goods for durable consumption, especially affecting household appliances and the textile and automotive industries.

The Nissan-Barcelona Case

The Nissan-Barcelona case is a paradigmatic example of productive offshoring of a company with transnational operations which is core in an industrial district formed by a network of local suppliers. The decision to close the workplaces in the Zona Franca of Barcelona, Montcada i Reixac, and Sant Andreu de la Barca, affecting 2,525 direct jobs, communicated by the corporate management of the Renault Nissan-Mitsubishi Group at the end of May 2020, is the culmination of a process of negotiation of concessions by worker representatives and public authorities that began with the 2008 financial crisis and sought, for more than a decade, to retain productive investment in the territory.

Three aspects stand out from this case. First, its relevance and complexity. The number of collective actors and scales invites reflection on the opportunities offered by the expansion of workplace democracy, in a particularly difficult context, such as the COVID-19 pandemic. Second, due to its

duration, the productive offshoring decision is preceded by a set of apparently minor outsourcing and production transfers, -. They progressively weaken the operational capacity of the plant and place local collective actors before a future closure scenario that management can at the time present as inevitable and irreversible. And third, due to its outcome, since the Nissan-Barcelona case does not mean the complete loss of industrial activity for the territory. Indeed, the existence of a reindustrialization process agreed with the Chinese automaker Chery, which takes over the assets abandoned by the Renault-Nissan-Mitsubishi Group in December 2021, and adapts them to the production of electric vehicles, has allowed the recovery of about a third of the direct jobs lost.

This case exemplifies a corporate strategy of coercive comparison to obtain concessions from public authorities and worker representatives. This resulted, on the one hand, in the more than 175 million euros of public aid allocated to maintaining production since 2008 and, on the other hand, the increasing labor flexibility introduced through collective bargaining over the last two decades. The wear and tear of worker representatives in negotiation bodies at different scales, from local works councils to the European Works Council, is similar to that identified in the literature for other productive offshoring processes within the automotive sector (Greer & Hauptmeier, 2016; González Begega & Köhler, 2022).

Despite these concessions, the Renault-Nissan-Mitsubishi Group management announced the closure of its plants at the end of 2020, indicating that the collective redundancy would take effect immediately after the expiration of the mandatory 30-day consultation period, whose sole purpose would be to determine the compensation conditions. The workers reacted by calling a strike and received the solidarity of public authorities and the local community, in a context of a health emergency caused by COVID-19. The consultation period was used by worker representatives to explore possible legal or political pressure avenues to prevent the closure. Among them, the attempt to present the case as a matter of transnational relevance and, consequently, subject to information and consultation by the European Works Council stands out, but this option was unsuccessful for two reasons. First, because the conceptualization in the EU regulations on information and consultation of workers contained in Directive 38/2009/EC does not provide adequate rights coverage for those decisions. Second, because the transposition of this regulation into the Spanish legal framework does not coordinate the consultation times, with the one determined by the legislation on collective redundancies, contained in Royal Decree 1483/2012, of October 29, beginning to run.

Faced with the closure of this legal avenue, worker representatives asked public authorities to intensify pressure on the Renault-Nissan-Mitsubishi Group management, relying on an agreement signed in August 2020 with the works council by which local management committed not to make final decisions on jobs until December 31, 2021, in exchange for the cessation of mobilizations against labor flexibility measures. The agreement also directly involved public authorities (the central government and the Government of Catalonia), which became part of an industrial recovery committee. In these circumstances, the pressure from worker representatives on public authorities focused on managing the departure of the Renault-Nissan-Mitsubishi Group in order to protect the productive facilities as much as they could. A working group was set up with the participation of authorities from the regional and state level, the works council, and representative trade unions,

aimed at identifying investors with a solvent industrial plan, which would allow the immediate reincorporation of the largest possible number of workers.

The relationships within the working group were not without tension. The unions accused public authorities of being insufficiently proactive in the search for industrial projects and, above all, demanded guarantees of real commitment, once productive activity would resume, instead of new labor flexibility concessions. The workers' fear was that the late materialization of these projects would make it impossible to repair the damage caused by productive offshoring, as was pointed out in the IAG case. Likewise, the signing of the reindustrialization commitment by the new investors, Silence/Accione, EBRO and the Chinese automotive group Chery, was made difficult by bureaucratic aspects with respect to the use of public land and of the buildings where the workplaces are located, which are owned by the Consorci de la Zona Franca de Barcelona.

The discussions between public authorities and unions around the Nissan-Barcelona case have resulted in a set of very interesting practical lessons, including the identification of significant gaps in the regulation and in the actions of public administrations in industrial policy matters. Productive offshoring cannot be separated from its main effect: job loss. In this sense, the current regulatory framework on collective redundancy in Spain should be revised, which does not establish a particular consideration for job loss due to transnational disinvestment decisions. In relation to this gap, a call has been made to recover forms of administrative control of collective redundancies abolished by Royal Decree 1483/2012, of October 29. Among them, the reintroduction by Law 3/2023, of Employment, of March 2, of the competence to rule on the concurrence of the causes specified by the company in the initial communication stands out. The importance of adequate justification and documentation of the causes that motivate collective redundancy has been endorsed, among other jurisprudence, by the Judgment of the National High Court of January 21, 2025 (Procedure 232/2024).

The case of Nissan-Barcelona, like other recent cases, also constitutes a call to address industrial policy in a proactive and anticipatory manner. The strengthening of workplace democracy represents a fundamental element so that the strategies of the collective actors of the territory, particularly worker representatives and public authorities, can participate effectively in corporate decision-making to avoid reacting to what the managements of transnational companies try to present as *faits accomplis*.

The review of industrial, labor, or security policies is necessary to safeguard economic activity and employment under contexts of productive offshoring and, if not possible, to ensure the rapid reindustrialization of the territory. **Public authorities must consider that their intervention as a last-resort instrument is not always effective, particularly when, as often happens due to scale issues, corporate decision-making is not accessible to political pressure at the national level.**

Among the interesting proposals that can be related to the reflections raised by the Nissan-Barcelona case, the establishment of a **Code of Good Practices for Offshoring** stands out, which includes the obligation to initiate the consultation period with worker representatives at least three months in advance, the possibility of extending it under certain circumstances, the

expansion of the number of issues that can be addressed during the application of the employment regulation file, and the explicit statement of incentives and sanctions that ensure that negotiations are carried out with the will to reach a sustainable and consensual social plan for the parties. Beyond public policies, the regulatory level must also be emphasized.

In this sense, the content of Royal Decree 608/2023, of July 11, which makes prior notification to Public Administrations mandatory with a minimum of six months' notice for those companies that wish to close a workplace when this entails the collective redundancy of 50 or more workers, stands out. The Bill presented by the PSOE and Sumar Parliamentary Groups to the Congress of Deputies (C.Dip, 55522, of 07/02/2025), already mentioned, aims to extend this period to nine months, also covering all cases of productive offshoring, regardless of the volume of employment affected, in order to facilitate the study of measures that can help to reverse the decision or analyze adequate reindustrialization alternatives.

4. Workplace Democracy as a Driver of Territorial Resilience

The role of local actors in productive offshoring must combine different scales and approaches. On the one hand, it is essential that the labor representation that companies with transnational operations have is complemented by collective bargaining structures to extend analogously high-quality working conditions throughout the entire value chain. On the other hand, productive offshoring cannot be separated from its main consequence: job destruction. Consequently, **the current treatment of collective redundancy by labor regulation must be revised. This must be made specific and differentiated in cases of offshoring. The regulatory modifications must contemplate the effective participation of workers in the negotiation of offshoring processes, as well as in the design of eventual reindustrialization measures. To this end, it is necessary to expand and harmonize the consultation periods, considering that corporate decisions on investment and disinvestment are not merely reactive.**

In addition, **industrial policies must contemplate the requirement for transnational corporations that choose to offshore to reimburse public aid.** Such subsidies must establish minimum time periods for the permanence of productive activity in the territory. The reindustrialization plans that are launched must also avoid the negotiation of concessions that entail a deepening of the subordination of the territory's collective actors with respect to corporate interests. Territories are the source of the competitive advantage of transnational companies and, even in the case of the most vulnerable sectors, the mobility of productive capital investments has time and space limitations. The approach to offshoring should not be merely palliative or compensatory through social plans for affected workers. In the medium and long term, such an approach does not provide any solution for the territory. The ultimate goal of regulation and public policies must be to guarantee reindustrialization. To this end, the current framework of incentives for attracting industrial investments must be reviewed, changes must be introduced in asset valuation processes that allow worker representatives access to information and a reduction of deadlines, so that the relocation of workers is not delayed in time. Otherwise, reindustrialization may be ineffective.

The promotion of Economic Democracy at the company-level is transversal to all these aspects. The strengthening of workers' participation in decision-making at the company structure level can effectively contribute to addressing the challenges of offshoring in a different way or mitigating their impacts. On the one hand, by having a voice in investment and disinvestment decisions, workers can pressure to keep operations in their territories. Their arguments, based on a deep knowledge of productive processes and local reality, can counteract the purely financial vision of the company's management. By participating in the governance of companies, worker representatives can introduce long-term considerations, such as social sustainability and commitment to the community, which are often ignored in the dynamic asset management of a transnational company. On the other hand, the democratization of company governance is not only a matter of social justice but also of economic efficiency. Workers who feel heard and valued are more likely to commit to improving productivity and innovation. By collaborating in solving problems and implementing new technologies or processes, workers can make local operations more competitive and less susceptible to offshoring. In this way, democratization fosters a stronger and longer-term link between capital and the territory.

However, as noted, the challenge in democratizing companies with transnational operations lies in the combination of different scales of collective action. This implies not only using and expanding existing regulatory resources in matters of competition, taxation, or labor rights but also experimenting with new forms of multi-scalar use of these mechanisms. **A labor representation architecture is needed that coordinates from the local workplace level to the transnational level, ranging from sectoral collective agreements to international framework agreements that can bind companies at a global level.**

In a world marked by productive offshoring and the volatility of transnational capital, Workplace Democracy, that is, the attribution of political rights to workers at the company structure level, represents an indispensable means to counteract such a trend. By giving workers a real stake in corporate decisions, the company's commitment to the territory can be rebuilt, thus fostering a more resilient, stable, and democratic economy. More than a defense against offshoring, workplace and company democracy, combined with workers' access to ownership is a path toward a fairer and more sustainable economic model, anchored in a vision enabling prosperous territories.

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Challenge 5: The Crisis of Informality and Hidden Labour

129.2 as an Instrument to Reconstruct the Global Value Chain (Behind AI)

Summary

Facts and Analysis:

The chapter highlights the "hidden labor" behind AI, notably at the preliminary stage of ARM, which is largely invisible and undervalued. This unseen data work includes labeling, annotation, content moderation, and filtering, which is concentrated in the Global South although it is coming to affect a growing population in the US and the EU countries, including Spain. In all these places, it is often characterized by low pay or practices of wage theft. This structural arrangement, described as a North-South divide (despite the aforementioned geographical exceptions), enables data and capital to move globally and profits to be extracted through corporate networks while workers remain hidden and absent from the places where decisions are made, despite the fact that their work investment makes it possible for firms to sell their services or products – and to generate profits.

Unpaid and informal work is not restricted to the field of AI. It is a massive, worldwide phenomenon and a dominant form of precarious work. New categories are emerging: "digital tournaments," for example, can lead to worker exploitation in platform-based labor markets, creating intense competition that leaches workers of their free time and normalizes unpaid labor. This creates a "winner-takes-all" dynamic, in which a few high-performing workers capture a disproportionate share of income, while others struggle to earn a decent living. The problem of informal work is particularly acute for undocumented migrants, who are excluded from formal labor protections and vulnerable to exploitation.

Connection to the Constitutional Mandate:

The problem of informal work is, at its core, a question of power and market concentration, and for this reason, it is essential to regulate the platform economy and to involve unions in this process. **A thorough application of Article 129.2, which names “workers” (*trabajadores*) and not only “employees” (*empleados*), must therefore extend to those who are currently outside formal labor protections.** To this end, fair competition and regulation of market concentration must be promoted, beyond the simple discourse of "free markets." **The committee noted that by the same token, labor representation in corporate governance could help not only to overcome barriers that prevent the adoption of practices beneficial to both employers and workers, thereby strengthening cooperation and fostering a more democratic and equitable workplace, they could also, offer a more accurate picture of *all* the labor involved in a firm's activities - and all the laborers.** Downstream accountability measures (such as CSRDDD reporting) are also essential to ensure that workers are accounted for, and eventually could be identified as holders of rights, which could aid in the formalization of employment relationships; a virtuous cycle, in other words, in which greater voice and ownership help to open up a path toward greater voice and ownership.

Hearings report: This chapter has been prepared drawing extensively on evidence given to the Commission by Antonio Casilli, Professor of Sociology at the Institute Polytechnique de Paris, and Professor Valeria Pulignano Professor of Sociology at the University of Leuven; as well as their prior work.

1. The Hidden Labour behind AI: Informality and Global Value Chains

Professor Antonio Casilli's evidence to the Commission addressed a frequently under-examined aspect which could be seen as a preliminary stage to Algorithmic Management: the externalized labour that remains largely concealed to the public eye yet plays a crucial role in artificial intelligence design and development. Drawing from an extensive research program conducted with his DiPLab team (Digital Platform Labor), the presentation focused specifically on data work as an essential but undervalued component of AI production systems.

Defining Data Work

Analysis was structured around the concept of data work existing on a continuum with other forms of platform labor rather than as discrete categories. At one end of this spectrum lies gig work, exemplified by location-based, on-demand platforms such as Uber and Glovo. Moving along the continuum, we find remote data work, which operates through either platform-based systems or business process outsourcing arrangements and is characterized by consistent underpayment relative to the value generated. The far end of the continuum encompasses unpaid data activities (such as customers' completing only Captchas), which lies beyond the scope of the Commission's enquiry.

Our focus, Professor Casilli suggested, should be on workers who engage in the fundamental processes that enable AI systems to function: they are frequently responsible for preparing datasets, training algorithms, validating model outputs, and evaluating system performance. Professor Casilli identified four primary categories of tasks performed by data workers within AI production systems. This includes labelling activities, where they assign categorical tags to various forms of data to enable machine learning algorithms to recognize patterns. Annotation represents another crucial function, involving more detailed descriptive work that provides context and meaning to raw data inputs. Content moderation constitutes a third major area of responsibility, requiring workers to review and assess material for appropriateness, accuracy, or policy compliance. Finally, Professor Casilli identified content filtering as a key task, involving the systematic removal or flagging of problematic material before it can influence AI system behavior.

Despite the critical nature of their contributions to the AI value chain, this work typically remains invisible to end users and is systematically undervalued within the broader technology ecosystem. Disparities in compensation and working conditions are stark: workers in Kenya who received compensation as low as \$1.34 per hour for their contributions to AI training processes are far from alone, with hidden AI labor involving workers across multiple countries including South Africa, the United Kingdom, Turkey, India, Canada, the United States, and the Philippines. These are only the countries mentioned by OpenAI about GPT-3 training, while DiPLab

research has conducted research across several Spanish- and Portuguese-speaking countries in Latin America (Venezuela, Colombia, Brazil, Mexico, Argentina), French- and English-speaking countries in Africa (Madagascar, Kenya, Cameroon, Côte d'Ivoire, Uganda, Egypt), and of course South- and South-East Asia (India, Philippines, Bangladesh, Nepal, and of course China).

Data Workers and the Global North-South Divide

One of the key themes of the presentation was the geographic distribution of AI labor, revealing what he characterized as a fundamental North-South divide in the industry. Whilst artificial intelligence appears to be ‘produced’ in the Global North, where major technology companies maintain their headquarters and operate large-scale data centers, Professor Casilli's research demonstrated that this appearance masks a more complex reality.

This was illustrated by drawing on field research findings from Madagascar, a country heavily involved in outsourced data labor specifically serving French firms. In addition to poor infrastructure, internet access, and shared or inadequate facilities, the research documented extremely low monetary compensation or, in many cases, complete absence of monetary payment structures, with workers paid in food items such as sugar, rice, and beans instead of cash for their data labor.⁶⁴

Mapping the Primary Data Labour Flow Patterns

According to Professor Casilli's analysis, data production remains concentrated in the Global South while AI companies maintain their corporate headquarters and public presence in the Global North, including major corporations such as Meta and Microsoft. This geographic separation enables data to move globally while remaining largely unrecognized in official corporate narratives about AI development processes.

This structural arrangement, as Professor Casilli described it, can be broken down into four distinct flow patterns that characterize the contemporary AI production landscape.

The first flow pattern involves movement from South and Southeast Asia to the United States. Professor Casilli noted that this pattern builds upon traditional outsourcing relationships, with established hubs in countries including India and the Philippines serving large U.S. technology companies. A second pattern involves internal Chinese data flows, where labor moves from what he characterized as Tier-3 cities—typically low-income, densely populated urban areas—to coastal AI development hubs including Shenzhen and Shanghai. Professor Casilli noted that this pattern also incorporates overseas Chinese-speaking communities, particularly in Malaysia and Singapore.

The third pattern documented by Professor Casilli involves Latin American countries, including Argentina, Venezuela, Colombia, and Brazil, producing data for both U.S. and European firms, with particular emphasis on Spanish companies, reflecting both linguistic connections and geographic ties. A fourth pattern, finally, centers on African countries serving global clients through multiple

⁶⁴ DiPLab research also documents several Spanish-speaking countries (with more than 2500 questionnaires and interviews) and their 2024 European Parliament report attests the presence of data workers in Europe (especially Spain and Portugal): https://hal.science/hal-04662589v1/file/Report_EnCOre-final.pdf

linguistic and colonial connections. According to Professor Casilli's findings, English-speaking African countries such as Kenya and Nigeria primarily serve U.S. firms, while French-speaking countries including Tunisia, Côte d'Ivoire and Madagascar focus on French corporate clients. Professor Casilli noted that African workers also increasingly provide data labor services to Chinese firms, including specifically in the field of facial recognition development.

Policy Responses

In concluding his presentation, Professor Casilli outlined three strategic responses to address what he characterized as the **data labor crisis**: downstream accountability measures, citing initiatives such as Fairwork⁶⁵ and the Partnership on AI that aim to push companies and platforms toward meeting established ethical standards; upstream pressure as a complementary approach, emphasizing worker-led efforts including union organizing, legal action, and grassroots activism that challenge existing power structures from below; and alternative governance models, particularly platform cooperatives and community ownership structures. In terms of concrete examples, Professor Casilli discussed the EU Corporate Sustainability Due Diligence Directive, which seeks to establish legal accountability for companies regarding their supply chains, noting its incomplete implementation across member states and Spain's potential leadership role, and the ILO Labor Disclosure Initiative, which would mandate transparency requirements including disclosure of all the labour investors involved within the value chain of any (AI) firm, i.e. worker numbers, task descriptions, and working conditions.

Professor Casilli emphasized that none of these approaches alone would prove sufficient, given the complex and systemic nature of the underlying problems and intersectional challenges, including traditional labor rights and employment precarity, persistent gender inequality, systemic lack of skill recognition, and barriers related to migration status and citizenship.

2. Facing Informality and Unpaid Labor

Professor Pulignano's presentation focused on the results of research on unpaid labour in both formal and informal labor market settings. Professor Pulignano's presentation was divided into two parts, the first devoted to the origin, nature, and relevance of unpaid labor, and the second to the functioning of the labor market that operates through platforms. Unpaid labour can be defined as time and effort people spent in developing tasks which are parts of their job description, but which remains poorly or not compensated. Unpaid labor includes social reproductive work (traditionally performed by women). It encompasses 'wage theft' which refers to the unlawful denial of wages or benefits that an employee is legally entitled to. It can take many forms, such as failing to compensate for all hours worked, withholding overtime pay for hours beyond the legally allowed hours in a week, paying less than the minimum wage, denying legally required breaks, requiring employees to work "off the clock," or misclassifying workers as independent contractors to avoid providing benefits. These practices deprive employees of their rightful earnings and can cause serious financial harm.

⁶⁵ <https://fair.work/en/fw/homepage/>

In Spain, *El Trabajo no remunerado en la economía global*⁶⁶ (*Unpaid Labor in the Global Economy*), by María Ángeles Durán, published by the BBVA Foundation in 2012, is an important reference for understanding the origins, relevance, and implications of unpaid labor in Spain in an international context. Years later, the [International Labor Organization](#) published a [report](#) analyzing wage inequalities between women and men at the international level. The Spanish Observatory on Equality and Employment⁶⁷ highlights from the report that **unpaid care work accounts for 14.9% of Spain's GDP**. Given that women are the ones who mainly perform this type of work, **they are the ones who contribute most to GDP: 10.3%**. Women perform 76.2% of unpaid care work internationally. This represents a major obstacle to women's professional fulfillment. According to the latest Time Use Survey conducted in Spain, **women spend an average of 2 hours and 13 minutes more per day than men on household and family care**. These same data indicate that women's time is centered on the family home, with the labor market occupying a secondary position. Meanwhile, most men organize their time around non-domestic work. **These differences are the main causes of inequality in the participation of women and men in the labor market**. The gender gap in time use influences the wage gap and reinforces stereotypical gender roles.

In relation to the "politics" of unpaid labor, Professor Pulignano refers to the dynamics and policies surrounding its emergence and the extent to which people support it: who benefits from unpaid labor and who maintains it. In her book, *The Politics of Unpaid Labour. How the Study of Unpaid Labour can help address Inequality in Precarious Work*, Professor Pulignano explains that "Our approach to unpaid labor focuses specifically on paid work within labor markets, analyzing the meanings and motivations that people attribute to it." The research underpinning the book made an effort to examine how unpaid labour operates across different occupational fields, focusing on creative and cultural industries, residential social care and freelancing work through platforms as contrasting cases. Among these meanings of unpaid labour, the author highlights the terms "coercive work," "free work," and "wage theft." Beyond the care economy and within formal labor markets, although the underlying forms and mechanisms may vary, Professor Pulignano considers that in many cases workers participate in unpaid labor in response to employer demands (e.g., long hours or strict control over working hours) and/or to advance in their careers (e.g., internships). This implies that unpaid labor can be an important dimension of precarious work and therefore inherent in the capitalist mode of production, where employers use unpaid labor as a "source of value" to make profits by extending and intensifying the working day, while workers struggle to obtain compensation for their "wage labor." Paul Gombert's (2018), emphasized that people suffer "unjust harm through their labour". Pulignano explained that this perfectly captures the dual nature of inequality in precarious work affected by unpaid labour she describes. In other words, precarity reproduces inequality both through material deprivation, by denying workers adequate pay and protections, and through symbolic devaluation, by situating them in stigmatized or low-status roles. As she empirically illustrates in the book "The Politics of Unpaid Labour" these two dimensions reinforce one another, deepening the structural inequalities that characterize precarious work in modern society.

⁶⁶ https://www.fbbva.es/wp-content/uploads/2017/05/dat/DE_2012_trabajo_no_remunerado.pdf

⁶⁷ <https://observatorioigualdadyempleo.es/la-importancia-del-trabajo-de-cuidados-no-remunerado/>

The "unpaid labor" referred to in the preceding paragraphs is assumed to be performed within paid employment, that is, for the benefit of a capitalist employer. However, no explicit distinction is made between employment (under some type of labor contract) and self-employment. For example, "wage theft" cannot occur among self-employed workers, as they do not receive a "wage." For this reason, Professor Pulignano's research (see reference book) makes this distinction, delving into the world of self-employment to arrive at a definition of unpaid labor that encompasses both employment and self-employment. At this point in her presentation, the speaker differentiates between "wage theft" (time worked outside contractual hours without fair remuneration) and "income theft" (affecting the self-employed and dependent contractors, who bear hidden costs). From this point on, the presentation moves on to the peculiarities of how platform-based labor markets operate and their implications.

The speaker introduced the concept of the "digital tournament" in the functioning of platform-based labor markets. Tournament effects in platform labor markets refer to the competitive dynamics where online platform workers strive for better ratings, better reviews, and more attractive tasks, often leading to a winner-take-all or winner-take-most outcome. This can result in a situation where a small number of high-performing workers capture a disproportionately large share of the available work and income, while others struggle to gain visibility and income. The work by Pulignano et al (2024) provides a theoretical and empirical analysis of "digital tournaments" and their implications. In terms of relationships between skills, productivity, and rewards in self-employed digital freelancing, extensive research shows that *"the upfront investments made by freelancers to build up positive platform ratings are not necessarily recouped in the form of increased autonomy, guaranteed work, or more lucrative 'gigs.' Drawing on 38 autobiographical narrative interviews and 12 audio working diaries with diverse online freelancers in Europe, we show how the low barriers to enter platform work provide opportunities for those with limited work experience and other commitments outside of work. However, the intense competition between an ever-expanding pool of (both skilled and unskilled) task freelancers within 'digital tournaments' results in the colonization of workers' free time and the normalization of unpaid labor. This implies that 'free time' for freelancers is largely an illusion. Furthermore, the significant 'sunk costs' that freelancers make in terms of time, platform-specific skills, reputation, and networks are not fully recovered and cannot be transferred to other platforms."* (Pulignano et al. 2024)

In digital freelancing, where work is increasingly organized through platform-mediated competition, producing what can be described as a "digital tournament", unpaid work results from how the business models work. Unlike conventional employment hierarchies, platform freelancers compete in real time for visibility, ratings, and task allocation, with success determined not (only) by skill but (also) by responsiveness, self-promotion, and client feedback. Platforms codify performance metrics and algorithmically rank workers, intensifying competition and externalizing risk: only the top performers secure consistent income, while the majority navigate intermittent, low-paid, and highly precarious work.

Organizationally engineered tournaments, where the distribution of rewards is contingent on relative performance rather than guaranteed outcomes. Freelancers invest substantial unpaid time and effort in maintaining profiles, generating reviews, and cultivating reputational capital, activities

essential to remain competitive in the digital marketplace. This mirrors broader labor market dynamics that are structured around hierarchical competition, where rewards—such as permanent employment, promotion, or financial gain—are distributed according to relative performance rather than fixed outcomes. But the algorithmic, immediate, and visible nature of digital platforms amplifies the pressures and precarity of the competition.

An ILO document confirms this reality and refers to platform workers in the following terms: *"Flexible work schedules, freedom to choose tasks, and the choice to work anytime anywhere make platforms popular. Workers also join platforms to earn additional income or due to the lack of other employment opportunities. However, platform work presents challenging working conditions. These include low earnings and income volatility, unfair termination of workers' accounts, limited access to work and social protection, and barriers to multi-homing (connecting to more than one platform). In practice, algorithmic management shapes work processes and performance in ways that limit platform workers' autonomy. To make a decent living, they end up working long hours, which has an impact on work-life balance and can lead to stress."*⁶⁸

About Spain specifically: several studies have been published on digital platform work in Spain, excluding teleworking.⁶⁹

⁶⁸ <https://webapps.ilo.org/digitalguides/en-GB/story/world-employment-social-outlook-2021#platform-workers>

⁶⁹ See Marina Gómez García and Laura Hospido (2022), El reto de la medición del trabajo en plataformas laborales (The challenge of measuring work on labor platforms), Artículos Analíticos, *Boletín Económico del Banco de España*, 1/2022, particularly relevant.
https://www.bde.es/f/webbde/SES/Secciones/Publicaciones/InformesBoletinesRevistas/ArticulosAnaliticos/22/T1/Fich/b_e2201-art03.pdf.

FIGURE 26: Differences in the Medium Characteristics, Spain

	COLLEEM-II (2018)	2018 Labor Force Survey		2017 Household Financial Survey		
	Non-sporadic TPD (1)	Third-party account (2)	Own account (3)	Third-party account (4)	Own account (5)	Third-party account with another employment agreement (6)
Female	40,4 %	47,8 %	33,7 %	47,9 %	36,8 %	42,5 %
Age (in years)	36	42,1	46,6	42,4	47,7	40,0
Between 16 and 25 years old	18,1 %	7,5 %	2,4 %	6,6 %	1,0 %	17,3 %
Between 26 and 35 years old	39,3 %	31,8 %	28,7 %	21,3 %	14,1 %	22,7 %
Between 36 and 45 years old	22,8 %	31,2 %	28,7 %	32,2 %	25,3 %	23,9 %
Between 46 and 55 years old	9,9 %	26,3 %	32,1 %	26,8 %	34,8 %	24,3 %
Between 56 and 65 years old	6,7 %	12,9 %	20,2 %	12,8 %	21,8 %	10,2 %
Between 66 and 74 years old	3,2 %	0,3 %	2,3 %	0,3 %	3,0 %	1,6 %
Marital status						
Single	25,3 %	38,1 %	25,2 %	32,6 %	21,0 %	35,9 %
In a relationship	68,9 %	53,0 %	66,0 %	57,1 %	68,4 %	49,6 %
Widowed/divorced	5,2 %	8,9 %	8,8 %	8,3 %	8,3 %	8,1 %
Other	0,6 %	–	–	2,0 %	2,2 %	6,4 %
Number of children under 18	2,20	1,58	1,63	1,51	1,67	1,66
Educational level						
Low (ISCED 1-2)	24,3 %	31,9 %	39,3 %	43,4 %	45,3 %	38,9 %
Medium (ISCED 3-4)	21,8 %	24,1 %	23,4 %	31,5 %	29,9 %	28,6 %
High (ISCED 5-8)	53,3 %	44,0 %	37,3 %	25,0 %	24,7 %	31,0 %
Other	0,5 %	–	–	–	–	–
Hours worked per week	36,7	36,0	44,0	37,5	46,5	19,9
Hours worked per week on platforms	14,4	–	–	–	–	–

Source: Colleen-II (2018)

Figure 26 on *Differences...* shows some descriptive data on digital platform work (DPW) in Spain, based on different sources; COLLEEM-II is a survey promoted by the EU. Another relevant work is the COTEC publication, *Trade unions facing technological challenges. Dynamics and best practices*

<https://cotec.es/proyectos-cpt/los-sindicatos-ante-los-retos-tecnologicos-dinamicas-y-buenas-practicas/>

Policy Responses

About remedies for addressing the colonization of workers' free time, **Valeria Pulignano** emphasizes the need to regulate the platform economy, focusing on differentiating between types of work in the platform economy (e.g., food delivery, transportation, care and domestic care services, and self-employed workers). **She suggests that labor market regulation should start with the product market and that unions should play a significant role in regulation.** She

argues that unpaid labor should be considered an indicator of job quality and suggests exploring work-life balance through reduced working hours. She highlights the importance of creating fair competition and regulating market concentration, especially in sectors such as technology. She suggests that some companies, particularly in technology, may not deserve to enter the market due to their power imbalance.

The concentration of companies (rather than just producers) gives employers significant power to shape labor contracts. The discussion highlighted the need for competition policy should pay more attention to both the labor market and the product market together and considers how to connect sociological and economic perspectives on market power. **Valeria Pulignano** suggests connecting capital concentration with the power imbalances that affect workers and working conditions.

The discussion highlights the need to address the so-called informal economy, particularly those not protected by labor rights despite performing work, despite being a labour investor in the product or service sold by the lead firm. As a first, somewhat easier step, the discussion identified **the possibility to raise the status of the workers who are not directly employed by the main or “core” or “lead” firm to recognize them through granting them representation at the board-level.** This could be particularly relevant where the most marginalised workers who are working for a supplier of the lead firm are not in an employment relationship with the firm. One example of best practice in this area is the German-based Fair Trade company **El Puente, which provides for the representation on the board of the company of the social enterprises and cooperatives forming part of its supply chain.** Such models can be built upon to achieve representation for the marginalised workers directly, or via the businesses that they form, and that could get them access to voice at the board-level which matters to them.⁷⁰ **To conclude, addressing the process of informalization (i.e. workers who are not employed by the lead firm but who are offshored, outsourced, gigified, throughout the so-called value chain of the lead firm across the globe) affecting the labor investors who are not protected by labor rights despite performing work critical to the service or the product sold by the lead firm is a critical challenge. Short of that, any improvement in terms of rights made for workers formally recognized as such, risks being undermined by the debasing of rights affecting workers maintained in the “informal” sector formed through the value chain, maintained unrecognized or “hidden,” across national borders.**

This hearing session sent a clear message that public authorities should take action to foster a meaningful process of formalization so that workers can be recognized as such by lead firms, and increase the presence of diverse individuals, women, and minorities (Breuer et al 2024) in collective bargaining bodies, labor representation commissions, and works councils in order to increase the knowledge about, and the relevance of the specificities of the challenges that they face. This is a challenge that is addressed to unions in particular.

⁷⁰ Reference: <https://wfto-europe.org/how-fair-trade-innovates-el-puentes-story/>

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Challenge 6: The Crisis of Civil Society

129.2 as a Resource for Union Renewal

Summary

Facts and Analysis:

This chapter highlights the multifaceted role of trade unions beyond traditional wage negotiation. Historically, unions have served as key actors of social, economic and democratic progress. They have built a "union culture" that promotes dialogue, debate, and democratic processes within the workplace and extends into broader civil society. Unions have fulfilled a vital function in social inclusion, professional guidance, and advocating for public services such as healthcare and education. They also play a crucial role in the economic sphere by analyzing economic conditions and developing strategies to protect employment against phenomena such as delocalization and the rise of financial capital. However, unionism has faced marginalization due to the fragmentation of the labor market, the rise of a service economy, and neoliberal political strategies that have reduced union rights and limited their capacity to intervene.

Connection to the Constitutional Mandate:

The marginalization of unions directly correlates with a rise in inequality. A substantial body of research, including recent reports from the OECD, demonstrates that a strong union presence is associated with lower income inequality. The OECD's flagship report, "Negotiating Our Way Up," confirms that healthy social dialogue contributes to productivity gains and ensures that all workers benefit from technological and economic changes. Consequently, supporting the flourishing of organized labor is a relevant policy goal and is increasingly urgent given political trends toward authoritarianism. In Spain, this has translated into a revaluation of tripartite social dialogue and legislative reforms that strengthen collective bargaining and protect vulnerable workers. Spanish unionism's approach to workplace democracy prioritizes strengthening collective action and the regulatory function of collective agreements, although unions often do call for greater participation in key decisions within companies.

To strengthen civil society and promote a more equitable economy, it is essential to support the role of unions as a fundamental counter-power. A broader application of Article 129.2, which specifically provides for the participation and ownership of workers in firms, aligns with the Spanish unionist ideal of the democratization of work. Given the central role of unions in Spanish society, the Committee notes that Article 129.2 provides an opportunity to strengthen union representation at all levels of labor relations and to that end recommends providing legal and financial support for their representative functions. It has already been broadly demonstrated that a vibrant and influential union movement is critical for fostering a more equitable and democratic society, and the Committee recommends that one key way to preserve and bolster unions is an application of Article 129.2 that moves worker participation from passive information rights to

active codetermination rights at the firm level, with public funding for unions to compensate for expanding their work of general representation in collective bargaining and social dialogue.

Hearings report: This chapter was prepared largely based on the evidence provided to the Commission by professors Miguel Martinez Lucio, Professor of International Human Resources Management and Comparative Labor Relations, University of Manchester, and Antonio Baylos, Professor Emeritus of Labor and Social Security Law at the University of Castilla La Mancha, as well as the authors' previous works on the phenomenon of the marginalization of trade unions and its consequences.

1. Unionism as an Agent of Economic and Social Progress

From traditional economic approaches, unionism is commonly understood as an economic agent whose role is limited to negotiating working conditions, ideally at the company level. However, its scope can reach sectoral, national, or regional levels, depending on the industrial relations model in place. From a historical perspective, union movements have played a decisive role in social and economic progress.

Beyond wage negotiations and employment conditions in the workplace, the development of unionism has gone hand-in-hand with the creation of a more expansive public sphere and therefore a healthier democratic society. This space is built through direct, often informal, communication with political parties, social groups and the state (in terms of its administration at different levels). Unions have normally sought to expand their relevance through solidarity campaigns defending civil and human rights. Adding to this, they have tended to nurture what is often called a "union culture" that projects onto civil society. This culture not only involves the practice of dialogue and debate in the workplace—in opposition to authoritarian and arbitrary rules—but also a democratic process within the union itself with regards to deliberation and decision-making although this can vary across unions.

From this political space and democratic culture, unionism has fulfilled a function of social inclusion and professional guidance. For example, Spanish unionism has played an inclusive role for immigrants through information centers for foreign workers) that provide advice and information to guarantee their labor and social rights, which also helps their social integration into a specific community or municipality. Local union structures are also often used by unions as an open space for the local population to organize cultural or leisure activities, connecting the union with citizens' interests in a specific territory.

Another more sociopolitical function of unionism is its role in carrying demands for public services and resources for citizens. These demands cover topics such as housing, transportation, healthcare, and education. They also point to the need for efficient public services and a public system that ensures counter-cyclical investments, providing citizens with basic opportunities for equal access to essential goods and services. This dimension links with the demand for transparency in the

actions of public authorities, especially in contexts of opacity or policies of outsourcing and the privatization of services.

This sociopolitical aspect is part of union culture in many cases and is transmitted to union representatives in the workplace and to union members through training and capacity-building mechanisms. Union information and media of various forms have been tools used to nurture this union culture within a significant part of the population not necessarily immersed in the labor problems of a specific production sector.

From this sociopolitical dimension, unionism has also taken a stance on issues that more directly concern the world of work. This includes technological and productive change, the transformation of work organization, and the attempted progressive transformation of the company-space. Unions have had to respond to the ongoing fragmentation at work caused by production decentralization and outsourcing. This also includes the segmentation and rotation of workers, which explains the rise of job insecurity as a fundamental characteristic of the labor market, particularly in Spain. These transformations have generated a significant change in the configuration of labor relations, which unionism has been attentive to, especially regarding the most vulnerable categories in the labor market. In this sense, unionism has made significant efforts to denounce these situations, inform public opinion, and develop proposals to protect these new groups who, on many occasions, slide toward social exclusion, as is the case with the working poor.

In parallel with its sociopolitical function as a condition for democratic citizenship, unionism has, as expected, addressed the relationship between the collective protection of workers and the free-enterprise economic system. This is based on the understanding that a social and democratic state must enable connections that link the decisive role of work in the production of goods and services with the central decisions that guide these processes. This type of connection between unionism and the economic system is manifested in a renewed focus by union research centers—often in collaboration with university institutes and departments—on the changing nature of economic institutions and contexts. The economic policy committees of unions, their research foundations, and broader research groups continuously analyze the functioning of the economy and economic situations in detail as a central element for defining their strategy in multiple aspects, especially in terms of collective bargaining.

The areas of employment and industrial reconversion, along with threats of delocalization and relocation of companies or their reorganization in terms of competitiveness and concurrency, are fundamental elements in the formulation of a union strategy for maintaining and protecting employment. This is one of the most developed aspects of union practice, engaging with public bodies and administrations to seek social solutions, unemployment support, and professional requalification for those considered on the margins of labour markets change.

This last aspect, regarding the capacity for union intervention in economic policies with the necessary intervention of the state, is connected to the broad tradition of industrial democracy. This ongoing interest which was discussed much in the 1970s forms part of the union movement's commitment to its members and the public regarding the design of the fundamental

guidelines that should govern a country's economic and financial orientation. It also links to an emergent concern and interest within the European Commission.

Industrial democracy, understood by some as union involvement in a country's economic policies, is especially related to issues of expanding democracy in the sphere of the company. This links the demands for a greater intensity of union and collective intervention in company decision-making procedures—on fundamental aspects of working and employment conditions—with the instruments that each legal system provides in this regard. In this context, two classic paths are proposed: on one hand, participation in the management bodies of companies, and on the other, the possibility of expanding collective ownership through worker participation in the economy through pension funds, social audits, and other similar proposals.

2. The Crisis and Marginalization of Unionism

The institutional isolation of unions and the difficulty they face in clearly transmitting their proposals to society are related to the crisis of representation that the union movement has been suffering from for some time. This crisis stems from the fragmentation of the labor market and the emergence of large groups of precarious sectors, labor flexibility, and unemployment. It also coincides with the transformation of the economy toward a service economy where financial capital has also been substituting industrial capital in terms of its importance. This also coincides with a process of privatization of public services and the commodification of social needs.

Neoliberal hegemony in the economic, cultural, and political spheres directly impacts on the marginalization of unions. In the economic sphere, the predominance of business schools and the reduction of decision-making to a closed circle connected to share ownership exclude or constrain attempts at worker participation. Initiatives that seek to integrate social impact into a company's own activity, with a clear repercussion on the reputation of the firm, or so-called corporate social responsibility, have been developed without always assigning a prominent presence to unions among the strategic actors in this process.

In parallel with the challenges facing the unions, the increase in inequality is in part linked to the political strategies of governments and companies that, in turn, tend to reduce in some cases union rights and limit their capacity for intervention. On the other hand, the absorption of economic and financial policies by the European Union, where much of the states' financial sovereignty resides, makes union action on the strategic design of employment and industrial policies difficult. The EU's own orientation on these issues has been extraordinarily reluctant to insert the voice of unions into the adoption of its action programs in a systematic manner. The lack of support and recognition for union action and the obstacles placed on its expansion into broader social and economic fields must also be accounted for when assessing the unions' representation crisis and the relative degradation of their regulatory function in labor relations.

Yet, a substantial body of research demonstrates a well-documented correlation between a strong union presence and reduced income inequality. This relationship is evidenced by the negative correlation between trade union density and collective bargaining coverage and income inequality.

As union density and bargaining coverage decrease, income inequality tends to rise. Some studies indicate that the decline of unions is responsible for a significant portion of the increase in wage inequality in certain countries, such as the United States.

Historically, through the recent neoliberal period, collective bargaining was not viewed favorably by international agencies like the OECD, but this perspective has evolved in recent years. The OECD now recognizes collective bargaining, on paper at least, as a critical tool for achieving policy objectives related to employment, wages, and inequality. The organization's flagship report, "Negotiating Our Way Up," confirms that healthy social dialogue contributes to productivity gains and helps ensure that all workers benefit from technological and economic changes. Ultimately, the role of unions in fostering a more equitable and inclusive distribution of economic gains is essential for the vitality of a democratic society.

3. The Recent Situation of Unionism in Spain

The situation of union marginalization in Spain has changed in recent years. These changes can be observed through the differences between the context marked by the financial and sovereign debt crisis between 2010 and 2013, where the increase in inequality and union marginalization were consequences of decidedly neoliberal public policies, and the subsequent context where there has been an attempt to counteract this situation.

Although there is extensive literature regarding the process that emerged from the financial crisis after the 2008 crash and its displacement to the European regional space, to the Euro crisis and the subsequent indebtedness of sovereign states to support the collapse of financial institutions, the outcome that is of interest here is visible in the fragmentation and dislocation of union power caused by austerity policies as a response to the crisis. Such policies produced a spectacular destruction of employment (6 million people, 26% of the active population) by promoting 'job adjustments' as a way for companies to resolve the crisis. This functioned as a form of social discipline and relegation of unions, which were marginalized in many cases from the classic formal informal mechanisms of consultation or dialogue with public authorities and employers. The official discourse at that time emphasized the individual and autonomous action of economic agents such as the firm as a way to overcome the crisis and create jobs.

The decrease in the number of companies with collective representation, resulting from job loss, and the legal reforms that undermined the capacity for general influence from the sectoral level of collective agreement (by promoting the decentralization of negotiation through the priority application of the company agreement and the repeal of the principle of ultra-activity of the agreements), accentuated the asymmetry of the employer-labor relationship. Furthermore, companies were for a while given exorbitant powers in the unilateral determination of working conditions, both in their modification and in the faculties related to contract termination through the facilitation and cheapening of various types of dismissal although this varied across sectors and regions.

These public policies, which were formalized in a set of significant legal reforms, also limited union influence on the state, denying any systematic attempt at social dialogue in the implementation or development of this legislative change. Finally, in response to growing conflict, there was an extreme reaction through the criminalization of strikes, with the act of informational pickets considered in some cases a crime of labor coercion, along with the provision of significant monetary sanctions in response to demonstrations, concentrations, and other forms of citizen protest that were understood as contrary to "security" as a stand-in for the old concept of "public order".

A change so decidedly hostile to the collective action of workers, which was justified by the authoritarian imposition of the "troika" and the rules of the so-called economic governance of the EU under a decidedly neoliberal orientation, provoked a strong reaction among the population. This reaction transcended the purely economic-social level to coalesce an important citizen resistance and a political project of change, emblematically emerging from the so-called 15M movement in 2011. This would cause a profound crisis in both the party system based on an imperfect bipartisanship and the questioning of the territorial structure of the state. The period led to a series of constitutional crises and reflections which in part emerged from the austerity crisis and the state's response to it.

This produced a deep rethinking of the democratic and constitutional system that was fundamentally situated at the level of citizenship and public space, but which had its translation into the need to impose a limit on the unilateral power of the employer in making decisions about working and employment conditions. In other words, it had repercussions by leading to the need to introduce elements to strengthen the capacity for collective and union action in the workplace and to strengthen the individual and collective rights of workers, as a way to limit and control the private or emerging unilateral power of employers which had been exorbitantly expanded with economic austerity policies and neoliberal labor reform.

The change in the context of public policies occurred with the presence of a new and profound economic crisis, this time in the form of the COVID-19 pandemic, which had coincided with the formation, for the first time in the constitutional history of Spain after the dictatorship, of a left leaning coalition government. This change happened in two phases, also chronologically defined:

- The first phase, after the outbreak of the health crisis and the period immediately following, which includes the eruption of the Cumbre Vieja volcano and the war in Ukraine (2020-2023), coincides with the suspension of fiscal rules in the European Union, the preparation of the National Recovery and Resilience Plans under the new European policy, and the development of the European Pillar of Social Rights. The following phase coincided with the new electoral 'map' that occurred in July 2023, political reconciliation with Catalan independentism through the promulgation of the Amnesty Law, and the resurgence of political opposition in the face of a difficult parliamentary composition of majorities in Congress.
- In this period (2023-2025), European elections were also held in June 2024, with the center-left decline retreat in most of the EU, with the elaboration of new fiscal rules and rearmament plans, postponing the action plan of the Social Pillar to the end of the year.

Further challenges emerged with the arrival of President Trump to power in January 2025, with the outbreak of the contentious issue of tariffs on trade between nations.

A common characteristic of these two moments is the reformulation of the relationship between public policies, unions, and civil society, in open contrast with the experiences of the previous economic crisis and its neoliberal orientation. After a transition period starting from the no-confidence motion in June 2018 that removed the president of the government from the Popular Party, which ended with the formation of the coalition government in January 2020, the urgency of the situation and the responses to the successive crises were characterized by the creation of a social 'shield' and the issuance of an institutional framework to support employment stability, along with an increase in the salaries for the most vulnerable and precarious sectors of workers.

The increase in the minimum wage, the creation of the minimum vital income, the reorientation of the employment crisis toward temporary adjustment through ERTes, pay audits especially in terms of equality, and the reduction of the gender pay gap, all converged in the government's labor reform of 2021. Initiatives in terms of equality and the role of equality plans was reinforced within the space of the companies with a significant union role. This reform produced a significant restriction on the use (and abuse) of temporary work, normalized social safety nets in case of crisis, and re-strengthened collective bargaining instruments. In addition, and in parallel, the labor consequences of decisive technological innovations were regulated, such as teleworking or the labor status of delivery workers for digital platforms. This trend was completed with the reform of retirement pensions and their revaluation, as in the case of partial retirement, and a range of bilateral agreements between employers and the most representative unions on collective bargaining and salary increases (AENC 2023-2025). In this phase (2020-2023), the most relevant thing is that this change in public policies is accompanied by a positive revaluation of tripartite social dialogue as a method for improving the quality and progressive features of government and as a way of generating new sets of inclusive policy norms - an instrument that seeks social legitimation for these public policies as a way to also guarantee political-parliamentary legitimation in a context of government majorities of a certain complexity.

In the second stage (2023-2025), however, there has been greater political polarization and continuous confrontation with employer associations, which has the effect of distancing the CEOE-CEPYME from social dialogue. Employers participate in tripartite negotiations but refuse to have been known not to sign agreements on some of the issues raised above. In turn, new business groups question the representative monopoly of established employer organizations, especially in the field of small and medium-sized enterprises, generating a conflict around their recognition by public power in the instances of institutional participation that were only occupied by the majority business organization.

Social dialogue in this second phase has translated into bilateral agreements between the government and the unions as a final result of the process of political exchange from which the employers' association has withdrawn for the time being. This has been the case with the minimum wage, unemployment benefits, climate-related leave, information rights, and protocols in collective bargaining. In this instance, it also included CEOE-CEPYME on LGBTI protocols in

collective bargaining. The most important agreement was possibly the reduction of the length of the working day, which has triggered a very negative response from the business community and whose viability and scope are yet to be defined at the level of the Congress. This point attests to the difficulties of social legitimation obtained through these social agreements without the participation of the business community in parliamentary mediation. This, in turn, causes the centers for attribution to shift its emphasis to the public "conversation" between parties, as opposed to the priority practice of tripartite social dialogue as a normative and public policy strategy.

In any case, there are still a set of issues that seem to be generating confrontation with the business community, notably the reform of employment dismissal, which links back to the questioning of the legislative changes of 2012. The decision of the European Committee of Social Rights, which has declared that the compensation system established by the Spanish law does not satisfy the requirement of adequate reparation prescribed by Article 24 of the European Social Charter, therefore demanded a legal response.

In general, there has indeed been an improvement in the regulation of working and employment conditions in this last historical cycle in terms of the current political context that has favorably impacted the personal situation of a significant part of the working population. Moreover, the growth of salaried employment—and social security contributors—has allowed for a favorable macroeconomic picture for growth despite the situation of uncertainty affecting all European countries. Although this starting point contrasts favorably with the austerity policies and the political relegation of unions in the 2010-2013 cycle, it is clear that Spanish unionism has in these more recent years articulated a well-defined position regarding democracy in the workplace.

4. Unionism and the Democratization of Work and the Company

What tasks must both the state and the unions themselves fulfill to facilitate the expansion of democracy in the economy?

As far as the state is concerned, there are several possible lines of action. First, the creation—or development—of an institutional framework that favors social dialogue as a method of norm creation. At the European level, it would be important to develop a greater capacity for intervention by European level trade unionism as embodied in the ETUC. Domestically, it is also important to strengthen the action of the Labor Inspectorate in terms of monitoring compliance with labor law and collective agreements, in addition to promoting and providing the financial means to create information centers and support networks for the most vulnerable sectors, extending the mechanism of equality plans, for example, to other vulnerable categories such as ethnic or migrant worker groups. And finally, also to promote research projects and spaces for collaboration between universities and unions thus broadening further the field like labor relations and the sciences of work.

Regarding unions, the integration of the organization among the three classic categories of vulnerable workers —immigrants, young people, and women (amongst others)—is important. To do

this, it is suggested to systematically support the territorial dimension of union structures as spaces functionally relevant for the realization of the union's social and civic policies. Internally, it is suggested that a key focus should be the promotion of the instruments of economic democracy and direct participation of union members and workers, in addition to expanding the scope of intervention of worker representatives and union delegates in matters of occupational health, the environment, and equality/social inclusion matters. The idea is to supplement traditional forms of worker representation with more focused and specialized representation across such themes and issues without weakening broader union identity and unions roles.

Conclusion: Democratize Work or Democratize the Company?

In the first case, the focus is placed on the need to provide an active and powerful presence of the union as a key representative organization of workers, not only in the workplace but throughout all levels of labor relations, from the production sector to political dialogue. The role of the union and how it approaches the issue of democracy through the action of reforming normative structures and with the indispensable assistance of collective bargaining is important and central to a democracy, but must be backed by a public policy and enforcement inspection systems and related sanctioning bodies: this should be based on the normative creation of collective action spaces that incisively limit entrepreneurial powers when necessary. In parallel, this democratizing process should continue to be projected onto the space of social citizenship and, specifically, on the need to reduce inequalities resulting from the re-commodification of social needs caused by four decades of neoliberalism of different forms. In this sense, the democratizing project that the union movement desire to carry out is part of the tradition of industrial democracy (broadly speaking) and requires being associated with a progressive redistributive perspective through taxation and the development of initiatives for the social transformation of social spaces in terms of housing and urban existence.

When proposing democracy at the company level, Spanish trade unionism has expressed its preference for strengthening the external bilateral relationship with employers, that is based on maintaining autonomy and independent collective identities. In this sense, the union presence in the workplace is to be considered a strategic element because it is the condition for an effective bilateral relationship to be established that can rebalance the organizational power of the company and employers. These powers are somehow reflected in the exchanges contained in the collective agreement or the agreements that may be made in the face of the different moments of conflict derived from the nature of the organization of work or the technical, productive, or economic reorganization of the company. In this sense, the union presence based on the elected unitary representation bodies in the workplaces established by the Workers' Statute is, for all Spanish unions, an important institutional element.

That is to say, the practice of democracy in the company emerges from the idea of democracy in the workplace, understood as the reinforcement of the collective dimension of labor relations. This is based on some very specific demands, such as influencing the field of work organization through collective bargaining, in many cases considered a field immune to worker influence. It also involves

the introduction of negotiation rights in terms of internal flexibility, so that there is a transition from the passive information rights largely recognized by the legal norms to a generalized scheme of consultation rights understood as the beginning of a broader and more socially oriented negotiation process.

The possibility of developing instruments for participation in company management is generally understood as an additional, not a primary, element to the general perspective stated before. Business associations have not shown any interest in developing legal instruments for participation in the management processes of companies. And unions, except for a brief period when they experimented with a broader influence on public companies based on collective bargaining, have not managed to formalize proposals in this regard, possibly because they understood that it was a priority to intervene in the area of information and consultation rights and in collective bargaining. Finally, the proposal to bring democracy in the workplace also entails a long-standing union demand that is related to the regulatory function of collective relations through a collective agreement of normative and general effectiveness. In this sense, unions act on behalf of all workers. However, such roles and functions need to be supported more systematically by the national regulatory and democratic system. Through institutional participation, understood as a competence and role recognized in the Organic Law on Union Freedom regarding the most representative unions, the aim should be to consolidate public funding for union activity that economically compensates and supports this important representative work within the framework of labor relations.

In summary, **supporting the health and development of civil society and organized labor must therefore be considered a relevant policy goal. This is becoming even more urgent in the face of political trends toward authoritarianism, where countervailing powers such as trade unions and the civil society are not viewed as being vital to a healthy and functioning democracy but rather as obstacles to be overcome.** The project for the democratization of work promoted by Spanish trade unionism in terms of normative legal reforms involves the following dimensions:

- Reform of the information and consultation rights in Title II of the Workers' Statute and presumably also of the Organic Law on Union Freedom in the indicated sense of strengthening active information rights and the transformation of the right to consultation into a right to negotiation.
- Development of Article 129.2 of the Spanish Constitution as a complement to the strengthening of union and collective representation in the company.
- Participation in the administration and management bodies of the company.
- Issue a law on the institutional participation of representative unions that guarantees public funding and resources to compensate for the extensive work and investment of time that general representation in collective bargaining and social dialogue require.

Challenge 7: The Crisis of Poverty and Inequality

129.2 as a Path to Greater Equality

Summary

Facts and analysis:

This chapter addresses the problem of the “working poor;” that is, the significant and growing number of people who, despite being employed, are unable to earn a decent living. In Spain, this situation is particularly serious, with almost three million workers living in poverty. The country’s working poverty rate is 13.7%, and doubles among immigrants, reaching 29.5%, and almost 30% in the agricultural and domestic sectors. Key factors explaining this phenomenon include the decline in the power of trade unions, the increase in precarious work, the impact of globalization, and the spread of digital technologies.

The nature of the current inequality crisis is complex and multifaceted, going beyond simple income disparities. It is characterized by a significant and persistent gap between the richest 10% of the population and the poorest 50%. While historic progress has been made in reducing income inequality overall, particularly for the “middle class” (the next 40%), this progress has essentially left behind the poorest half of the population. For example, in Europe, the richest 10% still own 55% of all wealth, while the poorest 50% own barely 5%. This is exacerbated by phenomena such as technological innovation, which is a key mechanism for companies to gain market power, with extraordinary profits concentrated in a few influential companies. **The traditional strategy of governments, which has been to rely on economic growth and redistribution (taxes and subsidies) is increasingly proving to be a fragile and incomplete solution to these crises.**

Connection to the Constitutional Mandate:

The chapter provides facts on the origins of economic inequality and explains why this situation and the mandate of Article 129.2 justify including a **“pre-distributive” focus in the fight against poverty and inequality; that is, a strategy that reduces income and wealth inequality where it occurs - here, mainly within companies.** Research on worker behavior in the social economy shows that when workers have a voice, they tend to minimize precarious and poorly paid jobs, limit outsourcing, and increase investment in training for low-unskilled workers. Worker participation is therefore a pre-distributive strategy that can lead to a more equitable distribution of wealth when it is created, preventing it from being distributed among senior management and shareholders. Granting workers access to voice and ownership at the level of corporate governance in Spain thus promises to help advance the goal of greater equality in the distribution of wealth *at the source*. Worker access to high-level voice and ownership as provided for in Article 129.2 could help by influencing company policies aimed at proportionally improving the wage conditions of lower-paid workers as well as by acting as a counterweight to excessive executive pay and/or speculative shareholder operations.

In addition to what substantive worker participation could contribute on its own to containing economic inequality by limiting pay differences within companies, evidence suggests that countries with a tradition of co-management are also countries with greater redistributive capacity on the part of the State. This indicates that **co-management is most useful when complemented by institutional support by a redistributive welfare State, as well as by labor market institutions and industrial relations, such as trade union activity, collective bargaining, and job security - and vice versa. In short, strengthening worker participation in the company is considered an effective tool for combating poverty and inequality, and for reinforcing traditional redistributive policies.**

Hearings Report: This chapter has been prepared largely on the basis of evidence presented to the Commission by Professor Olivier De Schutter, UN Special Rapporteur on extreme poverty and human rights and professor of international human rights law, European Union law, and legal theory at the University of Leuven, as well as his previous work. His reports present a substantial body of scientific evidence on the issues addressed in this section, which cannot all be reproduced here. The reports 'The Working Poor: A Human Rights Approach to Wages' and 'Eradicating Poverty Beyond Growth' are of particular interest for this thematic section (De Schutter, 2023, 2024).

1. Poverty

Why do so many workers continue to live in poverty? The concept of "working poor" refers to people who spend a significant amount of time engaged in work-related activities (either working or looking for work), but whose income is below the official poverty line. The central idea is that a job, or even several jobs, does not guarantee a decent standard of living. This is a situation where people are employed, sometimes full-time, but do not earn enough to meet their basic needs and support themselves and/or their families. Approximately 10% of the EU's working population (more than 20 million people) are considered "working poor."

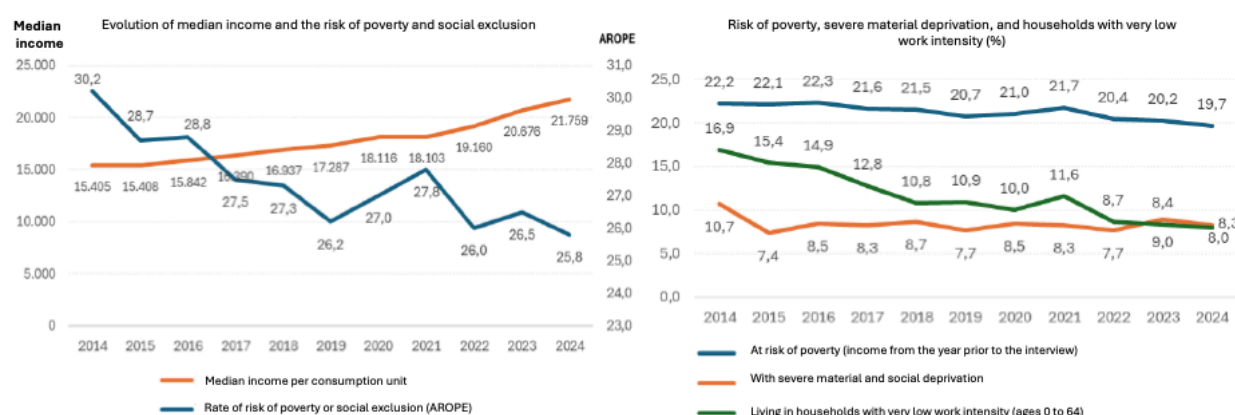
A recent study by the ISEAK foundation commissioned by Oxfam, Oxfam (2023), ranks **Spain among the countries with the highest levels of in-work poverty**, surpassed only by Greece and Romania in the EU. According to this study, almost three million Spanish workers live in poverty. The picture of in-work poverty that emerges from the ISEAK-Oxfam study shows the extent of the in-work poverty crisis in Spain:

- **The in-work poverty rate in Spain is 13.7%, a figure that doubles among immigrants (29.5%).**
- By sector of activity, the agricultural sector and domestic workers have a working poverty rate of almost 30%.
- **Forty percent of large families and 30% of single-parent families suffer from this situation.**
- **Part-time employment or self-employment condemns one in four workers in these categories to poverty.**

- Andalusia tops the list for in-work poverty with a rate of 19.4%, followed by Extremadura (17.2%) and Castilla-La Mancha (15.4%).
- Households in working poverty spend between 67% and 79% of their income on housing and basic services.

The annual report of the CES (Economic and Social Council of Spain) devotes the first section of the third chapter of the report to social cohesion in Spain, with new relevant data on poverty in Spain (CES, 2025).

FIGURE 27: Indicators of Income, Risk of Poverty, and Social Exclusion



AROPE: People who find themselves in one or more of the following situations: 1. Monetary poverty; 2. Households with very low work intensity; and 3. Severe material deprivation.

Monetary poverty: percentage of people below the poverty line, set at 60 percent of the median annual income per consumption unit per person (after social transfers and excluding housing).

Low work intensity: households in which members of working age worked less than 20% of their total potential working hours during the year prior to the interview (income reference period). The number of months in which household members worked during the reference year is calculated, as is the total number of months in which those same members could theoretically have worked. The ratio is calculated and determined to be less than 20%. This variable does not apply to people aged 60 and over.

Severe material deprivation: proportion of the population living in households lacking at least four of the following nine items: 1) Cannot afford to go on vacation at least one week per year; 2) Cannot afford a meal of meat, chicken, or fish at least every other day; 3) Cannot afford to keep their home at a comfortable temperature; 4) Cannot afford unexpected expenses (of €650); 5) Has had delays in paying expenses related to their main residence (mortgage or rent, gas bills, community fees, etc.); 6) Has not made any purchases on credit in the last 12 months; 6) Cannot afford to own a car; 7) Cannot afford a telephone; 8) Cannot afford a television; 9) Cannot afford a washing machine.

Source: CES Annual Report (2025) https://www.ces.es/documents/10180/5361467/Memoria_CES_2024.pd

The keys to explaining low wages in many countries are as follows:

1. Unemployment (less relevant today in Spain due to the economic recovery).
2. The decline in union power, driven by de-unionization, the growth of fragmented labor structures that weaken collective bargaining, and the increase in precarious and informal employment situations that hinder the adequate representation of workers.
3. The increase in precarious employment situations in which wages are reduced. Employers are increasingly resorting to part-time, zero hour, and temporary contracts, which increase economic insecurity. Outsourcing, self-employment, and the rise of gig work in the platform economy, where workers provide short-term, task-based services to clients through online digital platforms, increase job insecurity for thousands of workers. Precarious work often disproportionately affects women (e.g., part-time work due to care responsibilities).
4. The impact of globalization and automation, most recently driven by the emergence of artificial intelligence, are two trends that contribute to the outsourcing of jobs and wage restraint.

The Limits of Economic Growth and Redistribution to Eradicate Poverty

Poverty, including in-work poverty, has profound effects on children, often causing poverty to be passed on from one generation to the next. **Escaping low-income jobs is extremely difficult for most people** in most European countries, including Spain. According to the OECD, it takes an average of five generations for a child born into a low-income Spanish family to reach the median income (OECD, 2018, p. 29).

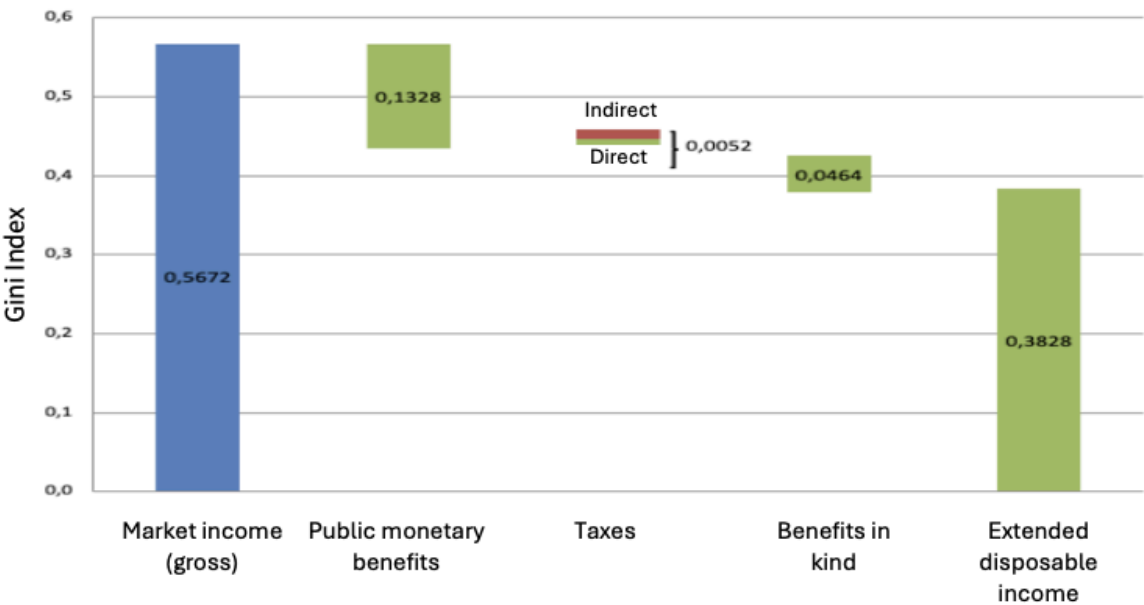
Relying solely on the traditional strategy of creating new quality jobs, **focusing on innovation and economic growth, while providing minimal safety nets for those left behind, is a fragile strategy** for truly reducing in-work poverty. To reduce poverty, inequality must be addressed (which is discussed in the next section).

However, the proposal to solve poverty through economic growth has been generally accepted by public authorities in recent years. The path that hypothetically leads from economic growth to poverty reduction can be summarized as follows: "Economic growth → Taxes and subsidies → Redistribution." The idea is simple: with economic growth, the tax bases of the population's income and wealth increase (except if the value is captured by a narrow economic elite), and so do the state's tax revenues. The hypothesis is that with more public revenue, the state has more funds available for public policies that are used to correct market income inequality through redistributive mechanisms, such as social protection and free access to basic public services.

State's efforts to reduce inequality have been measured. In the case of Spain, redistributive mechanisms contribute to reducing inequality by 32.5% compared to its pre-redistribution level.

This is what can be concluded from a recent study published by Fedea (2025) and carried out by professors López Laborda, Marín González, and Onrubia, which documents in detail the redistributive capacity of the welfare state on household income in Spain. The Gini index calculated on the basis of the expanded primary income of households in Spain is equal to 0.5672 in 2022. The progressivity of income transfer reduces the inequality of expanded primary income by 0.1328 Gini points to 0.4344. Secondly, the overall progressive behavior of taxation adds another reduction in gross income inequality of 0.0052, and the Gini falls to 0.4292. Finally, public spending on health and education further contributes to reducing inequality by 0.0464 Gini points. After redistribution, the Gini index value falls to 0.3828, representing a 32.5% reduction in the pre-redistribution index. (See Figure 28).

FIGURE 28: Correction of Inequality after Taxes and Public Benefits for Spanish Households in 2022 (changes in the Gini index)



Source: López Laborda et al. (2025)
<https://fedea.net/noveno-informe-2022-del-observatorio-sobre-el-reparto-de-los-impuestos-y-las-prestaciones-entre-los-hogares-espanoles/>

Although the redistributive capacity of tax systems, and therefore the ability of governments to reduce poverty through the mechanism of growth and redistribution, remains important in some countries, in general it is reaching its ceiling or even declining in some cases, for two main reasons: growing tax competition between states and the possibilities for tax base and income evasion offered by tax havens (further exacerbated by President Trump's policy of reducing taxes on corporate profits in the United States, an open invitation to shift profits to the US); and the difficulties in implementing social protection due to the barriers faced by municipal and state social services in identifying and mobilizing potential beneficiaries of public assistance (the case of the relatively low coverage of the Ingreso Mínimo Vital in Spain is cited). As a more structural limitation of the poverty correction model, economic growth is slowing down structurally and will not return

to post-war levels. This slowdown in growth, due to planetary limits (climate change, loss of biodiversity, depletion of resources), interferes with the classic recipe of combating inequality with more growth.

2. Inequality

The Crisis of Inequality in Spain

Data on Economic Inequality

Our understanding of inequality in the distribution of income and wealth, both globally and in individual countries, owes much to the work of Professor Thomas Piketty, and particularly to the publication of his book *Capital in the Twenty-First Century* just over ten years ago. Piketty and Sáez (2014) offer a summary of the major trends in economic inequality in the United States and Europe, as well as a summary of the main factors explaining it. Figure 29 provides specific data relevant to understanding the state of economic inequality in the United States and Europe and its evolution over time.

FIGURE 29: Evolution of inequality in the distribution of income and wealth in the United States and Europe

Income inequality in Europe and the United States, 1900–2010

Share of top income decile in total pretax income

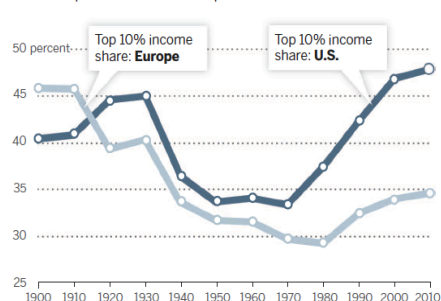


Fig. 1. Income inequality in Europe and the United States, 1900 to 2010. The share of total income accruing to top decile income holders was higher in Europe than in the United States from 1900 to 1910; it was substantially higher in the United States than in Europe from 2000 to 2010. The series report decennial averages (1900 = 1900 to 1909, etc.) constructed using income tax returns and national accounts. See (24), chapter 9, Fig. 9.8. Series available online at piketty.pse.ens.fr/capital21c.

Wealth inequality in Europe and the United States, 1870–2010

Share of top wealth decile in total net wealth

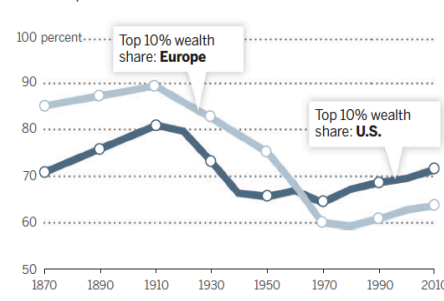
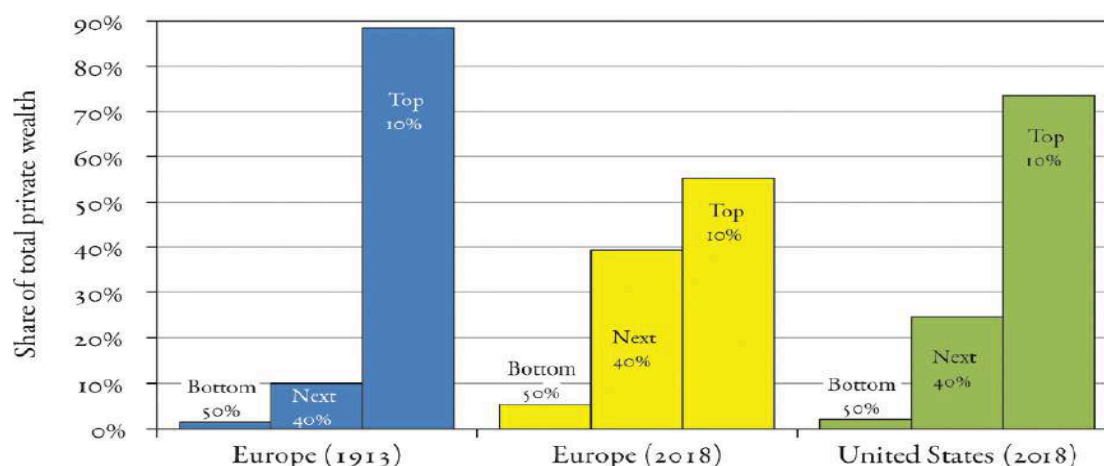


Fig. 2. Wealth inequality in Europe and the United States, 1870 to 2010. The share of total net wealth belonging to top decile wealth holders became higher in the United States than in Europe over the course of the 20th century. But it is still smaller than what it was in Europe before World War I. The series report decennial averages constructed using inheritance tax returns and national accounts. See (24), chapter 10, Fig. 10.6. Series available online at piketty.pse.ens.fr/capital21c.

Source: Piketty and Sáez (2014) <https://eml.berkeley.edu/~saez/piketty-saezScience14.pdf>

FIGURE 30: Distribution of Private Wealth in Europe and the United States

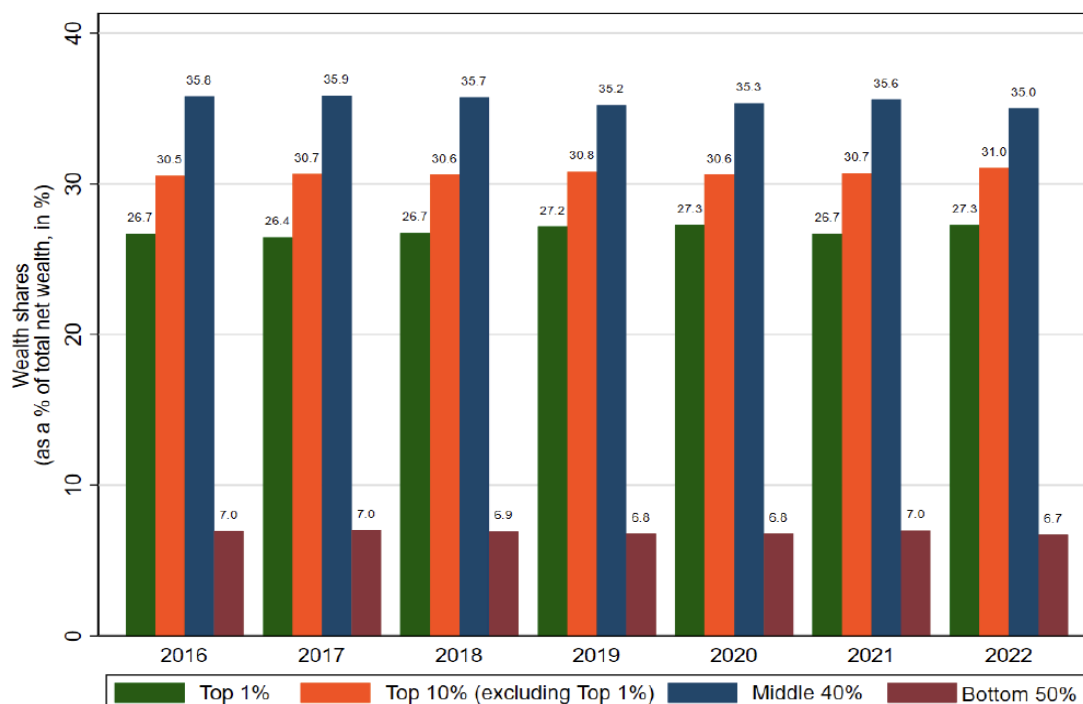


Source: Piketty (2020; Fig. 13.10)

Piketty and Sáez (2014) highlight the "Great Redistribution" of wealth that took place in Europe between 1913 and 1980. In fact, until 1930, the richest 10% of people in Europe accounted for 90% of total wealth. The so-called middle class, comprising 40% of the population between the richest 10% and the poorest 50%, barely owned 10% of total wealth, leaving the poorest 50% with virtually no share of total wealth. Currently, wealth in Europe is distributed approximately as follows: 55% to the richest 10%, 40% to the middle class (40% of the population), and 5% to the poorest 50%. In the United States, the proportions are 74%, 24%, and 2%, respectively. Wealth distribution has been and continues to be generally more unequal than income distribution. As in the case of wealth distribution, between 2013 and 2018 there was a major redistribution of income. In 1913, in Europe, the top 10% of earners accounted for 50% of total income, while today that percentage is around 33%. The share of the poorest 50% has risen from 10-15% at the beginning of the 20th century to 20-25% today, leaving the middle class (the 40% between the richest 10% and the poorest 50%) with a share of total income of 40-45%.

In 2022, the bottom 50% of Spain's population had an average income of €PPP12,900 (€11,220), while the top 10% earned eight times as much on average, at €PPP105,500 (€91,560), according to the latest edition of the World Inequality Report compiled by Thomas Piketty's research group, using data from that year (Chancel et al, 2022). The financial crisis spanning from 2008 to 2014 led to a decline in average incomes across the board, including for the bottom 50% of earners. It wasn't until 2015 that the poorest half of the population saw their average income return to pre-2007 levels. Similar conclusions come from another recent monograph on Spain from the Inequality Lab, using information from the Financial Survey of Families. The study contains information on inequality in the distribution of wealth broken down by Autonomous Communities, excluding the Basque Country and Navarre (Marrero et al., 2025). Figure 31 shows the distribution of wealth in Spain between the richest and poorest people for several years, with values similar to those published for Spain by the World Inequality Report, reproduced in the appendix. The stability of the distribution data throughout the period covered by the study is also evident.

FIGURE 31: The Distribution of Wealth in Spain



Source: Marrero et al. (2025) (Figure 3 of the original study)

https://wid.world/www-site/uploads/2025/06/WorldInequalityLab_WP2025_13_Regional-Wealth-Inequality-in-Spain_Evidence-from-the-Spain-Wealth-Atlas_Final.pdf

According to the same study, the average net wealth of Spaniards in 2022 amounts to €383,000, ranging from €687,000 in Madrid to €229,000 in Extremadura. In terms of inequality in the distribution of wealth within each Autonomous Community and nationally, except for the Basque Country and Navarre, the GINI inequality index shows a figure of 71.3% for Spain, 75.2% for the Canary Islands, and 62.4% for Castilla-La Mancha.

Explanations for Economic Inequality

Piketty's theoretical contribution to explaining the evolution of inequality in the distribution of income and wealth in the long term was to formally demonstrate that income distribution and economic inequality are determined by the relationship between the rate of return on capital r and the rate of economic growth, g (equal to population growth plus labor force growth). Thus, inequality in income distribution increases when the rate of return r is greater than the growth rate g .

FIGURE 32: Rate of Return Versus Growth Rate Worldwide, Antiquity to 2100

Rate of return vs. growth rate at the world level, Antiquity–2100

Annual rate of return or rate of growth

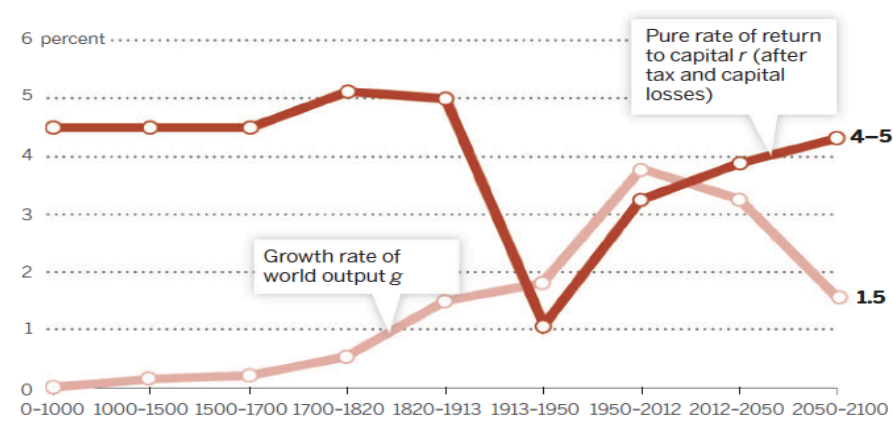


Fig. 4. Rate of return versus growth rate at the global level, from Antiquity until 2100. The average rate of return to capital (after tax and capital losses) fell below the growth rate in the 20th century. It may again surpass it in the 21st century, as it did throughout human history except in the 20th century. The series was constructed using national accounts for 1700 and after and historical sources on growth and rent to land values for the period before 1700. See (24), chapter 10, Fig. 10.10. Series available online at piketty.pse.ens.fr/capital21c. The future values for g are based upon UN demographic projections (median scenario) for population growth and on the assumption that between-country convergence in productivity growth rates will continue at its current pace. The future values for r are simply based upon the continuation of current pretax values and the assumption that tax competition will continue. See (24), chapter 10, Fig. 10.10. Series available online at piketty.pse.ens.fr/capital21c.

Source: Piketty and Saez (2014) <https://eml.berkeley.edu/~saez/piketty-saezScience14.pdf>

As can be seen in Figure 32, $r - g$ was very large for most of human history. Growth was very low until the industrial revolution (well below 1% per year), while average rates of return on capital were typically in the range of 4 to 5% per year (historically, in pre-industrial agrarian societies, annual land rent—the main capital asset—represented approximately 4 to 5% of the value of land) and taxes were minimal. Growth rates increased substantially during the 18th and 19th centuries but remained relatively low (between 1% and 1.5%) compared to rates of return. This large difference between r and g would explain why wealth concentration was so high until World War I and why it was lower in the United States, where population growth was faster.

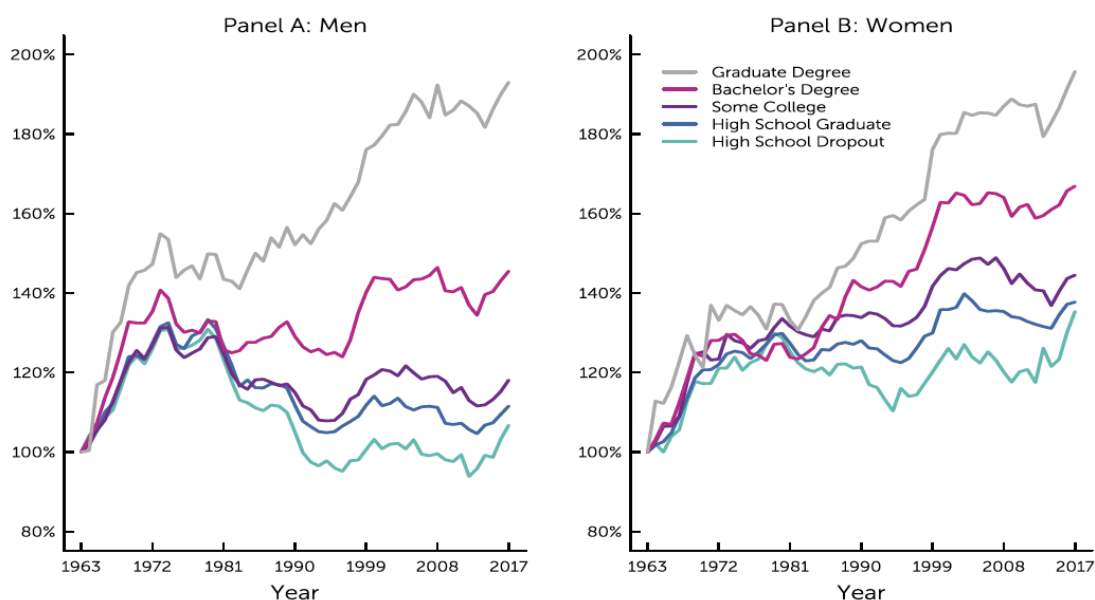
During the 20th century, growth rates were exceptionally high (particularly due to very high population growth, which still accounts for about half of global gross domestic product growth today), and rates of return fell significantly due to capital crises (destruction) and higher taxes. Simple simulations show that this effect is quantitatively significant enough to explain why wealth concentration did not return to pre-World War I levels in the postwar period. However, projections for the rest of the century point to a rebound in r and a contraction in g , which would once again create favorable conditions for a sustained increase in inequality, according to the proposed theoretical model.

Education and Technology

An economic explanation for growing inequality that differs from Piketty's proposal is based on the idea of "a race between education and technology" (Goldin and Katz, 2008). According to this view,

the expansion of education leads to an increase in the supply of skills, while technological change generates an increase in the demand for those skills. Depending on which of these processes advances more rapidly, labor income inequality will decrease or increase. Figure 40, with data from the United States, shows the consequences of the race between education and technology in the form of a growing wage gap between subpopulations with different levels of education.

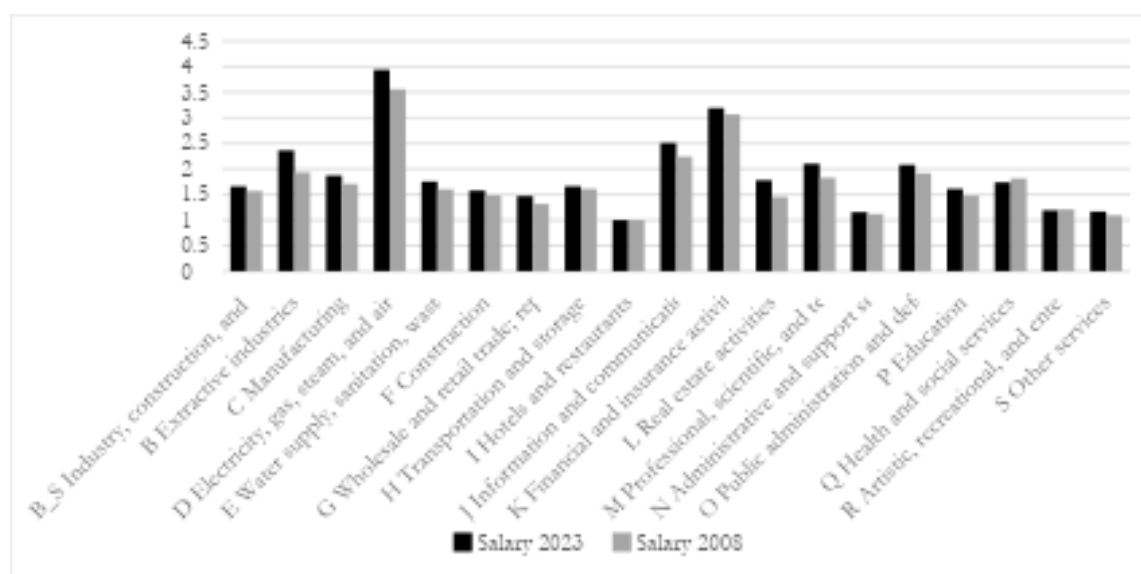
FIGURE 33: Contribution of the Educational Levels of Employed Persons to Wage Inequality.



Source: Autor (2019) <https://www.aeaweb.org/articles?id=10.1257/pandp.20191110>

Similar information is not available for Spain. Instead, as an approximation of the wage differences attributable to the combination of productive technology and formal education, Figure 34 shows the differences in average wages between sectors of economic activity in Spain at two points in time, 2008 and 2023. **The differences in average wages between economic sectors are significant (up to a maximum ratio of 4) and generally increase over time.** The highest average wages are concentrated in the financial, energy, and information and communications sectors; the sectors with the lowest average wages, in addition to hospitality, are artistic and recreational activities and other services such as personal care.

FIGURE 34: Ratio Between the Average Wage in the Sector and the Lowest Average Wage Across All Sectors (The Hospitality Sector).



Source: Own elaboration with data from INE

The increase in inequality in recent decades would have been consistent with increased competition for skills, driven in turn by globalization, technological change biased toward skills, and the rise of information technologies. However, this race between education and technology has occurred throughout the developed world, while the increase in inequality has not been uniform, as it has increased less in countries such as Europe and Japan than in the United States. The explaining power of this hypothesis remains therefore limited.

Market Power and Inequality

The rise in economic inequality has also been linked to evidence of a widespread increase in "firm market power" in developed economies. For goods and services sold in end markets, the market power of companies is measured by the relative distance between the selling price and the marginal cost of production (DeLoecker, et al., 2020), Eeckhout, J. (2021). In markets for resources used in production, such as labor, the measure of market power is the relative distance between labor productivity⁷¹ and the wage per hour worked (Azar, Sanz-Espín, 2025). In perfect competition, the selling price is equal to the marginal cost of production and marginal labor productivity is equal to the market wage, and firms have no power to influence prices and wages in their production and employment decisions. There is therefore an inverse relationship between firms' market power and market competition.

⁷¹ A note on labor productivity: this notion is disputed. It refers to the way mainstream economics considers the productivity of an individual worker. Some view it as a very narrow concept as the productivity of any individual worker cannot be separated from the work organization as a whole, from how his or her co-workers are trained and perform, which technologies are in place, etc. Wages are the result of a bargaining process, a power relationship and this should never be lost from sight.

Economic research shows that **market power has negative effects on activity, employment, and investment; it also reduces the share of wages in national income** while increasing the share of capital income, **with the ultimate consequence of increased economic inequality** due to high concentration of capital ownership (Eeckhout, 2021).

Several studies highlight the heterogeneity observed in measures of market power of individual companies within the same market, differences that tend to persist over time, partly due to the difficulties faced by follower companies in approaching the levels of technological sophistication of leading companies. This is another reason why differences *between* companies carry more weight than differences within companies in explaining wage inequality (De Loecker et al., 2024; Eeckhout, 2024; Wallskog et al., 2024; Azar and Sanz-Espin, 2025). In a study for the United States, Song et al. (2019) conclude that "two-thirds of the level of wage inequality is explained by variations in earnings within companies, but wage disparities between companies explain two-thirds of the increase in wage inequality between 1978 and 2013." Zwysen (2022), using European data, reaches a similar conclusion about the growing importance of widening wage differences between companies in explaining wage inequality.

Finally, the increase in overall market power for the economy as a whole leads to an increase in r , the return on capital, thereby increasing the difference between r and g , the growth rate. The trend toward increased market power of companies is related to the factors that determine the long-term evolution of inequality, according to Piketty's theory.

Technological Innovation and Inequality

Another explanation for growing economic inequality is provided by Mordecai Kurz (Kurz, 2023). The author completes the picture by framing **technological innovation as a key mechanism through which companies acquire market power, and gain monopoly situations under contemporary circumstances**. Kurz highlights the fact that an innovative company is granted ownership of its technology and, as a result, has an advantage over competitors who cannot access the same innovation. This monopoly is exploited to gain market power over the price of any product whose production requires a patented technology. Kurz demonstrates that, within the framework of a free-market economic policy, **the initial market power granted to innovators becomes a permanent feature of the economy**. Innovators who win the technological race can use a wide variety of strategies to consolidate their initial success and increase their market power.

According to Kurz, these economic and technological dynamics explain the emergence of today's billion-dollar companies. Their high rate of acquisition of smaller companies explains how they became corporate empires spanning multiple technologies. As innovations come in waves, market power accumulates simultaneously in several companies, creating an economy in which one or two large companies with monopoly power dominate each market segment. In some segments, a few weak companies, existing only at the margins, may offer cheaper versions of the product. Innovation is the source of monopoly profits, and most of these profits go to those who own a significant share of the company created to commercialize the innovation: the early investors, financial advisors, and venture capitalists who acquired the initial shares at very low prices. If the

innovation is successful, the company's shares begin to trade on the stock market, their value skyrockets, and their owners become rich overnight.

This explains how most billionaires are created. As the company grows, the risk decreases and the general public also begins to buy its shares, but at much higher prices. Meanwhile, ownership of the wealth generated by the initial innovation remains highly concentrated among the richest. Thus, in the United States, most of the monopoly profits and the wealth generated by them since the 1980s have only benefited a small minority of Americans. **Taxation regimes favorable to very high incomes and wealth (low progressivity) have** contributed to the accumulation of wealth through technological innovation, which has **fueled the cycle of accelerating inequality in wealth distribution** in the United States over the past fifty years.

Labor Relations, Participation, and Inequality

Worker participation has an influence on inequalities. Countries with high worker participation are less unequal in the distribution of income, as shown by recent research. De Spiegelaere and Vitols (2024) analyze differences in the inequality of disposable income distribution among families, using indicators of the balance between capital and labor in labor relations, both inside and outside companies. To do this, they statistically relate the measures of the European Participation Index (EPI), an indicator of the degree of influence of workers on business decisions, in a broad sense, developed by ETUI researchers, with the ratio between the average income of the richest 20% of households and the average income of the poorest 20% of households for all OECD countries year by year between 2009 and 2017. The result of the relationship shows a negative and statistically significant correlation between the labor influence index and the indicator of inequality in income distribution.

The study by De Spiegelaere and Vitols does not relate the EPI to an inequality indicator calculated on the basis of household disposable income. Disposable income includes the effects of income redistribution through taxation, transfers, and the provision of public goods; therefore, what the study finds is a negative correlation between inequality in the distribution of post-redistribution household income and worker participation. As a complement to the study by De Spiegelaere and Vitols, for the same OECD countries and using the latest data available in the OECD database, we have estimated the simple correlation between the EPI and two measures of the Gini index of inequality, the first calculated from market income (before redistribution) and the second calculated from disposable income (after redistribution).

The correlation between the EPI and the measure of economic inequality is negative with the Gini calculated from market income and with the Gini calculated from disposable income, although it is more significant with post-redistribution income than with pre-redistribution income. **The study concludes that the measure of worker participation, to which the level of co-management in countries contributes significantly, is correlated with institutional factors that determine the redistributive capacity of a country's welfare state. Therefore, worker participation in companies in different countries, in addition to being a possible direct cause of a more equal distribution of market income, is part of and mutually reinforces elements of an institutional**

and political framework in which the welfare state has a greater capacity to redistribute income and reduce inequality.

3. How Could Improving Worker Participation Reduce Poverty and Inequality?

From the perspective of combating inequality and poverty, worker participation is a pre-redistributive strategy. Worker participation at the strategic level of companies would prevent these adverse effects or, at the very least, make them less severe.

From studies on worker behavior in the social economy we know that when workers have the opportunity to influence decisions, they generally prefer:

- **Minimizing the proportion of low-paid jobs** and applying remuneration packages that comply with living wage standards.
- **Minimizing the proportion of precarious employment contracts**, including involuntary part-time work, zero-hour contracts, and temporary contracts, or task-based services, such as those prevalent on digital platforms.
- **Minimize tasks outsourced** to subcontractors that do not meet living wage standards.
- Increase investment in training for low-skilled workers, enabling them to access better-paid jobs.
- **Limit excessive remuneration for capital investors** (such as share buybacks) and CEOs, and instead ensure that companies reinvest a significant portion of their profits in company assets each year, which will lead to the creation of new economic activities that will generate new jobs.

The Chapter of Part 1. on prefigurative practices seen across the social economy sector provides details and references on how social economy enterprises buffer against inequalities.

Increasing worker participation in a significant proportion of companies in Spain and Europe is a plausible strategy for reducing income inequality. This can be achieved by empowering workers to influence corporate governance, which would lead to the implementation of decent minimum wages and the limitation of excessive executive remuneration through measures such as the ratio of remuneration between the CEO and workers. In addition, greater worker influence could mitigate the exercise of market power by companies, with sales prices closer to marginal production costs, wages more aligned with labor productivity, and lower profits resulting from monopolistic positions. The wealth created increases and a more balanced distribution of it is achieved among customers, workers, and capital providers.

Based on this assessment, the prediction is that **a significant increase in worker participation would not only improve the wage conditions of lower-paid workers, but would also place a more morally acceptable ceiling on the exorbitant remuneration of senior managers.** This pre-redistributive approach would effectively combat inequality and poverty by influencing the internal distribution of wealth within companies before it is dispersed among shareholders and

senior executives. As a result, this strategy would lay the foundation for a more equitable, sustainable, and socially just economic model.

Correcting Economic Inequality

Piketty offers policy proposals on how to respond to growing economic inequality in the final chapter of his book *Capital and Ideology* (2020). The main line of attack against inequality that Piketty proposes in his book is the taxation of income and wealth as an instrument that should change the permanent private property that currently prevails to temporary private property. To this end, a progressive tax on wealth and inheritance would be established that would prevent heirs from appropriating the assets accumulated by their parents; in addition, part of the revenue generated by this tax progressivity would be used to finance a universal transfer of wealth that each person would receive to equalize their starting opportunities and, eventually, to finance a universal basic income. This remains a distributive strategy.

Democracy in the workplace allows us to imagine a pre-redistributive mechanism that could powerfully complement any redistributive mechanism. In relation to "new forms of social ownership," **Piketty is in favor of extending to all private companies, large and small, the model of co-management** prevalent in central and northern Europe, with "half of the seats on the board of directors allocated to workers" and the expectation that, with the tax changes included in his proposal for participatory socialism, "workers will be able to acquire shares in their respective companies and shift the balance of power by adding shareholder rights to employee rights." At the same time, he advocates limiting voting rights to a maximum of 10% for those who finance more than 10% of a company's capital, as a way of preserving the plurality of ideas and the "benefits of collective deliberation."

The pre-distributive, fiscal, and redistributive aspects of the strategy would be complemented by a more aggressive antitrust policy, with the aim of limiting the market power of companies, a measure on which most economists who study the evolution of market power and its negative consequences in terms of efficiency and equity agree. To *limit the power of private actors* in the US context, Kurz proposes: updating the Sherman Antitrust Act; tightening up acquisitions and mergers between technology companies; preventing companies from using intellectual property protection as a strategy to build market power; using taxation as a tool to counteract private power (the corporate tax rate should be increased to 45% and the maximum marginal personal income tax rate (for incomes above \$1 million per year) should be increased to 60%); and removing legal restrictions on unionization.

Conclusion

All authors who analyze the situation of poverty and inequality in the world, including De Schutter, Piketty, and Kurz, make proposals to reverse it, distinguishing three lines of intervention: fiscal progressivity and transfers of income and wealth to equalize opportunities; democratize the decision-making structure of companies or, at least, balance the decision-making powers of capital

and labor; strengthening competition in product and factor markets to increase consumer and worker choice and reduce the market power of companies.

The dynamics of poverty and inequality in Europe, including Spain, differ from those in the United States, mainly due to the robust and stable European welfare state. While traditional social democratic approaches—based on economic growth and post-redistributive measures—have been effective in reducing economic inequality and equalizing opportunities for social advancement, their ability to further reduce poverty and inequality has reached a ceiling. Proposals to increase tax progressivity and time-limited private ownership, as suggested by Piketty, could expand the redistributive capacity of the state.

A comprehensive approach is needed: **the primary effort to combat poverty and inequality must shift from being “redistributive” only to include a forceful "pre-redistributive" approach. At the very least these two approaches should be pursued for the sake of their complementarity.** The **"pre-redistributive"** strategy will thus focus on a more just creation and initial distribution of income through productive and exchange activities, rather than relying solely on post-production redistribution through taxes and social welfare programs. This approach seeks to integrate justice directly into the economic model, addressing the root causes of inequality before they require state intervention.

Proposals for democracy in the workplace must also pay attention to differences in employment and wage conditions between companies, as well as differences within companies, and in particular to the concern to reduce the gap between the wages of senior managers and those of direct workers. This observation leads us to the chapter on the crisis of competitiveness and innovation (Challenge 2). Dani Rodrik's proposal to implement a new selective industrial policy to improve the productivity of people employed in low-quality jobs, as a precondition for restoring job quality and thereby raising wages to levels that would lift them out of poverty, seems a relevant proposal for reducing inequality and job insecurity by improving opportunities for disadvantaged workers. The growing importance of the type of company in which one works as a determinant of wage levels cannot be overlooked. In conclusion, it is important to highlight the fact that **the project of introducing democracy at work is part of a broader vision aimed at empowering workers at the industrial level and, more generally, at the economic level, through collective bargaining, from the sectoral to the transnational level. Only in this context can disparities between enterprises and industries be overcome, via the critical role played by unions, through solidarity across firms and industries, and increased worker power.**

Appendix

Quantitative and qualitative information on inequality in different parts of the world with a temporal perspective can be found in the **World Inequality Report** produced by Thomas Piketty's team (latest edition, 2022), https://wir2022.wid.world/www-site/uploads/2023/03/D_FINAL_WIL_RIM_RAPPORT_2303.pd.

Below are key data *about Spain*:

FIGURE 35: Income Inequality in Spain

SPAIN

(POP. 46,329,000 (2021))

Income inequality in Spain

In Spain, the average national income of the adult population is €PPP33,600 (or €26,650). While the bottom 50% earns €PPP19,200 (€12,400), the top 10% earns on average eight times more (€PPP105,500, or €91,650). 34.5% of the total span. Spain is a relatively equal country compared with its European neighbors: the top 10% captures 34.5% of national income, while the bottom 50% has 21%. Inequality levels are similar to those in France and lower than in Germany.

Income inequality in the long run

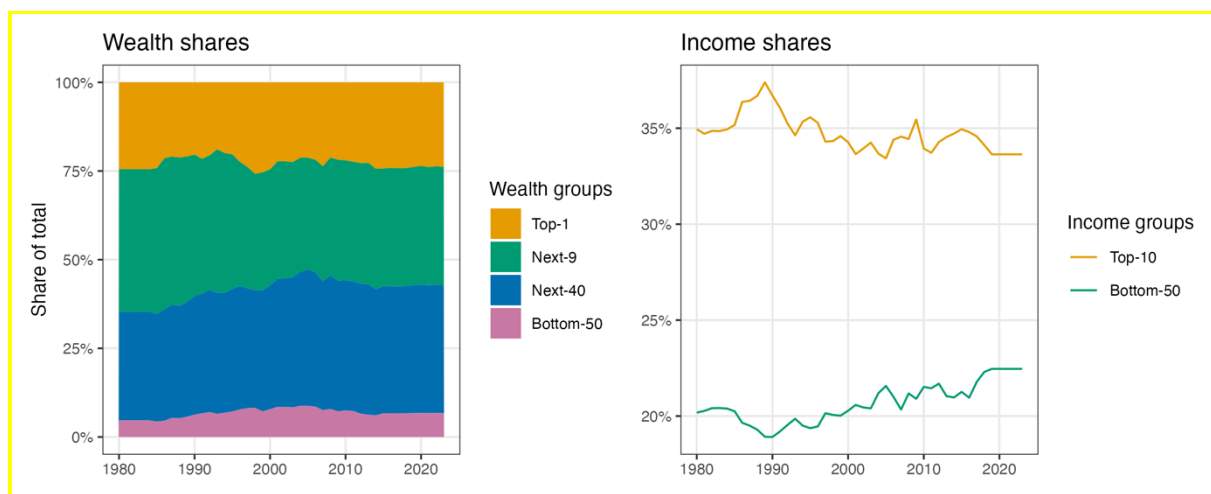
Income inequality in Spain declined significantly over the course of 20th century, following the trend in other European countries: the top 10% share was above 50% of total income in 1900 and under 1960s. Over the next 40 years, income inequality was maintained at relatively low levels, but then increased at the end of 1980s and throughout the 2000s. After the fast growth of 1995–2005, the global financial crisis of 2008 hit the poorest households most heavily. Income inequality has remained fairly stable since 2010 as the poorest half of the country has recovered its pre-2007 average income level.

Table 1. Inequality outlook

	Income		Wealth	
	Avg (PPP€)	Share of total (%)	Avg Wealth (PPP€)	Share of total (%)
Full population	30.600	100%	164.106	100%
Bottom 50%	12.900	21,1%	27.095	6,7%
Middle 40%	34.000	44,4%	186.158	35,8%
Top 10%	105.500	34,5%	1.168.685	57,6%
Top 1%	378.800	12,4%	4.919.665	24,2%
Top 10% to Bot. 50% Income gap			1 to B	
Female labor share			40%	
GHG footprint			7,6 tCO ₂ / pers.	
Transparency Index			10/20	

Interpretation: See glossary for definitions of concepts and indicators.

Sources and series: wir2022.wid.world/methodology



Interpretation: Left-hand panel: The Top 1% *wealth* share is equal to 25% of total private wealth in 2023. Net personal wealth is the total value of non-financial and financial assets (housing, land, deposits, bonds, equities, etc.) held by households, minus their debts. Right-hand panel: The Top 10% *income* share is equal to 34% in 2023. Income is measured after the operation of pensions and unemployment insurance systems and before income tax.

Sources and series: See <https://wid.world/country/spain/>, and Chancel and Piketty (2021).

Source: Worldly Inequality Database, <https://wid.world/country/spain/>.

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Challenge 8: The Crisis of Democracy

129.2 as the Antidote to Democratic Fatigue

Summary

Facts and Analysis:

This section looks at the crisis of democratic institutions currently developing, marked by citizen disaffection, political marginalization, and the rise of authoritarianism. This erosion of the democratic health of society is not exclusively a problem of the political sphere; it is deeply rooted in social and economic conditions, and the organization of work and business, although often considered outside the political sphere, plays a crucial role in shaping a democratic society. In this chapter, the Committee explains that a fundamental contradiction exists between the democratic ideals of equality we hold as citizens and the subordinate relationships that prevail in most workplaces. Indeed, lack of economic citizenship, which includes the absence of rights to co-determine working conditions, has been correlated with a decline in political participation and civic engagement. The precariousness and volatility of contemporary work environments—characterized by temporary contracts, financialization, and digital labor—are mirrored in a political world with weakened structures for sustained public involvement.

Connection to the Constitutional Mandate:

Having established that the crisis of democratic renewal and the challenges in the world of work are fundamentally linked, this chapter identifies five prerequisites for political participation that are linked to labor participation. These are economic independence, free time, self-esteem, creativity, and a spirit of cooperation, conditions that are often absent in workplaces. It is reasonable to assume that the widespread absence of these conditions contributes to political disinterest and a lack of confidence in one's own civic voice, and that bolstering measures that address this problem could serve as a useful lever for improving participation and confidence in civic life. Expanding the mandate of 129.2 to grant political rights to workers at the company level — the democratization of work - is a direct way to make use of this lever. Since research has shown that giving workers a voice in decision-making leads to improved wage conditions, better-organized working time, and higher levels of personal autonomy and cooperation, promoting workplace democracy can bolster these democratic prerequisites, and thus the health of democratic societies as a whole.

To renew and strengthen democracy, in other words, it is not enough to focus solely on political institutions ; we must also transform the world of work. The democratization of firms must be seen as a core strategy for regenerating politics itself, as it directly improves the social conditions that support and build a democratic society and develops skills that are directly transferrable to citizens' civic lives. By granting workers the right to participate in decisions that govern their daily lives, we can build a more resilient and just society capable of addressing the complex challenges of the present. The Committee notes that this serves as an important reminder of the need to reframe the company as a political entity (an organization structured by rules and power relations) , rather than a purely economic one (an organization

structured solely by the imperative to generate profit), which, as such, must be aligned with the democratic principles of the society it inhabits.

Hearings report: This chapter has been largely based on the evidence provided to the Commission by professors Daniel Innerarity, Professor of Political and Social Philosophy at the University of the Basque Country Chair in AI & Democracy at the School of Transnational Governance at the European University Institute and Axel Honneth, Professor for Social Philosophy at Goethe University Frankfurt and the Jack B. Weinstein Professor of the Humanities in the department of philosophy at Columbia University, as well as on the authors' previous work on the crisis of democracy and its consequences.

The current challenges, from the speed of technological change driven by the development of Artificial Intelligence to the various facets of the ecological crisis, including increases in inequality and poverty, among several others, define a highly complex crisis scenario that does not allow for simple solutions. On the contrary, transformations are required in different areas and scales that need the involvement of multiple actors to be carried out and sustained over time. This collective effort can only develop if it has sufficient legitimacy to consolidate, which implies broad deliberations and common agreements regarding the nature of the problems, their magnitude, and the possible solutions. In other words, what is at stake are the democratic capacities of society to face this crisis scenario and outline an economically viable, socially just, and ecologically sustainable alternative.

However, the contemporary crisis scenario also affects democratic regimes. Various signs indicate a progressive erosion of democratic institutions, a phenomenon that has accelerated in recent years. Among these signs are the growth of citizen disaffection, which has turned into political marginalization of some parts of the population, as well as the advancement of political alternatives that either strain or disrupt the normative and institutional foundations of democratic systems. The proliferation of leadership styles and political forces that explicitly or implicitly promote authoritarianism often correlates with the deterioration of social rights and access to minimum guarantees for certain groups of the population, in addition to the increase in social violence, decisively affecting democratic coexistence. At the international level, the return of war and its multiple human, social, and economic consequences reveal the difficulties of multilateral organizations and institutions in ensuring respect for international law and human rights globally.

Addressing the crisis of democracy is vital in itself, but also for navigating the complexity of the contemporary scenario. Specialized literature indicates that this crisis is due not only to the erosion of political institutions but also to the social conditions that sustain them, that is, to the dynamics that, from outside the boundaries of what is commonly defined as the political system, enable and reinforce people's democratic practices and commitments. In this context, a space of primary importance, even if not always recognized as such, is the world of work and business.

1. Political Effects of the Organization of the World of Work

Workspaces play a crucial role in the construction of a democratic society, even though their effects may not be directly perceptible. Since work regimes develop in a sphere commonly considered outside of politics, such as the economy, and generally imply a condition of subordination, the relevance of questioning the democratic consequences of how work and business are organized is not evident. Therefore, it is worth asking: why do we accept being commanded in the workplace in a way that would be intolerable to us elsewhere, especially in political society? Is there any political consequence from the fact that a good part of our work relationships are of unjustifiable subordination? There is an incongruity in the fact that, as members of a democratic society, we proclaim ourselves as subjects in relationships of equality, while in the world of work a regime of domination prevails. The exclusion of women from recognized and remunerated work is perhaps the most acute and universal case of marginalization and has had significant political implications. The lack of recognition of domestic and care work, historically performed by women due to patriarchal cultural patterns, results in an absence of minimum guarantees for paid work. This has led to inequalities, as well as forms of oppression and violence. For women, this marginalization has meant a historical delay in accessing full political citizenship, which has affected the construction of a fully democratic society. While measuring the *economic* value of domestic and care work has been proposed and should be pursued, the *political* discrimination that has accompanied this exclusion has had great consequences and should not be forgotten. The social organisation of work, and its place in collective representations, directly affect people's standing in the *polis* in general, and people's ability to contribute to the formation of democratic will in particular.

It is possible to point out that there is no freedom, nor political freedom, where workers do not have the right to co-determine their working conditions. In this sense, there can be no political citizenship without economic citizenship. Only those who have a decent and recognized job have the real capacity to participate in the formation of collective political will. This correlation between working conditions and political participation, between labor justice and political democracy, is not new. In the early 20th century, G. D. H. Cole, in his famous book on working conditions and the common good, asserted that industrial slavery translates into political slavery (Cole, 1918). The fact that workers, being more numerous than owners, have been powerless in collective decisions is explained, according to Cole, among other reasons, because their working circumstances do not facilitate the exercise of power and political responsibility. They are more numerous, but their conditions of information, time, and involvement required for political participation are worse. In addition to Cole, the relationship between working conditions and political involvement has been supported by philosophers and sociologists such as Hegel or Durkheim as Proudhon, Owen, and the cooperative movement have pushed forward ideas to address this challenge. Besides some exceptions (a.o. Pateman 1970, Dahl 1985, Landemore et Ferreras 2016, Anderson 2017, Ferreras 2017, Herzog 2018, 2020), contemporary theories of democracy have been lacking an interest in the world of work.

In contrast to the long-standing Aristotelian tradition, which viewed political engagement as an exclusive pursuit for those free from the necessities of survival—landowners occupying their

leisure—Axel Honneth championed the idea of political sovereignty inherent in the condition of labor.

Census suffrage was abolished and the right to vote was recognized for everyone regardless of economic status, but there is a difference between the formal recognition of a right and the actual ability to exercise it. The cause of this discrepancy is partly due to life experiences in the world of work. In the modern world, most companies are islands of autocracy in the midst of societies that value autonomy, human rights, freedom of expression, and personal development. The idea of democratic citizenship implies having the right and the real possibility to participate in collective decisions on equal terms, but the circumstances of the capitalist economy (dependency, precariousness, insecurity, opacity, and discrimination) make it extremely difficult. There are material, psychological, and temporal prerequisites for political involvement that are not present in an economic environment of domination. For a long time—and still largely today—work has been for many people a painful experience of subordination, with conditions they could hardly negotiate or modify, that is, exactly the opposite of what a political relationship in a democratic society is supposed to be.

People's attitude towards politics can be clientelistic, without solid commitment, occasional, but one rarely notices that it is the political counterpart of unstable, discontinuous, and temporary employment, marked by the worker's inability to get involved with the future of the company. The increasing precariousness of work biographies corresponds to a political world in which collective structures such as unions and parties have weakened, unable to sustain interest in public affairs over time. Technological disruptions in the workplace, and the growing uselessness of skills acquired parallel to a volatile and unpredictable political world, marked by especially short cycles, both in terms of the difficulty of sustaining political projects over time, as well as the duration of political leadership and high turnover of political personnel. Technology's rapid obsolescence, the short-lived nature of contracts, and political short-termism all share a fleeting existence.

If the conditions of classic industrial capitalism were not conducive to political commitment, the current financialized economy has not fostered democratic participation, neither within the company nor in the political sphere. The shareholder often does not know what they are participating in with their shares or how the company they own some shares of is managed. She passively follows the directions set by fund or asset managers. At the same time, they are an easy prey to panic reactions, a target of capital movements that no longer reflect the objective value of things, very much alike to emotional fluctuations. Theoretically, the shareholder is at the center of the capitalist economy, but she rarely understands or alters the course of companies; she merely assents to the decisions of others with the expectation of an increase in the value of her shares. The shareholder's behavior is certainly not a model for the ideal of citizenship, despite all her rights and duties.

At the same time, working in a digital environment offers less opportunities for social integration than working in physical spaces. Moreover, the difficulty of placing one's own work within a recognizable joint project prevents workers from experiencing to what extent they are contributing to the overall improvement of society. The fact that one's own job is at the mercy of relocations or in a volatile economy makes the worker not feel part of a community that needs them and towards

which they can feel somewhat responsible. In this context, one might ask: what experience can we gain of identification and commitment to a political community? The dispensable worker ends up being a political abstentionist. The complexity of the division of labor in the current financial, digitalized, and relocatable economy makes it impossible to identify the fate of individual contribution. But if that experience of involvement in the common is not acquired at work, it will also be unclear what voting is for, and even less so if political commitment makes any sense. The fragility of working conditions correlates with the fragility of collective identities, from which it is possible to understand both the lack of expectations reflected in abstentionism and the desperation of workers' votes towards the far right.

2. Favorable Working Conditions for Democratic Society and the Place of Work Democratization

Along with school, the world of work —the factory, the workshop, the company— are the areas that remove the worker from the narrow space of family and neighborhood, where a first voluntary encounter with people of different backgrounds and interests takes place and, therefore, where a first idea of civic community can be formed (or hindered, when there are exploitative relationships), an initial sense of the public and common. Business decisions not only determine the future of companies and workers but also the future of the societies in which they exist. Egalitarian work relationships can set the tone for the rest of social relationships, for example, indirectly reducing antagonism in society and politics, as Robert Dahl assured. It is insightful to consider some recent data from Germany and France. According to a study on a representative sample of the German population, O. Decker and E. Brähler (2020) show that what they call “industrial citizenship” (conceptualized by the answers to the following questions: Do I feel excluded from decisions made at work? Can I speak openly about works councils and unions without fear of being disadvantaged? Can I solve problems at work with my colleagues? When I am committed to my work, can I change things?) is significantly correlated with positive attitudes towards democracy as well as other anti-authoritarian attitudes. In the case of France, T. Coutrot (2018) linked the responses of the French regarding their work situation with the phenomenon of absenteeism and the vote in favor of Marine Le Pen in the first round of the 2017 presidential election. The results speak for themselves: in the communes where Marine Le Pen obtained her best results (more than 28% of the votes), 48% of these voters complain about the repetitive nature of their work, compared to 31% of voters for Emmanuel Macron (center) or François Fillon (right). In addition, voters who abstain from voting report more often doing a “strictly prescribed” job: not only are they told what to do, but also how to do it. (See also Coutrot 2024)

The world of work can be a sphere for political change ; its democratization has more political effects than purely economic ones. Axel Honneth identifies **five work-related prerequisites for political participation**: economic independence, free time, self-esteem, creativity, and a spirit of cooperation (Honneth 2024, 93-106). **The absence of these conditions can explain the various symptoms of democratic disaffection.**

Economic independence is essential for political participation free from coercion; without it, even secure jobs lack real democratic value because they leave people vulnerable to arbitrary decisions by their superiors. On the other hand, political engagement requires free time to become informed, discuss, reflect, and participate in public activities. Exhausting work, which is time-consuming and monotonous, limits the time and energy people can dedicate to democratic activities. If time is a political resource, working hours must be regulated with attention to the intensity and mental load of the work. Participation in democratic life also depends on a stable sense of self-esteem and confidence in the value of one's political opinion. This self-confidence is largely formed through the recognition and esteem acquired especially through work. Jobs located at the lower levels of the social division of labor are undervalued, and people in these roles are less likely to feel that their opinions matter, leading to political silence. Without perceived social value, individuals lack the confidence to speak publicly and assert their views.

Work must be intellectually stimulating to sustain and develop essential cognitive abilities for political participation. Classical thinkers (Adam Smith, Hegel, Durkheim) already observed that highly specialized and repetitive work affects the ability to reflect and participate in civil society. Contemporary studies confirm that such work reduces autonomy, creativity, and initiative because working conditions discourage these characteristics. Rigid and monotonous work weakens citizens' ability to understand, evaluate, and participate in political debate.

Finally, democratic engagement requires experience in cooperative decision-making. Many workplaces are hierarchical and isolating, discouraging democratic habits such as negotiation, dialogue, and collective problem-solving. The lack of voice at work undermines confidence in broader democratic processes. Although cooperation can be learned at school or in the family, the workplace often contradicts these norms by rewarding obedience, submission, and competitiveness. The absence of participatory experience at work leads to civic disinterest and contributes to the growing disillusionment with democracy.

While it is necessary to promote democratic experiments that enhance these factors, such as the world of cooperatives and the social economy, efforts should not be limited to alternative models to the labor market. The democratization of work, that is, the attribution of political rights to workers at the company structure level, constitutes a strategy capable of involving these preconditions in a virtuous manner. Indeed, each of the labor conditions of political participation mentioned can be effectively promoted through the strengthening of the democratization of work: the effective participation of workers in decision-making at different levels within companies can improve wage conditions to ensure economic independence, build agreements related to the organization of working time, enrich tasks to make them intellectually stimulating, as well as strengthen personal and collective autonomy within the framework of cooperation processes. Materializing this alternative means considering the company not as a domain radically alien to the public sphere, but as a political entity that must be democratized to be in accordance with the principles of the democratic society in which it exists and develops (Ferreras 2017).

In this way, those who improve labor relations, particularly the democratization of management and corporate governance, are regenerating politics because they improve the conditions on which democratic society is supported and built. Democratization means, *in concrete terms*, granting

political rights to workers at the company structure level to ensure their participation in decision-making that not only affects them but also governs and structures a significant part of their daily lives. The challenge is not, therefore, to limit our relationship with work but to transform it; it is not so much about achieving a right to disconnect as it is about strengthening the right to participate in decision-making, both within companies and in the political society in general, to strengthen democratic society and navigate the multiple crises that define the present.

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Challenge 9: The Crisis of the Planet

129.2 as an Engine of Ecological Renewal

Summary

Facts and Analysis:

To address the global sustainability crisis, this chapter introduces two frameworks: Planetary Boundaries and Social Foundations. The Planetary Boundaries framework identifies nine biophysical limits within which humanity can safely operate, seven of which have now been transgressed. These boundaries are interconnected, and a small number of transnational corporations are responsible for a significant portion of the violations of these boundaries, which have global environmental impacts. The Social Foundations framework outlines the minimum social standards necessary for human well-being, including decent work, justice, and equality. The two are particularly useful analytic frameworks because they allow us to see that as of yet, no country has managed to meet its residents' basic needs without transgressing planetary boundaries, an important observation for policymakers wishing to improve factors in one framework without negatively affecting the other. As the past decades have shown, the concept of "decoupling" economic growth from environmental or social impact has proven to be an insufficient strategy for achieving livability, let alone sustainability. Wealthier nations tend to overshoot ecological limits, while poorer nations often fall short on social needs.

Connection to the Constitutional Mandate:

The chapter uses the two frameworks to explain how the current sustainability crisis is systemic and why it therefore requires a shift in focus from extractive growth to a "regenerative and distributive" economic model. This shift requires better business design that helps businesses to structure regenerative growth beyond short-term profit maximization. Building on the work of author and democratic economic theory expert Marjorie Kelly (2020), this chapter proposes that businesses must be redesigned with regard to five key considerations: Purpose, Networks, Governance, Ownership, and Finance. Using organizational standards that account for all of these considerations, businesses can move from a 20th-century model of extractive economic activity to a 21st-century model of regenerative growth.

This is the largest and potentially the most devastating crisis the Committee investigated, and, on the surface, the one with the least direct connection to Article 129.2. What does worker participation and ownership have to do with shielding the country or the planet from environmental devastation? Put simply: the transition to a sustainable and just future requires changing the rules according to which governments, businesses, and communities operate. This includes advocating for systemic policy shifts, such as clear green policies and market mechanisms, to support sustainable business models. It also requires adapting to the frameworks of social and planetary boundaries that will allow future generations to survive and thrive through a new set of enterprise designs that are regenerative and distributive by nature. Workers are exponentially more likely to work and live in the communities affected by company decisions, and companies, as we

have seen, are responsible for a majority of the violations of the boundaries in the frameworks discussed in the foregoing paragraphs. The democratization of firms, by expanding the application of Article 129.2's mandate to provide workers access to voice and ownership, is thus a way to involve those whose environments are most affected by businesses' decisions in the businesses themselves, and is therefore a strategic way to unlock the ambition and drive businesses need to reframe their priorities to include intelligent contributions to the ecological and social good. Giving labor investors – along with stakeholders such as nature or communities - a meaningful voice and a stake in corporate decision-making, is expected to accelerate businesses' alignment with the long-term well-being of both people and the planet. We underline the powerful potential of this shift with concrete examples of companies that have successfully embraced multi-stakeholder governance, mission-primacy structures and employee ownership models to ensure their social and environmental commitments are locked in and protected from extractive finance and hostile takeovers.

Hearings report: This chapter has been prepared drawing extensively on evidence given to the Commission by Professor Philippe Roman, Professor at ICHEC Brussels Management School, and Erinch Sahan, Enterprise lead at Doughnut Economics Action Lab, as well as their prior work.

Introduction: Navigating Global Sustainability

The systems underpinning the planet face unprecedented pressures from human activities, threatening the stability that has allowed human societies to thrive for millennia. In response to these challenges, two pivotal frameworks have emerged to guide humanity toward a sustainable future: the Planetary Boundaries and the Social Foundations approaches. While distinct, these concepts are increasingly integrated, offering a holistic perspective on achieving a safe and just operating space for humanity. This report summarises the key tenets of these frameworks, highlighting the critical contributions of the Stockholm Resilience Centre and the published work on their integration. It then moves to the role of business in addressing these challenges.

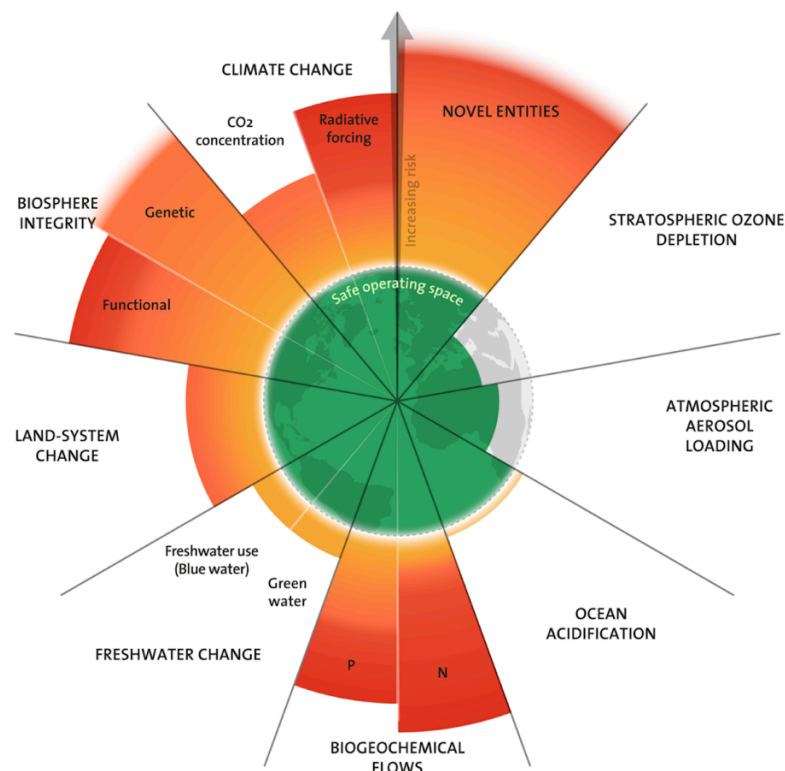
1. The Planetary Boundaries Framework: Defining Earth's Safe Operating Space

The Planetary Boundaries framework, first introduced in 2009 by a group of scientists led by Johan Rockström, identifies and quantifies the biophysical limits within which humanity can safely operate (Rockström et al., 2009). The framework posits that transgressing these boundaries increases the risk of generating large-scale, abrupt, or irreversible environmental changes, pushing the Earth system out of the stable Holocene state that has characterised the last 10,000 years (Rockström et al., 2009; Steffen et al., 2015).

There are nine planetary boundaries, each representing a critical Earth system process:

1. **Climate Change:** Measured by atmospheric CO₂ concentration and radiative forcing (Rockström et al., 2009; Steffen et al., 2015).
2. **Novel Entities:** Encompassing synthetic chemicals, plastics, and other new substances introduced by humans (Persson et al., 2022).
3. **Stratospheric Ozone Depletion:** The thinning of the ozone layer (Rockström et al., 2009).
4. **Atmospheric Aerosol Loading:** The concentration of microscopic particles in the atmosphere (Steffen et al., 2015).
5. **Ocean Acidification:** The increasing acidity of ocean water due to CO₂ absorption (Rockström et al., 2009).
6. **Biogeochemical Flows:** Focusing on disruptions to nitrogen and phosphorus cycles (Rockström et al., 2009).
7. **Freshwater Change:** Alterations to both blue water (rivers, lakes) and green water (soil moisture, plants) (Wang-Erlandsson et al., 2023).
8. **Land-System Change:** Conversion of forests, wetlands, and other natural lands for human use (Steffen et al., 2015).
9. **Biosphere Integrity:** Addressing the loss of biodiversity (genetic and functional diversity) (Mace et al., 2014).

FIGURE 36: The 2025 Update to the Planetary Boundaries. Licensed under CC BY-NC-ND 3.0.



Credit: "Azote for Stockholm Resilience Centre, based on analysis in Sakschewski and Caesar et al. 2025".

The framework illustrates a "safe operating space" within these boundaries (Rockström et al., 2009). Research from the Stockholm Resilience Centre has been instrumental in the development, refinement, and communication of the planetary boundary's framework (Stockholm Resilience Centre, no date a). Their ongoing research, modeling, and analysis provide the scientific basis for understanding the interconnectedness of these boundaries and the implications of their transgression (Stockholm Resilience Centre, no date a). Updates to the framework, such as the 2023 assessment by Richardson et al., continuously refine the quantitative boundaries and report on their status (Richardson et al., 2023; Stockholm University, 2023). The Centre emphasises that these boundaries are interdependent; action affecting one process can impact others, underscoring the need for integrated decision-making for global sustainability (Stockholm Resilience Centre, no date a). The latest research as of September 2025 now indicates that seven of the nine boundaries have already been transgressed (Planetary Boundaries Sciences, 2025). The motivation for such a concern is particularly salient in Spain as noted observers insist on the adverse facts: "Spain is also one of the western countries most vulnerable to climate change, facing serious threats from desertification and wildfires alike. With nearly three-quarters of its territory consisting of arid land prone to desertification, Spain is one of Europe's most exposed countries to this risk. Meanwhile, wildfires have become increasingly destructive in recent years, placing Spain as one of the most affected countries in Europe. Indeed, in 2022 around 40% of the hectares ravaged by forest fires in the EU were within Spain's borders."⁷²

2. The Social Foundations Approach and the Doughnut

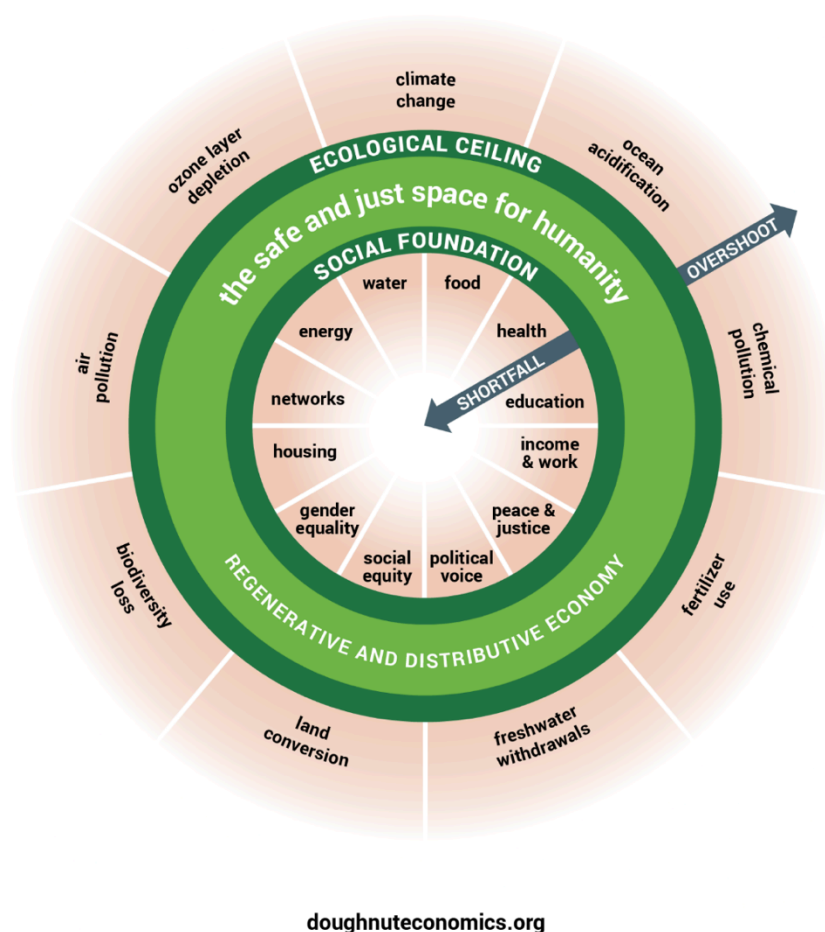
While planetary boundaries define the environmental ceiling, the Social Foundations approach addresses the complementary challenge of ensuring human well-being and dignity (Raworth, 2017). This framework, popularized by Kate Raworth's "Doughnut Economics," outlines the minimum social standards that humanity must achieve for a good life for all (Raworth, 2017). The social foundation encompasses a range of essential human needs and rights, such as access to nutritious food, clean water, healthcare, education, sufficient income, decent work, peace, justice, political voice, equality, housing, social support, energy, and mobility (Raworth, 2017; UN, 2015). These are drawn from the social goals of the Sustainable Development Goals (SDGs).

The Doughnut of social and planetary boundaries (often referred to simply as "the Doughnut") is a visual framework that combines these two core concepts: an ecological ceiling of planetary boundaries and a social foundation of human well-being (Raworth, 2017). The goal is to achieve a "safe and just space for humanity" – a doughnut-shaped area where resource use is above the level required to meet people's basic needs (avoiding the hole in the middle, representing social shortfall) but below the level that carries a substantial risk of crossing the nine planetary boundaries (avoiding the overshoot of the ecological ceiling) (Raworth, 2017). This framework

⁷² Álvarez L., Broto C., Hubert O., Mayordomo S. (2025), "Desertification and wildfires in Spain. The impact of climate change on bank lending," *Banco de España Blog*, 05/09/2025, URL: <https://www.bde.es/wbe/en/noticias-eventos/blog/desertificacion-e-incendios-en-espana-el-impacto-del-cambio-climatico-sobre-el-credito-bancario.html>

envisioning a regenerative and distributive economy that operates within these limits (Raworth, 2017).

FIGURE 37: The Doughnut of Planetary Boundaries and Social Foundations (Raworth, 2017)



Crises in socio-ecological systems are intertwined and multi-scale. For instance, efforts to combat climate change can reinforce some SDGs, as well as challenge the achievement of other SDGs (Nerini et al., 2019).

3. Integrating Boundaries and Foundations

Integrating the planetary boundaries and social foundations frameworks is crucial for understanding the complex challenges of global sustainability. Researchers have worked to empirically track how nations perform in simultaneously meeting social thresholds and respecting ecological limits (Fanning et al., 2021). **A critical finding from this work is that no country has yet**

managed to meet the basic needs of its residents without transgressing planetary boundaries (Fanning et al., 2021). This research highlights that wealthier nations tend to significantly overshoot ecological limits while achieving higher social outcomes, whereas poorer nations often remain within planetary boundaries but fall short on many social needs (Fanning et al., 2021).

Furthermore, research highlights significant historical inequalities in responsibility for climate breakdown. For instance, a substantial portion of global carbon dioxide emissions in excess of the planetary boundary can be attributed to countries in the Global North (Hickel, 2020).

4. Challenges to Transition: Decoupling, Business Actions, and Systemic Issues

Achieving sustainability requires addressing critical challenges, including the efficacy of current approaches such as "green growth" and decoupling.

Decoupling GDP and Planetary Pressures

The concept of "decoupling" aims to separate economic growth from environmental impact (UNEP, 2011). However, academic reviews suggest that while some absolute impact decoupling (e.g., CO₂ from GDP) has occurred in specific contexts, there is "no evidence of economy-wide, national/international absolute resource decoupling," nor "the kind of decoupling needed for ecological sustainability" (Vadén et al., 2020). This implies that "large rapid absolute reductions of resource use and GHG emissions cannot be achieved through observed decoupling rates" (Haberl et al., 2020). Overall, decoupling, even when occurring, is often only relative, fragile, not fast enough, and too narrow (Vadén et al., 2020).

Prioritisation of Business Actions

Studies on business sustainability models indicate that firms often prioritize technical innovations, such as maximizing material and energy efficiency and creating value from waste (Ritala et al., 2018). However, more transformative actions, such as encouraging sufficiency and delivering functionality rather than ownership of products (to lengthen the life cycle of products), are less frequently implemented (Ritala et al., 2018). This pattern is often mirrored in public policies, where traditional waste management and recycling dominate efforts, while strategies like reuse, repair, redistribution, refurbishment, and remanufacturing receive comparatively less attention (European Environment Agency, 2018).

Systemic Nature of the Problem and Obstacles to Transition

Environmental crises are systemic, involving complex interdependencies and feedback loops (Folke et al., 2021). Obstacles to sustainability transition include challenges in the sequencing of actions, rebound effects (where efficiency gains lead to increased consumption), problem shifting (transferring environmental burdens elsewhere), the green paradox (where climate policies

inadvertently increase resource extraction), and impact outsourcing (Parrique et al., 2019). Individual voluntary action by companies, while beneficial, is considered insufficient for the scale of transformative change required; instead, systemic approaches are necessary (Bodrožić & Adler, 2023).

5. The Path Forward: Key Strategies for Transition

Transitioning towards a safe and just operating space for humanity requires a multi-faceted approach. Philippe Roman presented three strategies that are part of the broader approach to transition, which involve a combination of:

1. **Sufficiency:** Focusing on doing less, or only what is necessary, challenging overconsumption
2. **Consistency:** Striving to do things differently and better, incorporating ecological principles into design and processes.
3. **Efficiency:** Aiming to do the same with fewer resources, optimizing resource use and minimizing waste.

For firms to contribute effectively to staying within planetary boundaries, they must address their substantial ecological footprint. Research highlights that a relatively small number of transnational corporations in sectors like fossil fuels, cement, agriculture, and mining are responsible for a significant portion of global environmental impacts, particularly greenhouse gas emissions and biodiversity loss (Carbon Majors Database, 2017; Folke et al., 2019).

Overcoming current growth dependencies (i.e., negative consequences on wellbeing of the absence of growth, see Keyßer et al., 2025) and accelerating the transition requires systemic shifts. Sustainable businesses need supportive conditions, including market mechanisms (e.g., carbon pricing), effective regulation (e.g., standards and bans), enabling infrastructure (e.g., for circularity), and informative networks (e.g., promoting sustainable business models). Furthermore, sustained green investment is reliant on clear and predictable green policies (Noailly et al., 2022). Ultimately, for sustainable firms to prevail, they need to advocate for fundamental changes to the existing "rules of the game" (Bodrožić & Adler, 2023). While we reviewed the massive challenge of addressing the context within which companies operate –which needs to change if sustainable companies are to survive and to prevail, the next part of the hearing chapter will turn inward, looking internally at how the deep design of the business endeavor should evolve if the firm itself has to fit within planetary boundaries.

6. The Transformations that Doughnut Economics Points Towards

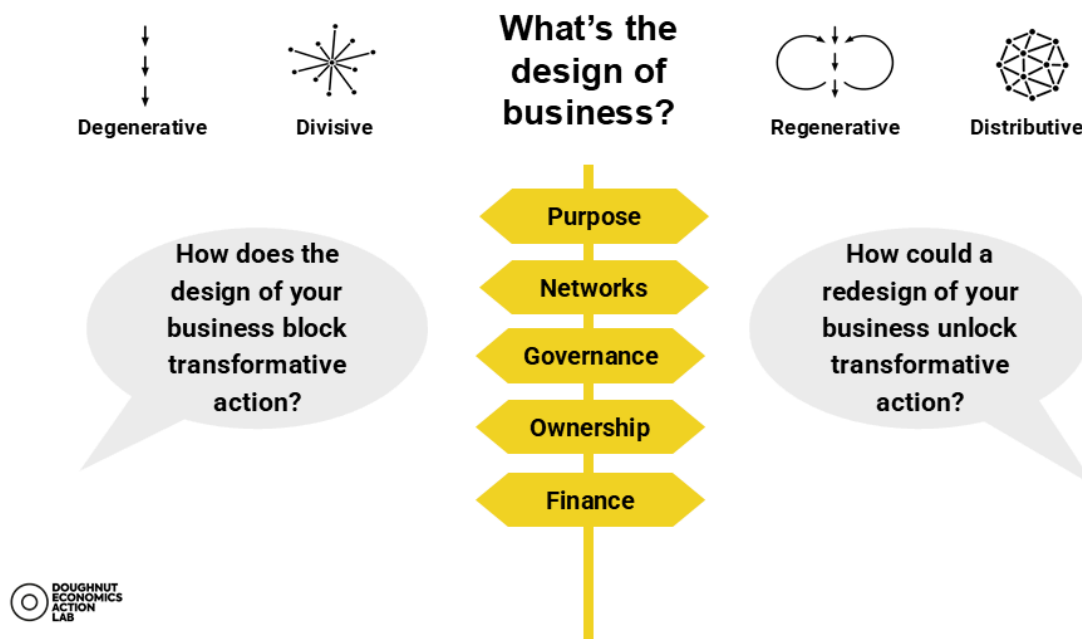
The starting point of Doughnut Economics is to change the goal from endless GDP growth to thriving in the Doughnut.⁷³ At the same time, a growing economic literature has been looking at the

⁷³ With the permission of the author, this section draws heavily from Sahan (2023)

big picture and recognizing that the economy is embedded within, and dependent upon, society and the living world. Doughnut Economics recognizes that human behavior can be nurtured to be cooperative and caring, just as it can be competitive and individualistic. Critically, it calls for turning today's degenerative economies into regenerative ones. And, importantly, it calls for turning divisive economies into far more distributive ones. Lastly, Doughnut Economics recognizes that growth is a healthy phase of life but nothing grows forever and things that succeed do so by growing until it is time to grow up and thrive instead. In the vein of the works of Tim Jackson (2016), growth is better recast in the perspective of the pursuit of "share prosperity," moving away from prioritizing capital gains, profits, increased market shares and sales, and seeking the prosperity of all and the planet. This has profound implications on business and finance.

This perspective calls on businesses to demonstrate how they are going to transform so that they will belong in a future that is regenerative and distributive (Sahan et al, 2022). The answer is a journey into the deep design of business itself — explored through the Purpose, Networks, Governance, Ownership, and Finance of any business. Through these, **we can ask if businesses are designed to deliver on the 20th century question of how much value can we extract through this enterprise, or the 21st century question of how many benefits can we generate through this enterprise. Transforming business design to focus on benefits will be central to enabling regenerative and distributive dynamics.**

FIGURE 38: Doughnut Design for Business Framework of Doughnut Economics Action Lab



These design layers powerfully shape the strategic decisions and operational impacts of businesses and ultimately determine whether or not businesses can transform to become part of a

regenerative and distributive future. By diving into five layers of deep design, this approach reveals both design blockages that prevent transformative action, and design innovations that can unlock its possibility. Regenerative and distributive strategies, practices and ideas can be unlocked through such changes in business design, thereby helping to bring humanity into the Doughnut.

7. Examples of Businesses Reorienting Their Mission

A renaissance in redesigning businesses is now emerging. Businesses are using emerging governance models and ownership structures to unlock bolder ambitions. US brand Patagonia transitioned ownership to a foundation-controlled model. From El Puente in Germany to Riversimple of Wales, companies are creating new multi-stakeholder governance models. Dutch chocolate brand Tony's Chocolonely recently gave some specific ownership rights to a committee of independent experts tasked with preventing moves that would undermine its social purpose.

Meanwhile other businesses like Einhorn, Ecosia and Cafe Direct go further and are using emerging Steward Ownership models that give foundations, NGOs and communities controlling shares to keep the business focused on the ecological and social transformations they need to undergo. Other companies like Eileen Fisher, Inc., King Arthur Flour, New Belgium Brewing, Richer Sounds and Namaste Solar have embraced employee ownership as a model to lock in their social and environmental purpose. These emerging ideas in enterprise design are opening up a new era where businesses can pursue sustainability far more ambitiously. They enable greater re-investment of profits into a social purpose, or greater distribution of the value created with employees, farmers and communities.

Incorporating nature into the governance model is arguably the latest emerging governance innovation. Faith in Nature, a UK personal care brand, took an unprecedented step in 2022 by appointing Nature to its board of directors (Earth Law Center, 2023). This symbolic and legal innovation was facilitated through a new “Nature on the Board” clause, creating a duty for the board to consider nature’s interests in corporate governance decisions. Through this, the interests and possible perspectives of nature became represented by the organization Lawyers for Nature on its board. Similarly, House of Hackney, another UK-based company, followed suit by amending its governance structure to include representation for nature, as well as future generations on its board (Earth Law Center, 2023). These models reflect a growing movement toward integrating environmental stewardship into the legal fabric of firms.

Further examples highlighting how enterprise design can enable and unlock the necessary ambition to reorient the company’s mission, and drive regenerative action are given in greater detail in the boxes below.

CASE 1: United Repair Centre

Based in Amsterdam, the Netherlands, United Repair Centre (URC) provides circular economy services to the clothing industry (Doughnut Economics Action Lab, 2025a). It offers a unique approach to tackling both environmental and social issues within the clothing industry by combining circular economy principles with a commitment to social inclusion. What sets URC apart is its ability to address two critical challenges simultaneously: reducing textile waste and creating long-term, meaningful employment opportunities for individuals distanced from the labor market.

URC provides fashion brands with the infrastructure to embrace circularity, offering scalable, accessible repair, renew, and remake solutions without the need for brands to invest in their own systems. This innovative model aligns with the global shift toward sustainability. It enables brands to reduce waste and adopt more sustainable practices, while fostering social inclusion through job creation. The company's ability to collaborate with both large corporations and governments gives it the potential to become a powerful agent of change, working across sectors to reshape the clothing industry into one that delivers positive outcomes for both people and the planet.

URC's governance and ownership model is designed to support long-term impact and scalability. At its core, URC operates with a mission-driven structure, backed by strategic, mission-aligned investments that enable it to drive innovation and growth. - Its social mission is locked by a golden share owned by an independent foundation and 50% of the profits are reinvested to support its social mission. In making these choices, the company prioritises transparent, responsible decision-making and accountability to all stakeholders, from the brands it serves to the communities it supports.

URC's financing model combines both philanthropic investments and impact-driven capital, ensuring that its operations are sustainable and its mission is central to its growth. This approach allows URC to continually reinvest in the development of cutting-edge technologies, like its Repair Management Platform, while keeping the focus on its long-term social and environmental impact.

By aligning its governance with its mission and securing investments that fuel scalable, high-impact solutions, URC ensures its operations contribute to positive change within the fashion and repair ecosystems. This governance and financing framework underpins the company's ability to scale and innovate in the circular economy, while ensuring that its foundational goals remain intact.

This box is drawn from a case study published by Doughnut Economics Action Lab (2025a), with the express permission of Doughnut Economics Action Lab

CASE 2: Library of Things

Library of Things (LoT) is a circular platform enabling communities, local governments and businesses globally to start and grow item sharing libraries, and spark behavior change. They have a team of 20 staff and an annual turnover of £800,000. LoT first started testing in 2014, and incorporated as a mission-locked Limited Company in 2019.

LoT aims to make borrowing better than buying. They are challenging global retailers and drivers of over-consumption such as Amazon and Argos. LoT is offering a desirable alternative, which is not only better for people and the planet, but also for local places – their service revitalizes community hubs like libraries.

They strive for a fair exchange of value between stakeholders and give the same consideration to the needs of all, including members, the team, partners, investors, and the planet.

Their business model is a combination of set-up fees – organizations like local governments and social housing providers commissioning LoT to set up an item sharing library in a new neighborhood licensing and servicing fees – organizations paying to use their platform and additional services like item maintenance

The development of their platform and technology has been financed by a combination of patient, mission-aligned equity investment and grants. This has enabled them to design and build the software, hardware, supply chain and expertise to power any sharing library, anywhere.

The co-founders worked with the Barefoot Lawyer, Patrick Andrews, to rewire the private company for good. This is a Private Company Limited by Shares with:

1. A mission-lock in the articles of association, which legally requires directors and investors to prioritize the purpose of the company
2. A steward ownership structure, where Directors are the primary decision-makers, rather than shareholders
3. A 'Guardian share' held by non-profit company, Things Trust, which holds certain rights enabling it to hold LoT accountable to its mission and values. For example, it has the right to block changes to the company's purpose. Its legal members represent LoT's stakeholders – members, partners, investors and the planet

This structure allowed LoT to bring on board the investment they needed but ensured it was mission-aligned and patient. Their relationship with investors is guided by their fair-exchange principle, with impact investors offered a minimum 2x return over 6-8 years. Through this model they were able to raise £1.2m from Angel Investors and Family Offices, and a further £350,000 via the Ethex Crowdfunding platform.

With this investment, they were able to scale their own operations across London, where they are now located in 19 diverse neighborhoods. Meanwhile, they developed their digital platform to grow

the model globally. They license this platform to communities, local governments and businesses across Europe and the UK.

This box is drawn from a case study published by Doughnut Economics Action Lab (2025b), with the express permission of Doughnut Economics Action Lab.

Conclusion: The Key Role of Labor Investors in Getting Humanity into the Doughnut

Getting into the Doughnut will require a new set of enterprise designs – encompassing governance and ownership models that work to serve people and planet, and not just extractive finance. This is because businesses need to go beyond the easier wins in sustainability to ambitiously embrace more difficult transformations that can create far greater social and ecological benefits. This means pursuing ecological ideas like circularity and biomimicry, while increasing commitment to address social issues like rising inequalities and respecting human rights.

Emerging business designs that unlock such ideas contrast starkly with the outdated business designs of the 20th century. The old designs have held back businesses from pursuing social and ecological goals and limited them to only doing so where they can deliver maximum growth in sales, margins and dividends — particularly in the short-term, i.e. they were made extractive by design. In pursuing sustainability, this acts as a straight jacket on the world of business.

Instead, 21st century designs are enabling a broader set of strategies, allowing businesses to facilitate internal investments, transform product designs, transition to new models of manufacturing, and embrace deep partnerships with workers and communities across their operations and supply chains. They are also aimed at protecting businesses from hostile take-overs or generational change that could undermine sustainability commitments.

As this diverse range of enterprise designs emerge, they increasingly showcase new possibilities for the role of business, the benefits it can generate and the speed with which it can pursue the needed transitions to help humanity get into the Doughnut. **Next to business leaders, there is no more central role in this transformation than the one which workers play (Battilana, Yen, Ferreras, Ramarajan, 2022). Through investing their person and abilities in their work, they sit at the first row of their business’ role and see its impacts, they are often the first impacted next to local communities** (Landemore 2022). Yet, labor investors are usually not recognized for the leadership they (could) play in the transition of the business for which they work (Ferreras and Sepulveda 2025). It is telling that they are striving to have a say: indeed, a survey of approximately 8,000 employees in 10 countries across various industries revealed **that “83% of employees say they are ready and willing to support climate action in the context of their work”** (Kite Insights 2023, 7) – but, as they lack organizational empowerment (what we call a “voice” in this Report, with reference to the commitment made in Art. 129.2 of the Spanish Constitution), they do not dare to take initiatives, as such responsibilities usually fall beyond the classic scope of their professional roles.

By giving workers – next to stakeholders like nature or communities - a meaningful voice and a stake in corporate decision-making, businesses can be aligned with the long-term well-being of both people and the planet. In 2011, engineers from the University of Cambridge (Cullen, Allwood, and Borgstein, 2011) have assessed that **“practically achievable design changes” could reduce global energy consumption by 73%. Those changes do not require new technologies; all they require is more labor investment.** Labor intensiveness requires choices that are often costlier over the short term. So long as businesses are run in ways that seek to maximize profit for their capital investors alone, why would they make these changes? **Empowering workers with greater voice and ownership through innovative governance and ownership structures is considered a vital transformative approach: it is a condition necessary but insufficient (Ferreras 2019) to unlock the possibility for businesses to contribute to reorient their mission toward multiple goals, thus contributing successfully to much needed ecological and social transformations.** Per the examples reviewed earlier, businesses pursuing hybrid goals that take financial, social, and environmental considerations into account, and develop strategies for granting their labor investors access to voice and ownership – have already shown the potential of such positive impact.

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Part I. Conclusion: A Clear Need for a Regenerative Path for Spanish Firms through Worker Access to Voice and Ownership

Part I of the Report gives a comprehensive diagnosis of the critical crises confronting Spain, as all our economies today, from the erosion of democratic institutions and the rise of inequality to the instability of offshoring and the imminent collapse of the nine planetary boundaries.

The Committee notes that these challenges, although often depicted separately, are not actually isolated problems. Rather, they are the interconnected product of human choices, not least of the capitalist corporate structure, which excludes labor investors from meaningful participation in firm government and ownership. The Report observes that if this problem is left without an appropriate response, the consequences will be dire; indeed, they are already a serious threat to the stability of our economic and social systems. This analysis is intended to serve as a clear point of departure: if the current extractive trajectory of the economy is not sustainable and ultimately detrimental to Spain, a new path must be identified. The Report will turn to this next aspect of its mission in the next sections.

The Current State is Ill-equipped to Face Polycrisis

The dominant economic model has generated economic prosperity at an unsustainable collective cost. Despite the welfare and regulatory policies pursued in Spain, the expansion of transnational capitalism has generated a state of polycrisis; that is, a situation in which human society is simultaneously facing important levels of inequality, environmental collapse, and democratic destabilization. Based on widespread evidence from multiple fields and experts, the Committee concludes that political democracy as it is currently structured is no longer equipped to guarantee social justice, due to globalization without governance and the capture of the State by the concentrated forces of transnational capitalism. **The solution the Committee has identified is both economical and powerful, and grounded in the Spanish Constitution: to reconfigure the economic sphere by expanding worker access to voice and ownership. This solution is empirically grounded as it is normatively justified, a fulfillment of the promise made to the workers of Spain by their own Constitution.**

Beyond the Market and the State Dichotomy

As the power of national governments to set and enforce rules and standards has weakened, firms have emerged as an indispensable institutional actor. The traditional dichotomy between the Market and the democratic State has become outdated. Today, the Committee notes that the strong “intermediary” role played by private political entities - firms, in other words - cannot be ignored. **As Part I of this Report has observed, firms as they are currently organized are tipping the balance away from free markets and democratic societies to closed markets and captured governments that favor capital investors and their interests over all else.** We identify economic democracy, understood as the project to expand worker access to voice and ownership, as a social

innovation that bridges the gap between Market and State in a way that brings the balance back toward regions, nations, and the expectations of the people, and the needs of the planet. By empowering workers through access to voice and access to ownership, corporate governance can be redesigned to internalize the externalities —environmental and social— that shareholder capitalism and its extractive logic push onto consumers, workers, and State and local governments. This innovation returns companies to serving the broader purpose for which they were intended, rather than functioning as mere capital optimizers. **The proposals detailed in the next Part of this Report will explain how firms can be helped toward better purposes, serving as large or micro-centers of collective interest, pursuing multiple interests successfully and simultaneously, in ways that allow for a more efficient and equitable allocation of resources.**

A Resilient Economy Centered on Participatory Firms Embedded in a Renewed Democratic Architecture

Despite the obvious gains derived from addressing the nine challenges identified in Part I, this approach aims to foster a more equitable and mutually advantageous relationship between businesses and democratic states. By embedding firms into the democratic architecture, this approach is also seeking to enhance the capacity of public authorities to address complex challenges that necessitate state intervention. A win-win approach is possible, rather than attempting to diminish or capture State capacity. In the end, this strategy aims to reinforce democratic public authorities as well, enabling them to effectively address the massive collective action problems of our era. Currently, these authorities lack the necessary power to enforce norms crucial for establishing equitable international relations, building peace, and safeguarding our planet, particularly when confronted by powerful extractive corporations. **It is reasonable to expect that internally democratized firms will develop a very different relationship with State authorities, seeing them as allies for a democratic and sustainable future for all.**

To use a medical analogy, the Committee's findings show that strengthening economic democracy could serve as an immunological booster for political democracy. **By returning *ex ante* and *ex post* decision-making power to the majority of the population — labor investors— economic democracy deconcentrates the economic power that is currently neutralizing the State's capabilities.** Moreover, worker participation in corporate governing bodies will generate a more robust fiscal and regulatory base, as it is to be reasonably expected that major investment and production decisions that include people living and working in places directly affected by those decisions will more intelligently incorporate concerns about impact, sustainability and inclusion from within the company. **This rebalancing of power in the productive sphere is a simple and direct way for States to recover the normative and regulatory strength they need to address global challenges (environment, poverty, peace, etc.). Re-embedding firms into the political democratic architecture of States is a strategic way to rebalance the excessive power captured by transnational capitalist structures in order to ensure a mutually beneficial relationship between States and private actors.**

In an era dominated by Artificial Intelligence and intangible assets, productive capital increasingly resides in people's knowledge and loyalty - both consumers and workers. Labor investors, without whom there would be no service nor product sold, are central to the success of firms. **As contemporary business schools, management training, and job recruiters recognize - more every day - the central importance of attracting and retaining high-quality workers up and down the value chain, the capitalist corporate model, which grants exclusive rights to those who invest capital, often at great distances, increasingly appears to be a functional anachronism.** Economic democracy aligns corporate governance with the new realities of work today, in which labor is as much of a strategic investment as capital.

As we move into the practical applications of our observations, the Committee notes that effective reform is designed to be gradual and adaptive. Drawing on other successful experiences across the European Union, our proposal is for a concrete move beyond a simple legal mandate to build an institutional learning environment that measures all firms according to a Corporate Democratic Development Index, measuring workers' access to voice and ownership at the firm level, and provides for all possible fiscal incentives and public policies to guide them, and thus the entire economy, toward a future of participation and resilience.

Part II: Forging a New Trajectory for Democratization

II. A. The Proposal: A Comprehensive Strategy for All Firms to Embark on a Trajectory of Democratization on the Voice and Ownership Avenues

1. Reclaiming Corporate Governance in the Service of Voice and Ownership

Introduction

Part I of this report has shown that our societies are facing a series of interrelated challenges—all of which are directly or indirectly linked to the absence or inadequacy of worker access to voice and ownership in firms. Before moving to policy proposals, it is essential to reconstruct a robust and up-to-date understanding of what a firm is. This must be informed not only by an understanding of the current polycrisis, but also by the lessons learned from decades of experimentation with a dominant, yet narrow, conception of the firm. This chapter begins by deconstructing the outdated theory of shareholder primacy, which has shaped corporate governance for the past fifty years. It then proposes a framework that aligns corporate behavior with the values of the Spanish Constitution, grounded in a more accurate understanding of the nature of contemporary firms, and what roles both capital investors and labor investors play therein, and consequently *should* play in corporate governance.

To do so, this chapter will examine the traditional theory of **shareholder primacy**, arguing that it is an outdated model for an innovation-based economy increasingly driven by intangible assets. Proponents of shareholder primacy maintain that shareholder control is the most effective way to generate economic growth, as shareholders are the natural residual claimants of a firm's profits. This perspective has come under significant scrutiny, and this chapter will focus in particular on research highlighting the fact that the legal infrastructure of modern capitalism is not a neutral system, but one designed to prioritize the interests of capital holders, creating substantive power asymmetries. These asymmetries have helped shareholders to promote the view that firms should be structured to maximize value for them, while externalizing risk onto workers, society, and the planet.

Moving away from models based on shareholder primacy, this chapter explores arguments for why codetermination rights and shared governance might act as an antidote to power imbalances, preventing exploitation and ensuring decent wages. Research also shows that shared governance can also increase worker effort and investment in company-specific human capital, as labour investors are more likely to commit when they have a voice and can protect their investments. We also note that the value of worker participation is amplified by the growing importance of **intangible assets** such as organizational capital, and firm-specific knowledge and skills, which are difficult to accumulate and leverage without workers' involvement and trust.

Having reviewed the evidence suggesting that the nearly "voiceless labor" corporate model that has prevailed in Spain for decades is out of balance, this chapter's next task will be to propose a new framework that aligns corporate behavior with the norms society values. It will show that the path forward requires a fundamental shift in corporate governance that recognizes the role that workers play in firms—and should play in their decision-making process. Starting from the provisions offered by Article 129.2 of the Spanish Constitution, this chapter argues that all those who invest their labor in a firm (which we call labor investors) and whose actions are governed and

ruled by the decisions the firm makes, should have a recognized standing within the corporate structure, grounded in access to both voice and ownership. In addition to fulfilling a constitutional promise, this change is essential for aligning the government of the firm with the interests of its most critical sources of value creation, and for building a more resilient, equitable, and democratic future.

This chapter also addresses the state's critical role in these transformations. Following the analysis of Pistor and others, it argues that the legal infrastructure of modern capitalism is a political construct, not a neutral system, and that the law is the primary tool used to 'code' and protect capital. This legal framework has historically been designed to prioritize the interests of capital holders and create power asymmetries. **State interventions in advanced market economies are already numerous and diverse, and the report suggests that they should rather be used to shape business structures to reflect the values enshrined in the Spanish Constitution. It will explain why the path forward requires the State to take concrete, measured actions to set a new mandatory minimum threshold to guarantee access to voice and ownership to every worker, thereby enacting the Constitutional mandate, while also leading with a new, dynamic policy paradigm aimed at incentivizing all firms to take decisive action in the direction of building an innovative, sustainable, and prosperous economy, embedded into a flourishing and resilient democratic society.**

1. Corporate Governance for an Era Where Intangible Assets are the Key to an Innovation-driven Economy

Proponents of exclusive shareholder control over the assets of commercial companies argue that shareholders or owners are the only actors 'naturally' incentivized to increase the value of the company, as they are the residual beneficiaries of the company's profits after all contractual obligations have been met. Consequently, this line of reasoning goes, granting them control of corporate governance will favor economic growth (Hansmann & Kraakman, 2000). At the same time, opponents of worker participation warn that, to the extent that participation increases the influence and power of workers over wage setting, it can facilitate rent-seeking at the expense of capital. Ultimately, this line of reasoning goes, codetermination will curb investment and lead to collective impoverishment. As Jensen and Meckling put it in their influential article on this theory: "[W]orkers will begin to 'devour [the company]'" by converting the company's assets into consumption or personal assets. [...] It will be difficult for the company to obtain capital in private capital markets. [...] The result of this process will be a significant reduction in the country's capital stock, an increase in unemployment, a reduction in labor income, and a general decrease in production and welfare." (Jensen & Meckling, 1979, p.504) As this section will prove in detail below, this statement lacks factual substantiation.

Summarizing the arguments against exclusive shareholder control would be beyond the scope of this report. Instead, we will focus on key arguments by those in favor of alternatives such as codetermination (or codecision). Proponents of codetermination rights argue that they can act as an antidote to power imbalances between employers and workers, preventing exploitation, abuse,

and ensuring decent wages (Frege & Godard, 2014; Anderson, 2017). Moreover, they contend that shared governance can increase worker effort and investment in company-specific human capital because codecision increases their ability to protect the rents that belong to them from the investments they have made. Addressing concerns about workers appropriating rents that belong to investments in non-human capital (Malcomson, 1983; Smith, 1991; Freeman y Lazear, 1995; Strine Jr., 2021), proponents of codecision have cited theoretical models of many labor contracting situations where asymmetric information and high transaction costs force companies to depend on implicit promises of future promotions and wage increases to motivate workers, in particular to develop their company-specific skills (Lazear, 1979). Codecision, they argue, helps to make these implicit promises credible, precisely because workers are involved in governance, and so corrects an extant *underinvestment* in human capital, rather than enabling rent seeking. Finally, they have argued, codecision can facilitate and incentivize information exchange, which can improve both worker satisfaction and company performance (Hirschman, 1970; Freeman y Lazear, 1995).

The value of worker participation in the firm, in terms of its contribution to economic efficiency, is amplified by the growing importance of intangible assets in total productive assets (Haskel y Westlake, 2018; Mas y Quesada, 2022). Tangible assets, such as physical capital, machinery, equipment, and facilities are easy to identify. So-called intangible assets (which include accumulated knowledge, skills, attributes, experience, and health of workers, innovation assets and intellectual property, digital and analytical assets, brands, and organizational capital) are sometimes accounted for and made visible through metrics such as R&D spending or spending on computer software and hardware, but few metrics exist for many other kinds intangible asset, such as organizational capital. Despite the lack of widespread metrics, the consulting firm McKinsey (2023) highlights the importance of organizational capital—which it defines as “how an organization works,” “the glue that makes the whole greater than the sum of the parts”—as a lever to improve the productivity of human capital and the rest of the company’s assets. Black and Lynch (2005) directly link the organizational capital endowment of companies with the “voice” of workers in the company, with the implementation of autonomous work teams, and with the training of workers in company-specific skills. Worker participation at all levels and in different forms appears to be a decisive factor in how an organization functions; if technology and the nature of the resources used in production change, the relationship between them will demand new ways of organizing work with more power for the workers (Huerta y Salas, 2022)⁷⁴. **The centrality of intangible assets in the innovation-driven economy is a reality that the Draghi Report should have helped to fully articulate, as it is a fundamental shift that requires a re-evaluation of the firm's very structure and purpose. Consequently, far more attention should be paid to labor investors, who should be afforded a new status within the corporate structure, grounded in access to both voice and ownership.** Proponents of codetermination also offer theoretical and institutional rebuttals to an important objection raised by proponents of shareholder primacy: since profit-maximizing firms have not, in the past, voluntarily adopted codecision, it must not be an institution that maximizes the joint surplus, and can therefore only be implemented by

⁷⁴ In the report on *The Future of Work*, MIT identifies “restoring the role of workers as stakeholders, on the same level as owners and shareholders, in corporate decisions,” as a critical aspect for the future of work in the United States. After some reflections on the current dominant model of capitalist governance, it concludes, “Although we are uncertain precisely what rules should govern worker representation in the United States, we are certain that the nearly ‘voiceless’ model that the nation has embraced over the last four decades is out of balance” (Autor et al., 2019, page 43).

government decree (Jensen y Meckling, 1979). Proponents of codecesión respond that it is hardly surprising that employers would not be eager to give up the power that allows them to extract rents from workers, even if doing so would increase the size of the joint surplus (Freeman y Lazear, 1995). Often described as a “prisoner’s dilemma,” this kind of contradictory situation might well prevent companies from unilaterally adopting codecesión, even if its widespread imposition would be socially beneficial (Levine y Tyson, 1990; Hayden y Bodie, 2021); information asymmetries or other frictions can also hinder the negotiation necessary for voluntary adoptions (Jirjahn y Smith, 2018). Finally, some jurisdictions actually impose legal restrictions on the voluntary adoption of codetermination. For example, the National Labor Relations Act in the U.S. imposes strict limits on codetermination agreements. **In reality, businesses operate within a framework of legal and ideological biases that profoundly shape their governance structures and a lack of so-called “voluntary” adoption, when investigated, does not seem connected to considerations of efficiency. The task remains, then, to design a new framework that aligns corporate behavior with the norms society values.**

Organizational capital—defined as the company-specific management practices, systems, and culture that allow a collective of people and groups to act in a coordinated and motivated manner around shared goals—is **especially relevant among a company's intangible assets when explaining productivity differences between them. It makes the organizational whole greater than the sum of its parts**, especially when complemented by specific human capital, the intensification of information and communication, and the deployment of novel systems of artificial intelligence in the workplace. A prominent feature of organizational capital is the mutual trust that develops in relationships within the firm, which facilitates the decentralization of decision-making power and autonomy in the work environment of individuals and teams. More autonomy at work will require more training and qualification of workers in both technical knowledge and soft skills (communication, empathy, teamwork), which will lead companies to invest in that training. The more trained the workers are, the more valuable the act of trusting them by giving them more autonomy over how they do their work will become.

Data from the Instituto Valenciano de Investigaciones Económicas (IVIE) on intangible capital endowments compared by country **places Spain among the least endowed countries, and in the lowest ranks for organizational capital endowment in particular** (Mas and Quesada, 2022). The table below (FIGURE II.1.) shows comparative results for Spain and other countries on the degree of penetration of digital technologies among firms and workers, and on the degree of decentralization-autonomy with which workers perform their jobs. **The situation of Spain is marked by relatively high values for the penetration of ICT (information and communication technology) that replace workers (robots) and that facilitate control over work (data analytics for control over workers), but relatively low values for ICT that empower their work (use of computers to perform work; data analytics for coordination and horizontal communication). The same table also shows that Spain scores relatively low on organizational capital in terms of autonomy and decentralization at work.**

FIGURE II.1: Comparison of Endowments of ICT and Organizational Assets Among Firms in Selected Countries, Including Spain

Technological and organizational assets in European companies

Indicators of digitization and organization in selected countries and in the EU as a whole. Percentages of total companies or workers.

	Digitization			Organization		
	Workers with computers	Robots	Data analytics	Autonomous equipment	Delegation	Workers with autonomy
Germany	62,3	13,2	48,2	18,0	81,4	47,2
Spain	49,4	15,5	70,9	13,9	68,9	26,4
France	48,6	12,7	55,1	8,4	78,0	38,4
Italy	53,2	13,5	69,6	11,5	72,1	40,0
Sweden	66,4	9,8	51,3	32,8	93,0	55,7
EU total	48,9	10,8	54,7	14,7	70,0	38,0
Germany	62,3	13,2	48,2	18,0	81,4	47,2
Spain	49,4	15,5	70,9	13,9	68,9	26,4

DIGITALIZATION INDICATORS

Workers with computers: average percentage of workers who use computers in their work.

Robots: proportion of companies that answer affirmatively to the question of whether they use robots.

Data analytics: proportion of companies that answer affirmatively to the question of whether they use data analytics.

ORGANIZATIONAL INDICATORS

Autonomous teams: percentage of companies that answer affirmatively to the question of whether they have autonomous work teams.

Delegation: percentage of companies that answer affirmatively to the question of whether company management creates a general atmosphere of delegation of decision-making authority at all levels.

Workers with autonomy: average proportion of workers who perform tasks on their own initiative in their job.

Source: Rivera Torres and Salas Fumás (2022)

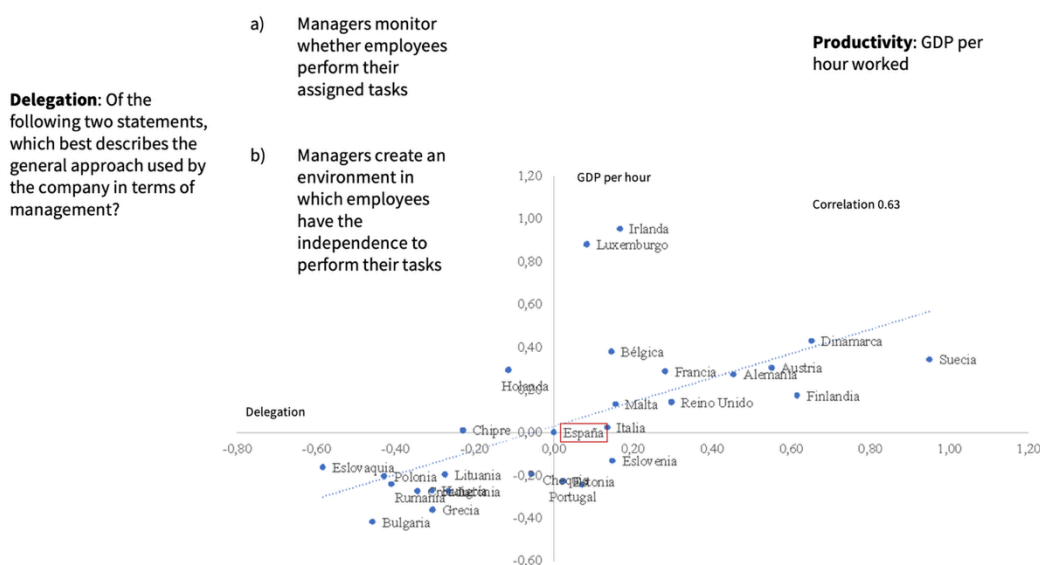
https://www.funcas.es/documentos_trabajo/el-valor-economico-de-la-inversion-digital-de-las-empresas-europeas-y-sus-determinantes/

The next graph (FIGURE II.2) shows the correlation between the relative presence of the delegation of decision-making power to workers (a proxy for substantive participation) in the different countries of the European Union, and the corresponding country's average labor productivity. **This shows a positive correlation between the prevalence of worker autonomy and productivity in productive countries. While this does not imply causation between delegation levels and productivity differences, it does demonstrate that Spain aligns more closely with less productive nations in terms of both worker autonomy and productivity.**

The graph also highlights that the Central and Northern European countries that show higher levels of productivity are also the ones that have incorporated representative worker participation in their commercial companies, as a labor right. We can therefore conclude that **the evidence highlights the group of countries in North-Western Europe that share a notable experience in comprehensive worker participation within the firm are also the countries with the highest**

average labor productivity levels in the EU. Another group of countries in Southern Europe, including Spain, shows the opposite: comparatively lower levels of worker participation in the firm and lower labor productivity.

FIGURE II.2: Correlation Between the Relative Diffusion of the Delegation of Decision-making Power to Workers Over their Work Environment (a Proxy for Substantive Participation) in the Different Countries of the European Union and the Corresponding Country's Average Labor Productivity



Source: Rivera Torres and Salas Fumás (2022)

https://www.funcas.es/documentos_trabajo/el-valor-economico-de-la-inversion-digital-de-las-empresas-europeas-y-sus-determinantes/

Explaining the Differences in Labor Participation

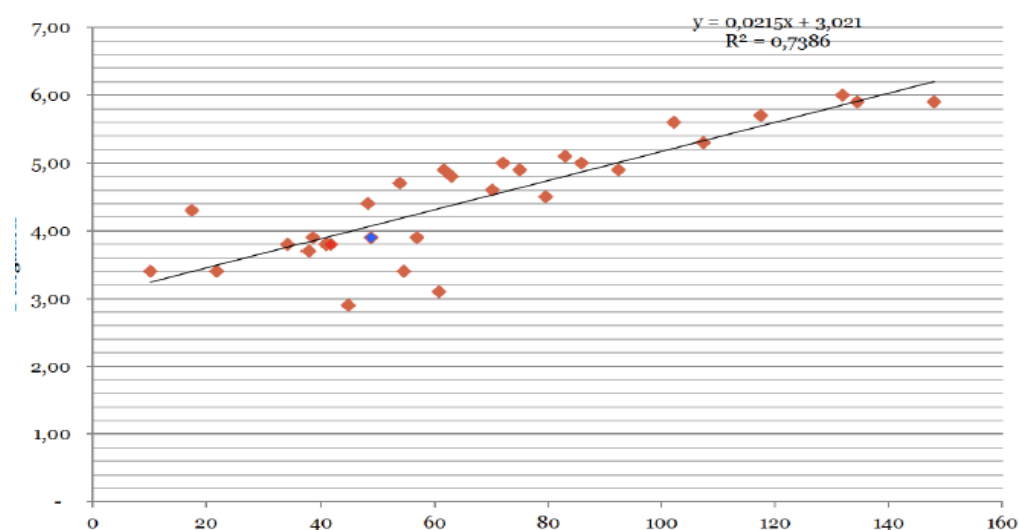
What explains the greater or lesser extent of worker participation among capitalist firms in an economy? In countries where the law does not enforce the right of workers to representative participation (that is, the right to elect representatives to the governing bodies of the capital company), decisions regarding the internal operating model of the firm, including the distribution of authority and responsibility at all levels and in all roles, falls to the management teams appointed by a firm's capital investors. It is therefore to be expected that capital investors, and the management teams they appoint to manage the firm, will make decisions guided by their own interest, which can be reasonably summarized as achieving the maximum possible profit within the law, social norms, and the restrictions imposed by market competition. Within a country with a given regulatory framework, or between countries with similar regulatory frameworks, the extent of representative and substantive participation of workers in companies depends on differences in the factors that condition the relationship between participation and the desired results of the companies for those who hold the highest authority in them.

The results of academic research that has linked the degree of decentralization in the internal functioning of companies (with the understanding that more decentralization means more participation and autonomy on the side of workers) with generalized trust in the social context in which the companies operate, provide interesting insight into this issue (Bloom et al., 2012; Cingano and Pinotti, 2012). The relationship between trust and decentralization/participation is established in the following terms. Those initially holding the power of decision over whether or not to promote participation in a decentralized internal functioning of the firm will delegate decision power if the following two conditions are met: First, the people to whom more autonomy is delegated (to perform individual or team work) are **properly trained and prepared to perform the work** with more autonomy and less dependence on the instructions of the more qualified hierarchical supervisor (Black and Lynch, 2005; Dobravska et al., 2015).

Second, **the delegator believes that the autonomy and initiative in individual or team work will be exercised in accordance with the company's general objectives and policies**, and not for the personal benefit of those who enjoy the exercise of that autonomy. If decentralization is more widespread among the companies of one country than among those of another country, it must be because in the former there are more favorable conditions for it— specifically, better foundational education practices oriented toward autonomy, and at work specific training of workers in skills to perform work with more autonomy—and thus more congruence between the interests of those who delegate or share decision-making power and those who receive the delegation.

FIGURE II.3: Statistical Correlation Between the Extent of Trust in the Country and the Extent of Decentralization Among Firms. EU Countries (Spain in Blue).

Degree of delegation



Source: Huerta and Salas (2014)

FIGURE II.3 provides evidence in this regard. The trust indicator for each country is taken from the World Values Survey (WVS), while decentralization is taken from the Global Competitiveness Report (GCR). The expected benefits of decentralization/participation are several. First, it reduces the time spent on supervision and control by senior management over the rest of the company's workers. This saved time can be dedicated to more productive tasks related to innovation and development. Second, more decentralization/participation improves an organization's ability to respond (speed of response, understanding of the problem) to information signals received from outside (the market) and inside (horizontal communication). Third, company growth can be directed towards more complex and/or technologically advanced productive activities that are difficult to supervise hierarchically due to the information advantage of the controlled person over the controller. The economic literature has identified this connection between trust and productivity through facilitating the decentralization of firms (Bloom et al. 2012). The authors find that companies headquartered in regions with high levels of trust are significantly more likely to decentralize their decision-making and give more autonomy to teams. They show that more decentralized firms are more productive and tend to specialize in innovation and information technology. Trust, which is indispensable for corporate decentralization/worker participation, thus affects innovation and aggregate productivity.

Thinking about Spain, which has a significant comparative labor productivity deficit compared to the EU's most productive countries—which coincide both with the countries where worker participation in firms is more widespread at all levels, and with countries that have higher endowments of organizational capital— it is necessary to delve deeper into the relationship between worker participation and economic efficiency. Improving efficiency in the allocation of resources and investing in the accumulation of resources that contribute to increasing labor

productivity is part of the logic of the market economy and competition. It is therefore relevant to ask about the causes that have interfered with the development of labor participation and the accumulation of organizational capital among firms in Spain. **A more productive economy should allow for increased wages and improved working conditions and increased business profits at the same time; in other words, it is a goal that capital and labor should share. If participation and organizational capital have not been leveraged in Spain as in other countries to improve the allocative efficiency of resources, and well-being in general, this is most likely attributable to market and competition failures that have not provided the right incentives. Trust as we have seen, is one major explanatory variable for the differences in the degree to which the decentralization of decision-making is extended among firms in different countries. This raises the question of why the endowment of trust in Spain, as an important component of social capital, sits below the level of other EU countries.**

The economic literature contends that the deficit of participation and organizational capital in Spain can only be the result of market failures or deficiencies. This justifies the use of some type of state intervention to correct the situation. Comparative evidence shows that representative participation (worker representatives in corporate governance bodies) only becomes **widespread in countries requiring it by law. Given that the State's role in advanced market economies is both significant and multifaceted, the question is not whether it should intervene (as it already does so on a structural basis) but why it should not shape business structures to reflect societal values—particularly when those values are enshrined in a country's founding document, as is the case in the Spanish Constitution.**

2. Social and Environmental Accountability in the Business World

As discussed in Part I of this Report, the social economy represents a space in which key actors and innovators have worked to build trust and to establish building blocks for more sustainable economic and social systems. These enterprises are structured to include worker and stakeholder participation and can thus be studied as precursors in terms of identifying ways to deploy the dual promise of worker access to voice and ownership provided for in the Spanish Constitution. Spain's vibrant social economy sector—consisting of cooperatives, associations, mutual societies, and social enterprises, among other organizational types focused on positive social and environmental impacts—has existed alongside the “mainstream” economy for well over a century, and can be traced back at least as far as worker associations in Barcelona in the mid-nineteenth century (Largo Jiménez, 2016).

Despite its long-standing presence and relative maturity, the social economy in Spain remains a niche when compared to the mainstream economy. Of more concern is, the very distinction between the social and mainstream economies, which may contribute to a perception that social and environmental concerns should fall primarily to this far smaller sector of the economy, rather than being addressed by the nation as a whole. This compounds the risk of mainstream businesses interpreting their role as limited to financial value creation, overlooking broader responsibilities related to social and environmental impact, and focusing primarily on profit maximization

(Battilana et al., 2024). To better understand how this perspective is sustained, it is important to examine how corporate (or company) law frameworks shape the behavior and obligations of firms.

The next section is based on the works (Pistor 2019) and testimony by Prof Katharina Pistor (Columbia University) to the Expert Committee on Democracy at Work on Thursday 20th February 2025.

The Spiral of Corporate Profit-Seeking

The legal infrastructure underpinning modern capitalism does not merely regulate capital: it constructs capital. Corporate governance is not a neutral system of checks and balances, but a highly political structure shaped by legal codes that prioritize the interests of capital holders. As corporations have taken on ever-greater economic and political significance, the legal forms and devices used to shape their operations and allocate power within them have, as well (Pistor, 2019, Ferreras, 2017, Mayer, 2013).

In other words, legal systems embed asymmetries of power. Pistor’s scholarship emphasizes that economic power is deployed through the structures and the governance of corporate entities—a domain traditionally removed from democratic scrutiny.

The Evolution of the Corporation

Historically, businesses have always been organized into many different legal and ownership forms: producer cooperatives, consumer associations, family businesses, philanthropic enterprises, etc. Starting in the 19th century, Western societies witnessed a gradual but decisive shift toward the dominance of the capital investor-governed firm. This evolution was driven by the liberalization of incorporation laws, beginning in the UK in 1844 and spreading to other jurisdictions worldwide. Freely incorporated legal entities replaced charters granted by the sovereign, democratizing access to the corporate form while simultaneously reinforcing a narrow focus on capital returns (Pistor, 2019, Mayer, 2013, Robé, 1999).

Over time, the corporation matured into a legally distinct “person” with the right to own property, enter contracts, and shield capital investors from liability, and **the legal obligation for a firm to state its public purpose was abandoned. The corporation came to be viewed as a profit-maximizing vehicle that could pursue any activity to achieve that end, so long as it was lawful, liberating management from explicit social obligations and enabling expansive control by shareholders.**

This transformation also laid the foundation for complex corporate groups. The legal fiction of separate corporate personality allowed firms to form elaborate chains of subsidiaries, enabling global expansion, regulatory arbitrage, and tax minimisation. This became a key part of the colonial dynamic. The corporate legal entity became not just a productive unit, but a flexible building block for power- and empire-building.

In her hearing, Pistor, concurring with many other scholars who have studied the many ways in which corporations have experimented with their structure to maximise capital gains, introduced the concept of the corporation as a “capital mint,” a legal apparatus capable of generating, protecting, and accumulating capital through strategic legal structuring.

Pistor presented the case of the Lehman Brothers as an emblematic example. By creating a vast network of over 200 subsidiaries, special-purpose vehicles, and trust entities, Lehman was able to silo risk, maintain favorable credit ratings, and funnel profits upward to its holding company (Pistor, 2019; Birchall and Bernaz, 2023). Although Lehman was a financial firm, Pistor stressed that the same principles increasingly apply across sectors. **Corporations are no longer primarily instruments of production but mechanisms for maximizing shareholder extraction.** The legal separation of liabilities and the guarantee of inter-entity obligations create a paradox: firms leverage the benefits of limited liability while voluntarily assuming risk only when it favors capital accumulation.

The “capital mint” functions not only through leverage or speculation, but through precise legal engineering. **By promising debt guarantees downstream while channeling profits upstream, firms optimize financial returns for shareholders while externalizing risk onto society and the planet. The resulting architecture is asymmetrical: it protects capital while exposing everyone else, workers, the planet, and all stakeholders affected by the risks it generates.**

3. Legal Tools and the Codification of Capital

Capital, Pistor explains, is not a natural feature of economic life; it is a social, legal, and economic concept encoded by law at all levels. Whatever aspect of capitalist enterprise one examines, legal modules (such as property, trust, contract, collateral, and corporate law) create the foundation for it: asset protection, rent extraction, and hierarchical governance are key examples (Pistor, 2019; McGaughey, 2022). These legal modules include property law, which secures exclusive rights; collateral law, which prioritizes creditor claims; trusts, which insulate assets from both public and private claims; and corporate law, which distributes control rights, often disproportionately, to investors.

These modules, combined and deployed by legal professionals, transform economic assets into capital, a process described by Pistor as “capital minting.” These resources are not only made more valuable in this way but protected, prioritized, and perpetuated by law. Pistor’s explanation makes clear that these legal tools are not neutral: they serve specific interests and are often inaccessible to those without sophisticated legal counsel. Pistor’s observation that “lawyers are the real engineers of capital” underscores the role of legal elites - and, more broadly, the law - in perpetuating inequality. As firms grow more complex, legal arbitrage and jurisdictional competition deepen disparities even further. This means, as we shall see, that States also have within their power to reform and adapt the law to narrow these disparities.

Financialization, especially in the form of private equity (PE) buyouts, has had far-reaching effects in the broader business world, often undermining long-term social and ecological goals. Numerous studies and investigative reports have documented how **PE-backed firms tend to prioritize short-term financial returns through cost-cutting, job reductions, and the externalization of social and environmental risks** (Appelbaum and Batt 2013, 2014).

PE has also, indirectly, caused significant human rights problems, particularly through their aggressive pursuit of value-extraction (Birchall and Bernaz, 2023).

Asset stripping is a key tactic in financialized business models, through which PE firms sell off valuable real estate holdings, intellectual property, or supply chain operations, generating quick cash flow at the expense of long-term viability. Here, again this dismemberment of productive assets is a business strategy made possible by legal mechanisms that allow companies to prioritize capital claims and contractual discretion over any consideration of the impacts on workers, customers, or the environment.

As we have seen, corporate law as it is configured in a financialized economy facilitates extraction rather than stewardship, and Pistor noted the urgency of reexamining the law in light of this. Ultimately, she concluded, the legal system's role in shaping who holds power within the firm also determines whether businesses serve public or private ends, and which stakeholders are prioritized in key commercial and investment decisions.

Erosion of Corporate Purpose

A major transformation that has taken place in corporate law is the steady erosion of declared corporate purpose. Once required to articulate a specific mission, it is now routine and indeed required in some places for firms to include a clause in their statement of purpose that asserts they can engage in “any lawful activity” (Pistor 2019). This shift has allowed corporations to move away from their roles as institutions providing socially valued goods and lent legitimacy to their increasingly singular focus on shareholder returns.

The consequence of this transformation is a legal environment in which alternative objectives (such as worker well-being, environmental sustainability, or community investment) are more easily subordinated to capital appreciation, or return on capital investment. The absence of legal obligations beyond compliance with positive law enables corporations to displace responsibility for social outcomes onto the state or civil society.

Today's legal charters, in other words, which allow companies to incorporate vague or no stated purposes, provide corporate managers with expansive discretion while shielding them from stakeholder claims and scrutiny. The fiduciary duty to shareholders, reinforced by courts and markets, crowds out competing loyalties. In light of the threats to society outlined in Part I of this Report, the State is wholly justified in reexamining the legal and policy frameworks governing businesses in order to more effectively assign responsibilities and require accountability from them. If left to their own devices, it seems unlikely that businesses competing in today's

financialized economies will find their way alone to adopting models that help them re-set their purpose to priorities other than maximizing share value.

4. The Regenerative Path: The Avenues of Voice and Ownership

Of course, not all firms have subscribed to this dominant model built on financialization and focused on extraction for capital accumulation. Across jurisdictions, **there is a growing interest in alternative forms of business organization that seek to embed social missions into their operations and broaden governance beyond capital investors, via innovative ownership structures and/or participatory governance involving labor investors. Specifically, they are characterized by clearly stated attention to the ways rights associated with ownership are exercised.** These forms of organization include cooperatives, foundation-owned firms, benefit corporations, employee-owned enterprises, and steward-owned enterprises. Recently, these forms have expanded to include innovations in governance, such as golden shares or the representation of nature on boards.

Here, again, we recall Pistor's emphasis on the importance of legal innovation and governmental leadership in supporting these models. Devices such as dual-share structures, golden shares, asset locks, steward ownership, and trust protections can shield a firm's mission from investor pressure. The goal of such structures is to legally separate economic interests from control rights, ensuring that capital contributors cannot unilaterally override social or environmental commitments.

There is now a broad range of historical and contemporary examples of such structures from across the globe, which show that alternative models have proven not just socially and environmentally desirable, but also commercially viable. They are often driven by conviction, either that of the founders of a business (sometimes individuals or families, sometimes communities), as well as by a strong desire to avoid ceding control to private equity firms or other financialized ownership models. The ownership and governance structures of these businesses tend to be oriented to broader social or ecological purposes. **These structures are not new or untested - they have simply been marginalized by dominant legal and financial norms.** Some date back to monasteries in the Middle Ages, which valued their mission over all other concerns; others to cooperatives established by workers in the nineteenth century. **The Committee studied these organizational models with particular attention to which interests were being represented in their governance structures.** Sometimes, it is workers; sometimes it is nature or broader social or ecological considerations through special delegation (e.g., trusts or stewardship councils). Each model we examined had differing implications for control, accountability, and mission preservation and served as **highly relevant case studies for what we call the avenue of ownership.**

At the same time, the Committee noted that, throughout the history of modern economic development, **the traditions of unionism and the labor movement more broadly have been instrumental in building structures that provide for worker participation – what we call the avenue of voice.** . These forms of participation are driven by ideals that have had different names at different times and in different contexts, such as 'citizenship at work,' 'industrial

citizenship,’ or worker dignity. The language of citizenship expresses an implicit understanding that contributing labor to an economic endeavor endows the labor investor with certain rights and responsibilities; namely, to participate in the structures and decisions that govern their own life at work. The idea that the investment of one’s body and mind through labor should open access to participation in government extends far back in political history. The concept of citizenship in the workplace has always included the notion that labor investors should have a say in their working conditions and in their conditions of employment (for example, remuneration, working hours, safety, etc.), as well as in the types of service a business delivers, or the type of production pursued. As is citizenship in the wider world, citizenship in the workplace is a necessarily expansive and evolving notion.

Indeed, research has shown that the investment of labor in a workplace comes with an expectation of justice; that is, that one ought to have a say in the rules that govern one’s life at work⁷⁵. In an era of “time porosity” and increasingly flexible working conditions for some, and increasingly fluctuating and precarious work for others, to state that what governs life in the workplace also impacts life outside of work seems almost a truism. **For citizens of democracies, the expectation that the rules that govern work life dovetail with the ones that govern us as citizens is simply logical. While some workplaces in Spain acknowledge this through representative bodies through which employees are informed and even consulted on management decisions that concern day-to-day operations and organization of work, most firms in Spain are still not structured to include their participation in strategic decisions.** These may include what products or services a firm develops, questions of business strategy, whether profits are reinvested in continued training for the current workforce and job creation, or are disbursed in the form of dividends or wages.

Key Concepts

The Dual Promise of the Spanish Constitution to Those Who Work:

The Dual Path toward Economic Democracy:

Voice: mechanisms that allow workers to participate in or influence decision-making at and about work (through information and consultation, codecision rights, dual majority, veto right, etc. at the level of the work itself, Works Council, Board level, etc.).

=> Objective: To ensure those governed by the firm’s decisions are able to consent to them and to help shape them; increase joint responsibility with regard to firm decisions.

Ownership: mechanisms that allow workers to hold company shares or stock and access the wealth a business accumulates (through employee shareholding, worker buyouts, worker cooperatives, etc.)

=> Objective: To ensure economic power, the wealth a firm creates, and rewards are shared among labor investors as well as capital investors

⁷⁵ What can be called the “critical intuition of democratic justice at work” (Ferrerías 2007, 2017).

Some 50 years ago, Article 129.2 of the Spanish Constitution identified worker participation and ownership as a vital element of its nascent democracy. Spain’s democratic commitment thus acknowledged, from the beginning, the relevance of democracy to the economy, enacted via worker participation in decisions, and worker access to ownership. **The Constitution is explicit in extending the democratic principle into the economic domain. Translated into legal and organizational terms, this means empowering workers with a voice in strategic decision-making and providing them with access to ownership,** what can be called “economic democracy” (Ferrerías 2024a).

The Committee concluded that designing policy that provides worker access to voice and ownership represents in the first instance a shift in perspective: current legislation, in Spain and throughout the world, largely follows an outdated view in which firms are structured around the logic of shareholder value and capital growth. Firms are agents of crisis or regeneration not by chance or natural law, but *by design*: there is no legal or moral impediment to revising organizational expectations of firms to align with more up-to-date institutional expectations that businesses serve as the cornerstone of an inclusive, more resilient, community-oriented, and just economy. Although this expectation is implicit in the Spanish Constitution, in particular in its Article 129.2, it has not yet been enacted in legislation.

In view of its Constitution, the role of the Spanish public authorities seems clear-cut: to deliberately select a democratic model for Spanish firms over an extractive one. The findings of this section of our report allow the Committee to provide a definition of the firm that recognizes it as a whole; that is, —a political entity, structured by power relations, and a social institution, potentially capable of internalizing its externalities. As such, it is reasonable to conclude that if properly addressed by the appropriate legal and policy instruments, firm structure can be reorganized to fulfill the two promises made by the Spanish Constitution to all workers.

This Report has shown how firms’ governance models can contribute to major crises—from economic inequality and offshoring to the collapse of planetary boundaries—and observes that firm power and responsibility can be reoriented as a force for regeneration instead. This means acknowledging firms’ potential to internalize social and environmental costs, rather than offloading them onto society as externalities. The mission of the Committee being to examine Article 129.2’s provision for worker participation and ownership, the next section of our report will address the fundamental question of just *who* should be included in that category.

The Demos of the Firm: Who Enjoys the Political Rights to Govern the Firm

Since the Spanish Constitution expresses a commitment to all workers (*trabajadores*), not only employees, we open this section of the report by noting the explicit recognition of working *individuals*, even those outside traditional salaried positions. This requires us to determine who legitimately holds the political rights to govern the firm and, consequently, direct its objectives.

Firms are “real entities” (Gindis 2009) that, as we have seen, are best understood as “political entities” in that they are institutions structured by power relations, combining capital and labor investment in the pursuit of a joint endeavor to be defined and redefined (delivering a service, producing a good, solving a pressing problem, etc.). Firms pursue this endeavor through the combined investment of two classes of investors (Ferreras 2017, 2024b). Standard business organizations, supported by current legal frameworks, restrict the exercise of political rights to govern the firm to those who have provided capital (via the vehicle of the corporation, usually), as we have seen. The Spanish constitution provides for the inclusion in firm government of those who invest their person into this joint endeavor, via their work. **Those who invest their labor – the firm’s “labor investors” – are as necessary as the capital investors for the firm to exist, qualifying them as constituents (Ferreras 2017, 2024b). These labor investors take significant risks as well, as the Covid pandemic reminded us (Ferreras, Battilana, Méda ed. 2022), certainly commensurate with those taken by capital investors. Granting them access to voice and ownership, as the first part of this report concluded, is both politically justified and expected to build more trust, labor productivity and innovation capabilities (Battilana & Ferreras, 2021).**

If the firm is understood as structured by power relations among constituents, then these constituents must be identified by examining the constitutional dimension of the firm;⁷⁶ that is, the functioning of the governing bodies as they are set out in the organization's formal documents, including its bylaws. The constitutional dimension is so named because, in a legal sense, its bylaws define the power structure of the organization, and in this sense are comparable to a firm’s “constitution.” Surveying this dimension will provide us with information about where workers are situated in it – if they are located at all – and the intensity of their access to voice and to ownership – if they enjoy any.

Pragmatically, this requires some descriptive work: first, **identifying the labor investors of the firm – no easy task in an era of fissuring (Weil 2014) – and second, reporting about the current state of firms regarding labor investor access to voice and ownership.**

In the broad sense of the word **“workers” (trabajadores)** used by Article 129.2 of the Spanish Constitution, and given the challenges related to workplace fissuring described in the first part of this Report, the committee understands workers to be **all those who invest their labor in the work that is necessary for the firm to sell its product or its service and who are governed in return by the rules and decisions of the firm (Ferreras 2017, 2024b).** The ILO is currently working on **a disclosure obligation for firms** to accurately identify their workers, many of whom are hidden through the legal workings of the global value-chain, because they are **outsourced, formally tasked to working for other employers, or simply employed through the gig or platform economy, scattered across the globe (Casilli 2025; Tubaro, Casilli, Cornet, Le Ludec, Cierpe 2025).**

The Committee recommends that it become **part of the reporting obligation of firms to disclose their labor investors’ current access to voice and ownership. To that end, it will propose to**

⁷⁶ Framework developed through research conducted by Isabelle Ferreras with collaborators via the TED_CriDIS: at University of Louvain, since Ferreras (2012), Sebastian Perez Sepulveda (Ferreras and Sepulveda 2024), Julien Charles and Auriane Lamine, Gabriel Levie (2022), at ULille, Julien Pharo (2023), and at PSL Paris-Dauphine, Thibault Crismer (2025).

create a Corporate Democratic Development Index, based on the Dual Labor Investor Access to Voice and Ownership Scoring Scales. Regardless of their size or legal structure and to supplement current metrics, such as ESG reporting criteria, reporting on the *constitutional* state of the firm in terms of worker access to voice and ownership should become standard business practice in order to disclose to public authorities and potential capital investors the formal rules and bylaws vis-a-vis worker access to voice and to ownership⁷⁷.

The committee cautions that identifying all workers will require effort and intention in a context where firms commonly define themselves exclusively in terms of their corporate structure, rather than choosing more inclusive definitions that extend to other forms of participation in the life of the firm, notably through all sorts of “fissuring” practices (Ferrerias 2017, Weil 2014, Robé 1999) that enable them to shed their responsibilities to their labor investors through commercial relationships, notably with subcontractors. An **increased understanding of the benefits of workers’ access to voice and ownership might raise awareness that defining firms’ constituencies expansively to include labor investors as well as capital investors would be desirable from the perspective of both dimensions of efficiency and justice. Increased deliberation on this critical matter should take place via constructive social dialogue.**

⁷⁷ Such a prototype of Internal Democracy in Organizations Index (IDO) is being developed as part of a doctoral thesis in sociology conducted by Thibault Crismer at the IRISSO laboratory under the supervision of Dominique Méda at University Paris Dauphine-PSL. This research is framed by a CIFRE agreement between AD Conseil and the National Association for Research and Technology (ANRT). The research is part of the open science movement, with the aim of sharing the results of the study as widely as possible. See <https://ido-initiative.org/>

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2. A Strategy for Strengthening Spanish Businesses on the Path to Worker Access to Voice and Ownership

Summary

This chapter proposes a policy strategy to address the long-standing, unfulfilled ambition of Article 129.2 of the Spanish Constitution. So far, this Report has shown a clear need for legislation in this direction and has demonstrated that firms are not neutral economic entities but rather social institutions and political entities whose design can render them agents of crisis or of regeneration. We have seen how the current economic trajectory of firms is extractive, systematically externalizing risk onto workers, society, and the environment. Now, in this chapter, we will outline a **comprehensive plan to help structure firms to function along regenerative lines, rather than participating in the intensification of our current situation of polycrisis. Namely, it will propose a new governance framework that grants all labor investors access to a voice in governance and a stake in ownership.** Throughout Europe, prosperous nations benefit from a participatory workplace culture, which has boosted firm productivity, economic adaptability, equality, and sustainability. This plan is designed to place Spain in a leadership position within the EU in this regard.

The proposed strategy revolves around **a new instrument, the Corporate Democratic Development Index, based on a scoring scale that tracks Labor Investors' Access to Voice and Ownership**. Because voice and ownership are separate (if interlocking) considerations for a business organization, and because Article 129.2 of the Constitution addresses them jointly via this Article, we propose a five-level scoring scale for each, one for voice and one for ownership. . The Voice scale measures the level of worker access to voice, ranging from a non-democratic, capital-governed firm (Level C) to a firm in which labor investors govern the firm via a *Sociedad laboral* or a worker cooperative (Level Aa). The Ownership Avenue measures the degree of employee participation in capital, from a minimal share (Level C) to full ownership (Level Aa). **After the State has defined minimum thresholds for firms to ensure the Constitutional mandate, a comprehensive set of incentive mechanisms could be mobilized to ensure that businesses continue to progress toward higher scores on the two scales.**

The Committee identifies the government's role as that of an "enabling State" (De Schutter, Dedeurwaerdere 2021), setting a new mandatory minimum threshold, and using a dynamic policy approach to incentivize firms toward greater economic resilience, anchored in the promises made of the Constitution. Once this new legal threshold has been adopted, the policy would be implemented adaptively, with the government announcing long-term objectives for access to voice and ownership that would allow firms time to adjust their practices. According to preliminary macroeconomic simulations, this new policy framework holds the potential to generate positive economic effects, such as increased levels of economic activity, lower unemployment, and reduced public debt. **Ultimately, this strategy represents a new pact for a more innovative, just, and sustainable Spanish economy, positioning Spain as a model for Europe.**

To effectively apply its constitutional provisions for access by all Spanish workers to voice and ownership within their companies, **the Expert Committee on Democracy at Work recommends that the Spanish Government and its social partners consider the following strategic approach, which is designed to transform Spanish firms into Europe's most participatory and innovative entities.** This strategy is structured around **two complementary pillars:**

1. **Minimum Statutory Thresholds:** This initial step would define and legislate new minimum thresholds that guarantee worker access to both voice (participation in decisions about operational and strategic decisions) and ownership (access to equity stakes). These thresholds must be designed in alignment with, and seek to advance upon, established European best practices in codetermination and financial participation.
2. **A Dynamic Institutional Trajectory:** Beyond minimum legal compliance, the government should put in place and promote a new political paradigm centered on ongoing improvements. This requires:
 - **A New Reporting Tool to Implement: the Corporate Democratic Development Index,** which is based on two Scales that measure Labor Investors' Access to Voice and Ownership.
 - **An Incentive-Based Governance: Each company will be given a rating which will situate its achievements along the two scales.** These ratings be used to steer a policy framework that uses mechanisms such as fiscal benefits (and fiscal malus) to incentivize democratization in all companies, encouraging steady progress along the trajectory toward enhanced worker access to voice and ownership, at the firm and at societal level.

After reviewing the risks and shortcomings of the current corporate law paradigm, this chapter will offer potential corrections anchored in the Constitutional mandate of Article 129.2. Building on insights gathered in the previous sections, this portion of the report will review **a set of policy reforms** that can help better align corporate behaviour with the Constitution's promises to the workers of Spain.

Introduction: Objectives of the Reform: Responding to the Constitutional Ambition

The proposals that follow are intended to nurture a fruitful debate inside Spanish society, to help social partners identify new ways to carry out their responsibilities, and to inform the Government of concrete, realistic ways to bring legislative support to the provisions in Constitutional Article 129.2.

So far, as we have seen, in forty-seven years since the Spanish Constitution came into effect, Article 129.2 has been implemented only partially. Specifically, participation has been limited to the structures regulated in Title II of the Workers' Statute (ET). After nearly half a century of unfulfilled ambition, the Committee's proposed reform seeks to articulate a **trajectory of economic democracy** based on the two complementary avenues identified in Article 129.2: worker participation in the firm's decision (i.e. the avenue of voice), and worker access to ownership of the means of production (i.e. the avenue of ownership). The Committee, wishing to avoid proposals that are not grounded in research or even utopian, has relied on concrete mechanisms that can be used to guide every firm, regardless of size or status, toward positive economic, social, and eventually environmental impact.

As we have seen, in most countries, worker voice at the firm level is enacted by legal mandate. Participation, in other words, is not left to the discretion of the company but is imposed by legal means according to its size, in the name of a given country's understanding of good and fair governance. **The State, in other words, has a clear responsibility to foster an environment where the Constitutional values are upheld, and all firms operate on an equal playing field. It is thus reasonable for the State to seek out an array of instruments adapted to contemporary needs and practices, in this case, to fulfill its constitutional mandate to foster worker participation and ownership in companies by providing a clear policy framework through which firms can undertake democratic transitions, alongside incentive mechanisms.**

The Election of Worker Representatives in Companies: The Spanish System

The Spanish system of worker representation within a company features two overlapping modes of representation. Collective and unitary representation within the company is provided for by the Workers' Statute Law (ET) and assured through elections of Works Councils (*comités de empresa*) and Personnel Delegates (*delegados de personal*). From outside the company, trade union representation consists of union sections (*secciones sindicales*) and union delegates (*delegados sindicales*), which undertake union work at the company-level.

Relationships of coordination and convergence exist between these two modes of worker representation, both in terms of the functions performed and the process of electing representative bodies from within the workforce.

Unitary Representation and Union Presence

Unitary representation in companies is heavily unionized in its composition, as trade unions are the entities that participate—both through the electoral process and in the functions performed—in the formation of these bodies. The powers and rights recognized by law to Works Councils and Personnel Delegates are, in essence, trade union activities, comprising not only the exercise of information and consultation rights but also the rights to collective bargaining and strike action.

The size of the company determines the specific unitary representation bodies⁷⁸:

Companies with 6 to 49 workers elect Personnel Delegates (*Delegados de Empresa*).

Companies with 50 employees or more elect a Works Council (*Comité de Empresa*). The number of members on this Council is scaled according to the size of the workforce.

The election is conducted through a formal procedure involving candidacies put forward by unions established in the company or workplace. All workers in the company vote on these candidacies, and the seats in the representative body are allocated proportionally to the results obtained by each candidacy. This legally regulated electoral procedure is critical for determining the representativeness (or "electoral audience" —*audiencia electoral*) of the unions at the sector, territorial, autonomous community, or national level, as measured precisely by the results of the elections to Works Councils and Personnel Delegates. These results are publicly registered with the Ministry of Labor.

Trade Union Representation and Representativeness

In parallel, the trade union representative bodies within the company are called union sections. Article 8.1 of the Organic Law on Trade Union Freedom (LOLS) stipulates that workers affiliated with a union may constitute union sections within the scope of the company or workplace, in

⁷⁸ The latest, 2019 survey data shows that 86% of establishments with more than 250 employees had representation, and that in those with between 50 and 249 employees, the percentage of workplaces with representation was 57%. In smaller workplaces in Spain, those with between 10 and 49 employees, the survey indicates that just over a third (36%) had employee representation. See 2019 European Company Survey: https://worker-participation.eu/national-industrial-relations/countries/spain#field_workplace_rep_para

accordance with the union's statutes. Thus, there can be as many union sections in a company as there are unions established (i.e., with affiliated members) within it.

A union section that has successfully presented a candidacy and obtained at least one member on the Works Council through the unitary election process acquires the status of a representative union section within the company. This institutional presence in the elective organs of collective and unitary representation is therefore the criterion that grants a union section a singular legal position and access to additional powers. In companies with more than 250 workers, representative union sections are entitled to appoint a Union Delegate (*Delegado sindical*), who represents the collective of affiliated workers before the company management.

As noted, both types of bodies—the elective Works Councils and Personnel Delegates and the associative Union Sections and Union Delegates—are granted rights to information and consultation within the company, along with the right to collectively bargain (primarily the collective agreements of general and normative effect under Title III of the ET) and also the right to strike and the administrative and procedural capacity to initiate actions in defense of workers' rights.

This chapter lays out the main dimensions of the package of proposals detailed in Part II.B. These provide summaries for readers which are fleshed out in corresponding sections and instruments in Part II.B.

A. New Minimum Standards: Emulate the Best-practices in the European Union

A.1. Access to Voice: Reinforcement of Existing Rights

This framework primarily utilizes **"unitary" representative bodies**—Works Councils (*Comités de Empresa*) and Personnel Delegates (*Delegados de Personal*)—established at the workplace level. These bodies are elective, with all employees participating in the voting process.

Crucially, this elective mechanism operates with **significant trade union involvement**, as unions **are responsible for** presenting the lists of candidates, resulting in bodies that are representative and **unionized** in composition. Consequently, the functions of these elected bodies—which include information, consultation, collective bargaining, and the right to strike—constitute substantive trade union activity, placing them at the center of the Spanish industrial relations system.

Despite a long history of collective action, the efficacy of this system is compromised by several factors:

- **Inertia and Lack of Proactivity:** A number of these representative bodies are functionally inert in relation to many of the powers legally granted to them, owing to a lack of internal initiative or the practical non-application of their statutory and/or collectively agreed powers.
- **Business Culture:** Many sectors maintain a corporate culture that actively resists incorporating the **workers' voice** into key decisions regarding the company and work organization.
- **Legal Deficiencies:** The existing legal system has failed to fully leverage the possibilities for developing information and consultation rights, particularly as mandated by relevant European Union Directives (e.g., Directive 2002/14/EC).

The right of workers to participation is currently limited by statutory thresholds based on **workforce size**. This approach poses challenges to representative effectiveness, as companies with fewer than six employees are not required to establish representative bodies, and the initiation of the process largely depends on the interest and capacity of established trade unions. This electoral procedure, governed by Title II of the Workers' Statute Act and the Electoral Regulation (Royal Decree 1844/1994), also serves to determine trade union representativeness, which is essential, for example, in establishing unions' standing in collective bargaining and their institutional participation.

The rigidity of case law has often been an impediment for using collective agreements to adjust electoral units (the workplace) and representation thresholds. Furthermore, major organizational strategies—such as the formation of **business groups, decentralization, and subcontracting**—have not been adequately integrated into the unitary representation design.

To remedy these structural shortcomings, the following amendments are proposed:

1. **Expansion of Scope:** Broadening the representation threshold and preventing the fragmentation of representation across complex **value chains**. This includes allowing sectoral collective bargaining to establish the company or provincial division as the electoral unit instead of the individual workplace.
2. **Bridging Representation Gaps:** Introducing the figure of a **joint worker representative** for smaller workplaces (under six or ten workers).
3. **Cross-Company Voice:** Allowing a representative from the contracting companies or the value chain to attend (with voice but without vote) the meetings of the main company's Works Council.
4. **Group-Level Governance:** Mandating the creation of a **Group Works Council** as a super-representative body at the Group level.
5. **Subsidiary Union Action:** In the absence of unitary representation, assigning the most representative unions the **subsidiary role** of forming the negotiating committee during consultation periods, mirroring existing practices (e.g., in equality plans).
6. **Electoral Stability:** Improving the effective functioning of the electoral procedure by requiring candidacies to fill a significant portion (e.g., 60%) of available positions to ensure the **stability** of the elected representation.

Reinforcement of the Competencies of the Works Council: The Legislator Should Strengthen the Competencies of the Existing Works Councils (Comités de Empresa)

Artificial Intelligence: Given the magnitude of the stakes, and given that AI systems are a new mechanism for governing workers, **a new right** is proposed to be exercised by the Works Council: **the collective right to participate in and consent to the introduction of AI systems in the workplace**, in all matters affecting work or work organization (among others aspects, recruitment and selection procedures, personnel management (including direction, monitoring, productivity, and evaluation), customer relations, service provision, production, and any other field that concerns or is linked to working life).

Experts to assist on two new critical themes: AI and Planetary Boundaries. The Committee recommends that, given the critical urgency of these two matters, the deliberations of Works Councils be empowered with the assistance of experts. The recognition of a right to be assisted by an expert in the AI matters at the company's expense is identified as key to provide for the adequate level of information in order for Committee members to participate effectively in deliberations. A second expert is recommended to advise the Works Council on the consequences of the actions of the firm on the immediate environment, and the planet in general, in order to increase knowledge and understanding on the impact of the firm's behaviour over the nine planetary boundaries described in Part I of this report. This proposal is also put forth at the EU level in the context of the competencies of the European Works Councils.

Strengthening the Powers of Unitary Representation

The proposed reforms focus primarily on amending **Article 64 of the Workers' Statute (ET)**, which delineates the powers and responsibilities of Works Councils and Staff Representatives. Amending this Article implicitly extends the powers of **union delegates** in large firms (those with more than 250 employees, or those in which the collective agreement recognises this position from a lower threshold, as provided for in Article 10 of the Organic Law on Trade Union Freedom), negating the need for separate amendments to union action regulations.

Redefining Participation Rights

We propose to redefine the powers accorded to workplace representative bodies (councils and delegates) as comprehensive rights to **information, consultation, and participation**. The new Article 64.1 ET establishes the generic content of these rights, stipulating that the right to participation entails establishing corresponding mechanisms for **involvement in configuring the company and its production model**.

Expanding Consultation and Mandated Mediation

A key element of change focuses on the subject matter and procedure of consultation rights under Article 64.5 ET. The reform replaces the mere requirement for a written report with the mandatory opening of a **consultation period** (*periodo de consulta*). This period must be initiated sufficiently in advance of the employer's planned measures that impact:

- Employment levels.
- Reconfiguration of the production model
- Changes to outsourcing chains and energy transition.
- Work organization systems.
- The introduction of financial participation systems

Crucially, the regulation introduces a provision for referral to **mandatory mediation** should the consultation period conclude without an agreement. Implementation of the employer's decision is suspended pending the outcome of this mediation. Failure or omission by the employer to initiate this consultation period will result in the **nullity of the business decision** or measure. To enforce this, the legal framework governing social jurisdiction will be reformed to explicitly include the annulment of business decisions resulting from breaches of information and consultation rights.

Extending Works Council Powers and Enforcing Compliance

The proposed reforms aim to strengthen the statutory rights of worker representatives, particularly concerning their involvement in the company's strategic planning.

Specifically, the reform establishes the **right to participate in decision-making** regarding the configuration of the company's **production model**. This involvement must be executed through

procedures defined within a collective agreement, which must guarantee adequate **information disclosure** by the company in all instances. This approach institutionalizes a specific form of **worker involvement** (as per Directive 2002/14/EC) in the firm's overall management, distinct from, but not exclusive of, any potential legal or conventional formulas for participation in the company's formal governing bodies.

This institutional shift necessitates a corresponding reform of the collective bargaining framework. Consequently, **Article 85 of the Workers' Statute (ET)**, which governs the content of collective agreements, is amended to consistently reflect this newly mandated right to participation.

To ensure the enforceability of these expanded rights, an amendment to the legal text governing infringements and penalties is required. This reform must classify the corporate conduct that violates the rights to information, hearing, consultation, and participation of worker representatives as a **very serious offense**. This designation applies when the omission is characterized by a **breach of good faith**, the provision of **false information**, or the **repetition of such violations**. The objective is to fully integrate the newly recognized rights into the public penalty system. While a significant increase in the amount of financial penalties is not deemed necessary, the core action is to establish legal clarity so that systematic disregard for these rights faces the highest level of administrative sanction.

Expert Support and Expert Remuneration

In order to support its work/illustrate its criteria/its deliberations, the Works Council shall have the right to request the support of at least two experts in the matters subject to consultation.

The company shall be obliged to **cover the remuneration of two experts per year**, for a reasonable number of hours, for the adequate clarification of the Committee's deliberations: one expert shall be specialized on matters related to the deployment of artificial intelligence systems at work, and the other expert on matters related to the impact of the company's actions on the nine planetary boundaries.

Training programs should be designed for employees, to improve their understanding of the potential social costs and benefits of the adoption of disruptive technologies or of the consequences of a given business choice on the local environment as well as for the planet in general. Some of these problems, of course, cannot and will not be solved at the company level, and should be discussed at a higher level in the architecture of social dialogue (regional, country, and EU level).

A.2. Access to Voice: Workers on Board to Participate in Strategic Decisions

The next stage in recognizing the voice of workers involves establishing formal procedures for their **participation in the company's governing bodies**. If social dialogue does not lead to any agreement, then in order to enact the two promises made to Spanish workers by the Constitution,

the Government will move forward with implementing new minimum legal thresholds based on employee size.

Its relevant benchmark should **draw inspiration from the best practices in the EU; for example, in Sweden and Germany**. In this way, Spain can position itself among the EU's leaders in these practices, becoming a model and a resource.

The proposed new thresholds are:

- For companies with 25 to 2,000 employees: Following the leader in the EU, Sweden, **a third of the seats on the board of directors goes to employee representatives**. To fit Spanish traditions in industrial relations, we propose to start **at the current threshold in the country for establishing a Works Council, which is 50 employees, up to 1,000 employees**.
- For very large companies: Following the leader in the EU, Germany, half **of the seats on the board of directors goes to employee representatives** (known as Montan Mitbestimmung or true parity). In the German case, codetermination rights start at 2,000 employees. To fit Spanish traditions in industrial relations, as well as the ever-increasing education levels of the workforce, we propose **to start at 1,000 employees, which are considered to be very large firms in the Spanish context**.

Via collective agreement, firms can opt between three options to organize this representation:

- including new workers representatives on the existing Board;
- including the exact number of needed workers representatives from the Works Council on the Board, which in this case would have a dual appointment;
- use the Works Council as the appropriate channel for worker representation in strategic decisions, and give its voting result the weight of a third or a half of the votes in the board.

The Finnish Trajectory to Board-Level Worker Voice

The case of Finland provides a relevant and successful comparative model for Spain regarding the implementation of **board-level worker representation**. Unlike its Nordic peers, which introduced employee rights to board representation decades earlier, Finnish workers—like their Spanish counterparts—were historically limited to **shop-floor representation** with mere information and consultation rights until 1991. The elements summarized here come from an analysis conducted by Jarkko, Jäger and Schoefer (2025):⁷⁹

Tripartite Consensus and Legislative Design

The impetus for change began in 1987 when the government appointed a **tripartite committee** (comprising representatives from the government, trade unions, and employer associations) to investigate various forms of worker representation. The Committee's Report ultimately

⁷⁹ Harju, Jarkko, Simon Jäger, and Benjamin Schoefer. 2025. "Voice at Work." *American Economic Journal: Applied Economics* 17 (3): 271–309

unanimously advocated for the introduction of worker representation in firm management and governance.

However, significant disagreement emerged regarding the **specific legislative design**:

Employer Associations favored a flexible, "soft-touch" voice system, allowing a high degree of adaptability to firm-level conditions and corporate culture.

Government and Union Representatives advocated for a more rigid, law-based prescription of the representation model, aiming for less implementation flexibility.

The Compromise and Statutory Mandate

The eventual legislative compromise, achieved by 1989, resulted in a **unique arrangement** that balanced these opposing views:

Flexibility: Employees and employers were permitted to **negotiate the specific implementation** of worker voice within their firm, allowing for high flexibility.

Statutory Default: The law simultaneously established a **default implementation** prescribed in the statute, which would automatically take effect **absent a firm-level agreement**.

This consensus was formalized in the 1990 law (725/1990) by the governing coalition. While Social Democrats initially called for a low threshold (30 employees), the final political compromise implemented a higher threshold, granting the right to firm-level voice to Finnish companies with at least **150 employees**. This trajectory, prioritizing **negotiation while mandating a fallback legal standard**, offers a crucial lesson for introducing corporate codetermination in institutional environments lacking prior history.

Monist or Dual Governance Structure

The Spanish legal system currently has a monist approach to corporate governance: the Board of Directors exercises executive authority and is in charge of the strategic decisions of the firm. The Spanish system lacks a dual management structure. This raises the possibility of reform of the **Capital Company and Cooperative Societies Laws** to respond to the needs of corporations that might want to move to such a system. The legislative proposal addresses this by granting the government a six-month window to implement a reform, allowing the **optional adoption of a monistic or dual governance system**.

The dual corporate governance approach clarifies the distinct roles of the two potential bodies:

- The **Management** Board retains responsibility for strategic planning, preparing major decisions for the Supervisory Board, and overseeing daily operational management.
- The **Supervisory** Board is assigned functions related to governance oversight: appointing, dismissing, and compensating members of the Management Board, supervising their activities, exercising liability actions, and approving or vetoing strategic decisions.

Worker Representatives at Board-level

The right to worker representatives' presence on the Board of Director (in a monist governance structure) or Supervisory Board (in a dual governance structure), as appropriate, and on any specialized internal committees, is to be enacted in the following way:

- **Collective Bargaining as Primary Driver:** The precise number and density of worker representatives is primarily determined by **collective bargaining** through company or group-level agreements. The existing Spanish framework also permits the negotiation of a sectoral framework agreement (Article 83.3 ET) to establish general guidelines for these quotas.
- **Default Legal Thresholds:** Recognizing the potential for delays in voluntary implementation, the proposal's transitional provisions mandate a two-year period for collective bargaining to take place. Should bargaining fail, the law provides a **supplementary default rule** that will be automatically applied:
 - For companies/groups with **50 to 1,000 employees**, one-third of the voting rights will be attributed to employee representatives.
 - For companies/groups with **more than 1,000 employees**, 50% of the voting rights will be attributed to employee representatives.

Election Procedures and Director Profile

The collective agreement is also responsible for defining the requirements, term of office, and methods of election for worker representatives ("labor directors"), always adhering to basic principles of gender equality and non-discrimination.

- **Dual Election Model:** Following the characteristic dual nature of Spanish representation, the election of labour directors shall fall to the **works councils** or to the **union sections** of the most representative unions or of those unions that have a presence within the company.
- **Minimum Eligibility and Stability:** To ensure quality and commitment, candidates must hold a **permanent contract** and possess a minimum of **six months' seniority** to demonstrate a thorough understanding of the firm's operations. Those who have held management positions within the last two years are ineligible.
- **Dismissal and Succession:** Dismissal requires an absolute majority vote via secret ballot by the same representative body that elected the director. The proposal also mandates the designation of substitutes who may attend board meetings as observers, with a two-year post-resignation cooling-off period before assuming management responsibilities within the company.

Rights, Obligations, and Compliance for Worker Directors

The employee representatives appointed to the corporate board ("labor directors") are conferred the **same rights, obligations, and responsibilities** as the company's other **non-executive directors**. This status is held **concurrently** with their existing employment relationship and representative role.

Legal Status and Support

Time Allocation: To support the demands of this dual function, a specific allocation of paid hours, distinct from the time granted to Works Council members or union delegates, is provided.

Civil Liability: The worker directors incur the same liability as any other director and have the right to coverage under a **civil liability insurance policy** that protects them against possible claims arising from errors, omissions, or negligent acts committed in the performance of their directorial duties.

Resource Guarantee: The company must guarantee labor directors access to **relevant information** and **specialized external advice** necessary for informed decision-making.

Enforceability and Voidance of Decisions

Non-compliance with or violation of the worker directors' rights to information, consultation, and participation within the governing bodies and committees may result in the **nullity of the decision or measure** adopted by that respective body. This nullity extends to any subsequent actions or decisions implemented based on the invalidated corporate resolution.

Enhanced Governance and Veto Points

The proposal introduces specific mechanisms to ensure the substantive influence of worker directors:

- **Personnel Appointment:** The appointment of the executive responsible for the company's personnel must receive the **express or tacit acceptance** of the labor directors.
- **Veto Authority:** Collective agreements must establish which matters within the competence of the administrative or supervisory bodies require the **express approval** of the labor directors, as well as define the consequences of their non-approval. This point should become central in the trajectory of extending access to voice pursued by all firms.

Legislative Alignment

Minor legislative adjustments are required across commercial law, most notably within the **Capital Companies Act**, to formalize the presence and rights of employee representatives. Furthermore, the mandatory non-financial information disclosure requirements (stemming from EU Directive 2014/95/EU and subsequent national law) must be expanded to include detailed information on

worker participation within the administrative, supervisory bodies, and their respective committees.

A.3. Access to Ownership: New Minimum to Open Access to Ownership

In case there is no collective agreement on access to ownership, the Spanish government will establish a new minimum threshold to initiate worker access to ownership, thus proceeding with enacting the constitutional mandate.

Legal minimum threshold: The proposed strategy suggests that

- For companies with 25 to 1000 employees: **More than 2% of the shares must be owned by workers.**
- For companies with more than 1000 employees: **More than 10% of the shares must be owned by the workers.**

Companies that do not have a clear family succession plan must move forward with a plan to transition ownership to their workers. Enforcing this commitment upfront is challenging, making incentive mechanisms extremely important. To adequately address the SME succession crisis (see Part I.B.1), these will include favorable tax rates for retiring owners and citizens' funds to support buyouts for employees, making the commitment attractive. Conversely, penalties will be imposed to discourage sales to equity funds. At the same time, **support from the new Citizens' Funds established by the government and autonomous authorities** provides an avenue for ownership to support workers' participation in capital. See Instruments developed in Part II.B.

It is the role of public authorities to facilitate access to the financing needed for employees to purchase the shares in the business when an owner decides to exit. In particular given the context of the crisis of economic sovereignty and territorial resilience outlined earlier (see Part I.B.4), this path should be the highest priority for the Spanish authorities as a viable alternative to Private Equity options, or foreign funds. Proper advance planning is a condition for success, and early involvement with these matters should be encouraged via appropriate incentives.

B. Dynamic Trajectory: Moving Forward with the Spanish Constitutional Mandate

Once these new standards are put into practice in order to enact the Constitutional mandates for participation and ownership, the immediate challenge will be to develop a dynamic culture of participation capable of addressing the crises identified in Part I. Various policy instruments are needed and should be considered by the Government, which we suggest identifying in two categories: (B.1.-B.3.) instruments related to directly fostering the trajectory of access to voice and ownership, (B.4.) instruments related to building an environment in which firms are supported and encouraged to strengthen their regenerative capabilities.

As this Committee reviewed the best standards practiced across the EU countries, it observed the striking durability of minimum standards. The Montan-Mitbestimmung model, for example, was established in Germany just at the end of WWII, more than 80 years ago.

The Committee cautions, however, that similar to the very structures of democracy, current practices should not be exempt from assessment and improvement. The need for continued assessment and improvement is indeed implicit in the choice of those who drafted the Spanish Constitution not to set a firm ceiling for worker participation, but rather to an intention that requires dedication and effort. Once firms take the initial step toward worker access to voice and ownership through the new legal standards outlined above, they should be consistently invited to continue down that path, in order to continue strengthening their ability to address the crises of our time. If a firm does not evolve in that direction, it will be expected to contribute more to the public budget, as the State will almost certainly be called to take care of the negative externalities that it will have continued to cause.

This gradual approach has the additional advantage of ensuring that adverse results are well identified and addressed. Based on the experience of all EU countries with existing participatory practices, it is reasonable to assume that the new norms on participation will have no negative side effects (such as reducing incentives to entrepreneurship or investment or decreasing agility in decision making). This will be carefully confirmed as Spanish firms take this proposed gradual approach.

B.1. The Corporate Democratic Development Index: Dual Participation Scoring Scales Measuring Worker Access to Voice and Ownership

Above the new minimal levels of worker access to voice and to ownership, established by collective bargaining and by the law, the Government will ensure that each firm is positioned on a progressive trajectory, measured according to a scoring scale for each of the two avenues. We call this scale the **Corporate Democratic Development Index**. It is a simple instrument that enables a clear monitoring of not only the presence of workers in decision-making bodies and their share in the firm's capital, but a concurrent measure of progress on those two dimensions.

The two complementary avenues of democratization are shown below (see Figure II.4), illustrating how a firm can progress along the two parallel tracks of worker access to voice and ownership.

Since the Constitution of Spain does not set a firm ceiling, but rather an intention, tools are required to assess how well the nation's commitments and policies align with the Constitution's two promises to those who work. Specifically, the Committee proposes two scoring scales to measure companies' alignment with the Constitutional mandates to promote participation and ownership in terms of worker presence in decision-making bodies as well as their share of the firm's capital.

Figure II.4: Corporate Democratic Development Index

based on the Two Participation Scoring Scales

The Voice Scale (V)		The Ownership Scale (O)	
Rating	Categories	Rating	Categories
0	A company in which those who work hold 0 of the voting rights to 1 seat on the company board (by which we mean the committee in charge of the strategic decisions or legislative branch)	C	0% of shares held by the workers of the firm
1	A company in which workers hold from 2 seats to less than 1/3 of the voting rights on the company board	B	More than 0 to less than 2% of shares held by the workers
2	A company in which workers hold from 1/3 of the voting rights to less than 1/2 on the board (or the works council is equivalent to a college weighing at least 30% of the votes of the company board to less than 1/2) (Codetermination)	Ba	Between 2% and less than 25% of shares are owned and/or administered by the workers
3	A company in which workers hold 1/2 of the voting rights on the company board (or the works council is equivalent to a college holding 50% of the votes on the company board (aka German Montan Codetermination))	A	Between 25% and less than 50% of the shares are owned and/or administered by the workers
4	A company in which the company board operates under a dual majority rule (codecision) , where at least one of the majorities is exercised by worker representatives organized as a college of voters or by the works council (aka Economic bicameralism).	Aa	50% of the shares are owned and/or administered by the workers
5	A company in which workers hold all the voting rights on the company board (aka workers' cooperative or a <i>laborist company/sociedad laboral</i>)	Aaa	More than 50% of the shares are owned and/or administered by workers, and all the rest is owned and/or administered by other workers or "steward owners"

Example:	Voice Score (V) for a specific firm = 4		Ownership Score (O) for a specific firm = A
Corporate Democratic Development Total Rating for this specific firm = $4^V A^O = 4A$			

Each company will be given a rating which will situate its achievements along the two scales.

The **Corporate Democratic Development Index** will then be used for a bonus/malus incentive-based mechanism designed to reward further levels of access to voice and ownership (and discourage lower levels). It will steer a policy framework which will mobilize public subsidies, corporate tax rates, fiscal benefits, privileged access to public procurement etc. to incentivize further progress, encouraging less democratic firms in the country to transform their organizational structures further

On the Avenue of Voice, Rating 4: "Dual Majority" means that at least one of the voting majorities at the Board-level is exercised by workers' representatives or by the works council. In practice, it means that i.e. a majority is required not only from representatives of both capital but from representatives of and labor (they both enjoy a veto right) at the supervisory board level or board of directors (i.e. Economic Bicameralism).⁸⁰ All decisions ranging from the appointment of the CEO to the business strategy or allocation of profits standardly approved by the Board has to receive a majority from the labor representatives as well. In the political history of democracy, it is considered as the threshold of democratic consent. It is thus of great relevance for firms to continue to move toward the trajectory of larger access to voice for workers to reach the point where a true consent can be exercised by the labor investors. Rating 5: Worker cooperative or laborist company (*sociedad laboral*), i.e. firm governed by its workers independently of the portion of the shares they own.

On the Avenue of Ownership (i.e. the access to the means of production): seeing firms moving forward on the trajectory is particularly critical for all firms in need of a succession or transition plan. Here workers and citizens' funds should progressively buy back the entirety of the shares. The full transfer of shares to labor investors and citizens' funds will have the beneficial effect of freeing up capital to do what a firm is best at, including launching new or innovative projects. Above a majority holding, the owning of shares by workers could be complemented by "steward owners" who exercise their ownership right in ways that prioritize the company mission according to multi-dimensional metrics, rather than simply the maximum return on capital investment.⁸¹

The final scoring category for a firm will be determined by a simple combination of the two scores, given that there are two scales and two scores.

⁸⁰ See Ferreras, I. (2017) *Firms as Political Entities. Saving Democracy through Economic Bicameralism*. Cambridge University Press, 2017; Sachs, B. and S. Block (2020) *Clean Slate for Worker Power: Building a Just Economy and Democracy*. Center for Labor and a Just Economy Report, Harvard Law School, Cambridge MA <https://clje.law.harvard.edu/app/uploads/2020/01/Clean-Slate-for-Worker-Power.pdf> ; Lafuente S. (2022), "Dual Majorities for Firm Governments", in Ferreras I., J. Battilana, D. Méda ed., *Democratize Work. The Case for Reorganizing the Economy*. The University of Chicago Press, 73-78 ; Battilana, J., and I. Ferreras (2021) "From Shareholder Primacy to a Dual Majority Board." in *A Seat at the Table. Worker Voice and the New Corporate Boardroom*, The Aspen Institute Business & Society Program Report Series, August. <https://www.aspeninstitute.org/wp-content/uploads/2021/09/Final-Worker-Voice-and-the-Corporate-Boardroom.pdf>

⁸¹ This concept exists within an evolving field where practices are currently being shaped through voluntary adoption rather than being mandated by codified legislation. Government interest in clarifying and formalizing these nascent practices would provide necessary validation and regulatory support, thereby accelerating their broader implementation. See <https://docs.google.com/document/d/1G09RF4gKZoXgtSJaaS4QXXRVclC0jawOqVyhJrKu7q8/edit?tab=t.0#heading=h.lzuedasmx2yl>

B.2. The Role of Government, and the Reform's Impact on the Economy

The goal of the proposed reform is to reward firms that progress along the **trajectory of democratization** and deter them from stagnation or regression. It has been designed so as not to increase the overall tax burden on firms; instead, it is intended to redistribute the tax burden more equitably between "virtuous" and "harmful" firms. The Spanish government could ensure that this policy strategy is revenue-neutral by setting the bonus and malus rates to balance revenues.

An adaptive strategy: Rather than imposing a rigid law, the government can announce long-term objectives. For example, it could announce that in a matter of five years, the fiscally neutral level will shift one level up. This would give firms the necessary time to adapt their structures and culture.

Scope: The reform would apply to 100% of Spanish companies, with a possible exemption on the voice scale/standards for small and medium-sized enterprises (SMEs); that is, firms with fewer than 50 employees.

Reporting mechanism and validation: The specific scores of firms in terms of voice and ownership will need to be **measured annually and validated by firms' worker representatives, via a works council or union delegation**. AI reporting tools already exist to alleviate firms' reporting burden, and these could be employed to make sure reporting is a smooth and light process. Such a tool could be offered by the Government as a way to increase AI literacy; use in every Spanish firm could support the disclosure and reporting process for all CSR-related and non-financial information. An appeal structure housed at the Ministry of Labour would validate the firm's score if it is contested at the firm level. The role assigned to worker representatives & unions at company level, bipartite or tripartite social dialogue instances, labour authority (and labour inspection too) in the process of co-creation, reporting and evaluation, is addressed in particular via the proposal II.B.1.(6) **An Observatory on Access to Voice and Ownership**.

Expected outcomes: According to macroeconomic simulations (See Part II.B.), such an incentive mechanism, combined with a sound regulatory framework, would generate positive economic effects: an increase in activity, investment, and wages, a drop in unemployment, and a reduction in public debt. It could even attract investments by foreign companies who already sit on higher levels of practice on the voice or ownership avenues (for example, German companies with long practice of false-parity codetermination, which corresponds to Rating 2, and nearly reaches Rating 3, on the voice scale. They could find it attractive to benefit from the incentives established by the Spanish Government and decide to invest in Spain and move up the voice scale).

In a progressive and adaptive way, **this innovative policy framework could enable the Spanish economy to move decisively toward** greater voice at work and access to ownership, powering social partners to forge new understandings and collaborative alliances, and respecting business firms' decisions, while becoming a leader upscaling in Europe.

B.3. Incentive Mechanisms

A menu of possible tools is listed so that the Government can decide which ones are the most appropriate or which ones can be more easily leveraged. The final scoring category for a firm will be determined by a simple average of the two scores (voice and ownership), given that there are two scales and two scores.

Corporate Income Tax: A Bonus/Malus System, a Public Policy Mechanism That has Proven Effective in Guiding Behaviour Could be Set Up Via the Corporate Income Tax.

The Spanish tax system already has different levels of corporate tax. These different rates are not awarded according to the stated values of the Spanish Constitution. The corporate tax rate in Spain is currently 25%, with a small rebate for micro-SMEs, which benefit from a rate of 23%, and an even greater rebate reserved for emerging companies, *startups*, and newly created companies, which enjoy a tax rate of 15%⁸². In other words, attributing different rates to different companies according to various criteria identified by the State is standard in fiscal policy. In this vein, the Committee recommends that the **State consider changing the incentive criteria** for firms so that they are **aligned with the values affirmed by the Constitution. A bonus/malus system would ensure that the public budget would remain balanced, as the malus made by the firms who are not progressing but generate negative externalities will help fund the good firms which would become more successful, helping them to further internalize the impacts of their activities.** See Part II.B.1. (2) Example of Corporate Tax Malus/Bonus System to Incentivize the Democratization of Firms on the Voice and Property Avenues

Dual tax base: To strengthen this mechanism, the bonus/malus system could be based not only on corporate income tax but also on the company's added value. This dual tax base makes fiscal manipulations and maneuvering more difficult and anchors the fiscal system in the productive and territorial reality of firms. It would also make it possible to sanction firms that outsource their production by reintegrating the added value of their subcontractors into the tax base.

Financial Instruments Depending on the Ministry of Labor

A review of the financial instruments and other incentives coming from the Ministry of Labor reveals immediate options. Indeed, **these could be mobilized immediately by the Ministry of Labor** to set such an incentive framework into motion immediately, independently of the outcomes of social dialogue and legislative success.

The current Spanish system of Social Security contribution bonuses presents a robust framework that could be strategically reoriented to incentivize companies to pursue a path of democratic transition. The goal is to leverage existing mechanisms to encourage corporate governance changes that promote greater worker participation and ownership.

⁸² See:

[https://sede.agenciatributaria.gob.es/Sede/en_gb/impuesto-sobre-sociedades/que-base-imponible-se-determina-sociedades/tipo-impositivo.html#:~:text=Startups\(2\)-,15%25](https://sede.agenciatributaria.gob.es/Sede/en_gb/impuesto-sobre-sociedades/que-base-imponible-se-determina-sociedades/tipo-impositivo.html#:~:text=Startups(2)-,15%25)

An analysis of the currently available instruments highlights four key mechanisms that can be adapted to this democratization objective:

Targeted Financial Compensation

The government already utilizes a system of direct financial compensation tied to specific hiring goals. This mechanism could be repurposed to promote democratic behavior. Adaptation of Priority Bonuses: Similar to the substantial annual bonuses granted for the permanent hiring of individuals from vulnerable groups (such as those with disabilities or victims of violence), equivalent, high-value incentives could be granted to firms that achieve or maintain a defined threshold on a Corporate Democratic Development Index.

Total Contribution Exemptions

For scenarios deemed of highest priority, the government grants a 100% bonification of the employer's Social Security contributions. Adaptation: A complete exemption of employer contributions could be offered to companies that meet the highest standards of worker participation, particularly those that integrate employees into strategic governing bodies.

Incentives Tied to Long-Term Commitment

Existing bonuses are structured to ensure long-term stability by tying incentives to contract type and duration (e.g., three years for contract conversions or hiring long-term unemployed workers). Adaptation: Financial incentives for adopting a democratic governance structure could be awarded over a set, multi-year period (e.g., three or four years). This fixed term would incentivize companies to commit fully to the transition process and the new governance structure.

Sectoral and Regional Pilot Programs

The current system includes incentives tailored to specific geographic areas (like Ceuta and Melilla) or sectors (like maritime commerce in the Canary Islands) to boost targeted activity and territorial resilience. Adaptation: This model could be used to pilot new democratic transition incentives within specific regions or high-priority economic sectors, allowing the government to test the efficacy of the measures before broader deployment.

In essence, these existing instruments provide a blueprint for a system of direct and predictable financial incentives that could be instrumental in accelerating the adoption of deepening access to voice and ownership across the Spanish economy.

B.4. Policy Instruments to Foster an Encouraging Environment for Firms Seeking to Strengthen Their Regenerative Approach

Funding Unions for Their Representative Work

Democratizing workplaces brings up a need that has been long raised by trade unions, for funding sufficient to cover their general representative function in collective bargaining and social dialogue.

Trade unions perform a critical regulatory role by negotiating collective agreements that carry normative and general benefits for the entire workforce. In particular, discrepancies among firms should not be growing, and this will be addressed by strengthening collective bargaining at the industry and economy-wide level, and the collective power of workers at the negotiation table. Here workers' access to voice and ownership will help build some worker power, while workers' unions have a key role to play as they are uniquely positioned to strengthen the solidarity across firms, and across industries.

However, this legally mandated function receives no corresponding concrete support or promotion from the public purse. The same is true of their institutional participation in social dialogue.

The Failure of the Trade Union Fee: An earlier policy mechanism intended to compensate union effort—the "trade union fee" (*canon sindical*), proposed in the Organic Law on Trade Union Freedom (LOLS)—has been deemed incompatible with the principle of negative trade union freedom. Constitutional jurisprudence requires the explicit, individual acceptance of the fee by each worker, a stipulation that has effectively rendered the measure inoperative.

Proposed Legislative Solution: Given the ineffectiveness of voluntary funding mechanisms, a structural solution deployed through legislative action is necessary. This involves the promulgation of a law on the institutional participation of representative trade unions that would impose public funding to compensate unions for their essential work of general representation in collective bargaining and social dialogue.

Moreover, the reform will require union delegates to fulfill their leadership role in new ways (for example, new roles in the reporting processes, in the co-construction of the democratization trajectory within companies, in understanding the specific challenges and activities, including the financial workings, of firms, etc.). These new capabilities require proper support and development, in particular, interactions with experts mandated by the Works Councils or with labor inspectors assessing firm scores using the Corporate Democratic Development Index.

The collective organization of workers is essential, and their work should be properly compensated as they train members of the workforce and serve a broad base. As their roles evolve along the democratization trajectory, union and worker representatives need different kinds of resources to be able to fulfill their function (eg: paid time off for union representatives, the right to consult their own experts paid by the company, access to funded training, etc.).

Reforming Fiduciary Duties

Today, corporate leaders are generally bound by fiduciary duties that run solely to their firm's shareholders. Corporate law should broaden directors' and officers' fiduciary obligations to include a duty of deliberation explicitly owed to workers, shareholders, and the environment. This duty would require directors to explain how they accounted for each of these parties in their decision-making processes, note their considerations of alternative options, and describe the associated outcomes for each group (Aguirre et al., 2025). Expanding corporate duties in this way would align with existing research on the key importance of accountability mechanisms for preventing abuses of power (Battilana & Casciaro, 2021) and on the importance of the representation of pluralistic viewpoints as potentially critical for the long-term pursuit of multiple goals (Battilana, Fuerstein, & Lee, 2018; Pache, Battilana, & Spencer, 2024).

Reforming Executive Compensation

For the record, the standard CEO-to-worker pay ratio in the EU exceeds 100 according to European trade unions (CEOs are paid 110 times more than the average worker). In Spain, it exceeded 140 already in 2018⁸³. Executive compensation today is often predicated on the achievement of certain purely financial outcomes within the firm, in the service of shareholder value maximization. Redesigning executive compensation to reflect firm impacts on worker and environmental outcomes alongside financial ones represents another key pathway for correcting existing distortions in corporate law. Such compensation structures could be informed by existing third-party standards for worker well-being, such as those constructed by the Global Reporting Initiative and B Lab and also by existing work on measuring environmental performance (Muller, Mendelsohn, & Nordhaus, 2011) or directly connected to progress made on moving up the Corporate Democratic Development Index. Capping pay ratios between CEOs and the firm's lowest-paid workers is an additional approach to consider while compression of salaries within firms is a direct effect of codetermination, as recorded in northern European countries. Access to voice in Spain will thus help to share more equally the distribution of value created inside firms.

⁸³ Statista (2025) Ratio between CEO and average worker pay in 2018, by country. https://www.statista.com/statistics/424159/pay-gap-between-ceos-and-average-workers-in-world-by-country/?srsltid=AfmBOopWnFosjhCTFgjrTuiyM3EqOHk64OuEtc_cTrtYzhjU9Qk9xT3z

The Policy Toolbox: see Part II. B.

Key policy instruments necessary to deploy the proposal are presented in the section II.B.: next to the new reporting tool: The Corporate Democratic Development Index, measuring workers' dual access to voice and ownership,

- 1. Draft Legislation**
- 2. Example of Corporate Tax Malus/Bonus System to incentivize the democratization of firms on the voice and property avenues**
- 3. Public procurement to Stimulate Worker Access to Voice and Ownership**
- 4. New Citizen Funds to support access to ownership and accelerate transfer**
- 5. Accurate Identification of Labor Investors, and their Access to Voice and Ownership**
- 6. An Observatory to Access to Voice and Ownership**
- 7. Adaptation of Mobilizing the training infrastructures to empower firms and labor investors for participatory governance**

To Conclude

The Role of the State is understood to be enabling.⁸⁴ Recognizing the massive collective action problems we face today in the face of climate and democratic collapse, and State's weak position to solve pressing problems while lacking epistemic privilege, it should be the goal of the State to foster shared capability among individual firms and social actors in order to help them orient their behaviour in a desirable direction and level the playing field **to bring all firms to thrive in a regenerative economy.** This strategy for the democratization of firms proposes a new social pact for a more innovative, just, and sustainable Spanish economy. By rewarding cooperation, collective intelligence, and resilience, Spain could become a model in Europe for an economic transition that benefits everyone.

The vision that drives this dual strategy is for every firm to move along the **Dual Participation Scoring Scale** (FIG II.5), and for the whole of the Spanish economy, in a matter of a few years, to set itself on a trajectory of regeneration and resilience through participation and shared ownership (FIG II.6).

⁸⁴ De Schutter O. and T. Dedeurwaerdere (2022) *Social Innovation in the Service of Social and Ecological Transformation The Rise of the Enabling State*. London: Routledge.

FIGURE II.5: The Trajectory of Firm Democratization

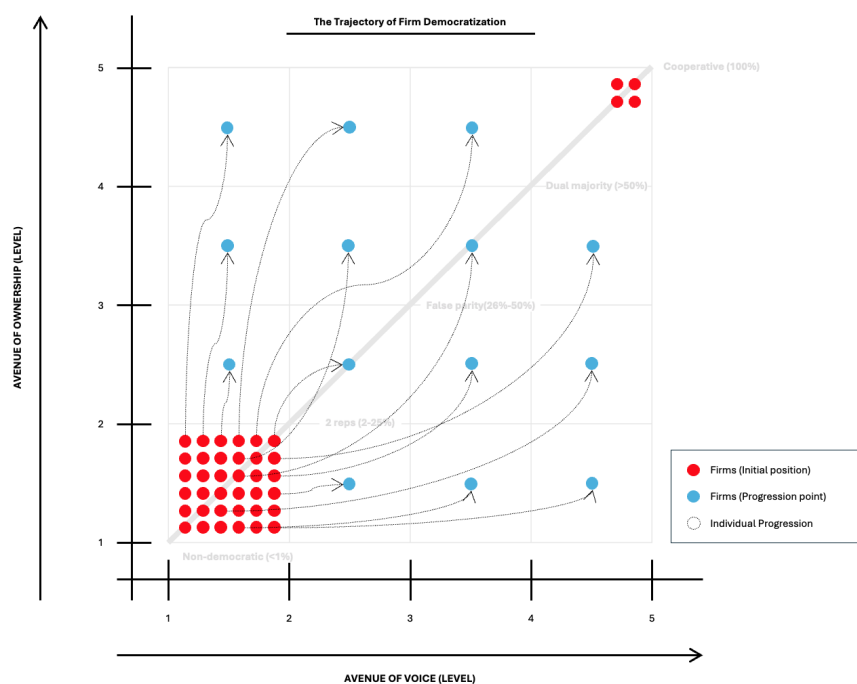
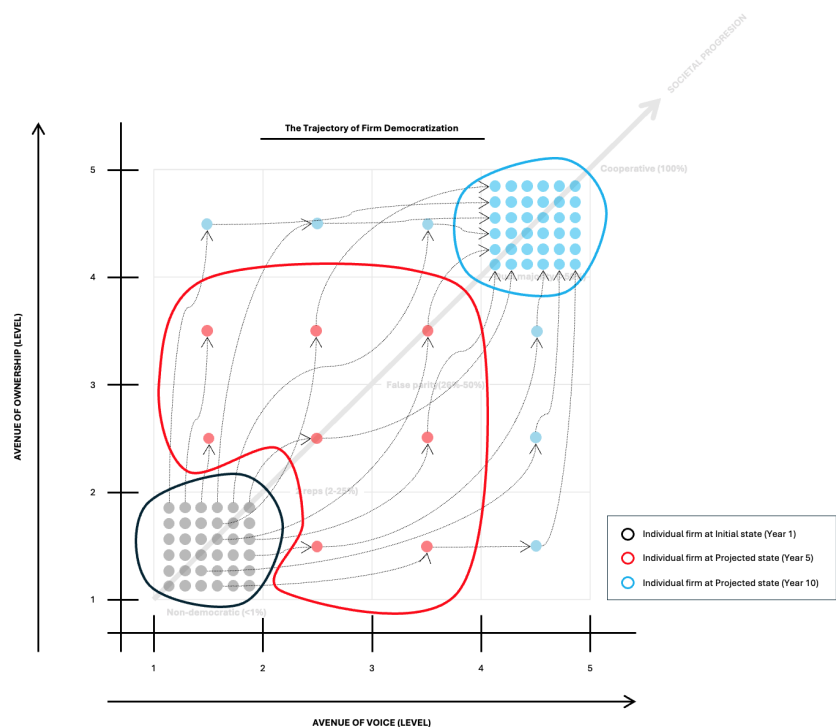


FIGURE II.6: Societal Progression on the Trajectory of Firm Democratization



C. Policy Context and Trajectory at the EU Level: the Role of the EU in Supporting Spain's Leadership

Introduction: The Policy Context at EU Level

As a leader of the European Union, Spain must consider how its legal application of the Article 129.2 of its Constitution might contribute to policy at the EU level, and more broadly, to deliberations over how best to shape a desirable future for the Union. **Since their inception, European institutions have developed norms and institutions geared toward the market, as well as hard and soft laws to promote labor rights, social dialogue, in particular regarding transnational and digital matters** (for example, the European Works Councils Directive). The EU has also encouraged the development of business organizations defined by principles such as worker participation, democratic governance (for example, through the adoption in 2021 of a Social Economy Action Plan), and employee ownership.

This chapter will look at three significant developments currently underway, which are competing for policy relevance in a rapidly evolving geopolitical era. The first section provides a brief overview of the actions taken by the current European Commission since it took office, focusing on its work programme and agenda of pursuing international competitiveness through the 'Competitiveness Compass'.⁸⁵ The second section will discuss the shared goal among EU institutions and Member State governments of moving towards greater democracy at work. The third section will show that support for introducing social conditionalities into EU funding and state aid has grown considerably across European institutions alongside interest in international competitiveness and workplace democracy.

⁸⁵ European Commission (2025) Commission work programme 2025: Moving forward together: A Bolder, Simpler, Faster Union. COM(2025) 45 final
https://commission.europa.eu/document/download/f80922dd-932d-4c4a-a18c-d800837fbb23_en?filename=COM_2025_45_1_EN.pdf

C. 1. Competitiveness Compass, the EU Commission's New Policy Agenda

The 'Competitiveness Compass', presented by the Commission on 29 January 2025, sets the overall direction of the economic policies of the second Von der Leyen Commission.⁸⁶ The Compass builds on two high-level reports commissioned by the Commission itself in 2024: the Letta report on the Future of the Single Market⁸⁷ and the Draghi report on the Future of European Competitiveness.⁸⁸

The Compass is the ‘strategic framework to drive the Commission's work for the next five years’.⁸⁹ It is focused on three core areas for action, which are identified as ‘transformational imperatives to strengthen competitiveness’: 1) closing the innovation gap; 2) a joint roadmap for decarbonization and competitiveness and 3) Reducing excessive dependencies and increasing security. These three pillars are directly taken from the Draghi report. Five horizontal enablers for competitiveness complement these three pillars. The enablers are as follows: simplification, lowering barriers to the Single Market; financing competitiveness; promoting skills and quality jobs; and improving coordination of policies at the EU and national level.

The figure below clearly identifies **six flagship actions of the Compass that could deliver real opportunities to implement Article 129.2 - advancing worker participation and workplace democracy-** given the deep integration of the Spanish and European economies as well as economic policies.

FIGURE II.7: Flagship Actions of the Competitiveness Compass that Could be Related to Worker Participation (See Part II).

Directions of the Compass	Flagship actions announced in the Compass that are, or could be, related to improved worker participation / workplace democracy
“Pillars”	
1) Closing the innovation gap	1. A 28th regime for innovative companies [Q4 2025 – Q1 2026] as part of the Start-up and Scale-up Strategy [28/5/2025]
2) Joint roadmap for decarbonisation and competitiveness	2. The Clean Industrial Deal [26/2/2025] 3. A new State Aid Framework [Q2 2025]
3) Reducing excessive dependencies and increasing security	4. Revision of directives on Public Procurement [2026]
Selected “Horizontal enablers”	
2.1. Simplification	5. Omnibus simplification (CSRD and CSDDD directives) [26/2/2025]
2.3. Financing competitiveness	6. Post-2027 Multi-annual Financial Framework (MFF), including Competitiveness Fund and a Competitiveness Coordination Tool [16/7/2025]

⁸⁶ For an overview of the context and all relevant documents and links, see European Parliament (2025) A Competitiveness Compass for the EU. Legislative Train Schedule <https://www.europarl.europa.eu/legislative-train/theme-a-new-plan-for-europe-s-sustainable-prosperity-and-competitiveness/file-competitiveness-compass>

⁸⁷ Letta, E. (2024) Much more than a market – Speed, Security, Solidarity Empowering the Single Market to deliver a sustainable future and prosperity for all EU Citizens. April 2024. pp 39-40.

⁸⁸ Draghi, M. (2024) The Draghi report: A competitiveness strategy for Europe (Part A). September 2024. 73 p.

⁸⁹ https://commission.europa.eu/topics/eu-competitiveness/draghi-report_en

The Commission has announced the initial details of several of these flagship actions. The following sections provide a brief overview of how they contribute to progress or regression in relation to the development of a policy environment that encourages worker participation. The overview is arranged in the order shown in the above table, rather than according to the relative importance of the policies.

A 28th Regime for Innovative Companies

In January 2025, European Commission President Ursula von der Leyen established a dedicated project group to develop proposals for a new 28th Regime aimed at start-ups and scale-ups.⁹⁰ This initiative was introduced in the *Competitiveness Compass*, which described it as an “additional, optional legal framework” designed to provide “a single, harmonised set of EU-wide rules,” covering key domains such as corporate, insolvency, labour, and tax law. It was identified as one of the ‘Flagship Actions’ under the strategy’s core pillars.

On May 28th, the Commission released its *Startup and Scaleup Strategy*, reiterating its commitment to this new 28th regime.⁹¹ The proposed framework aims to offer a unified set of rules across the EU, leveraging digital-by-default solutions to facilitate the establishment, expansion, and operation of businesses within the Single Market. The strategy also promises regulatory simplification and lower failure costs by addressing key legal barriers. Among its more ambitious goals is enabling business registration across Europe within 48 hours.

The strategy has been well received by the startup ecosystem. *Science Business*, for example, praised the proposed regime as being “at the heart of the effort to simplify the regulatory landscape”—a critical consideration in the EU’s ongoing competition with digital giants from the United States and China.⁹²

European trade unions have been highly critical of this announcement, cautioning against ‘downward convergence’ and pointing out the risk opened up for companies to find new ways ‘to circumvent important national legislation, particularly in the areas of workers and trade union rights.’⁹³ The European Trade Union Confederation (ETUC) specifically criticized the inclusion of labor law provisions, likening the proposal to the controversial *Bolkestein Directive*, which previously attempted to harmonize employment rules across the EU.

⁹⁰ European Commission (2025) Decision of the President of the European Commission on the establishment of a Commissioners’ Project Group on Startups and Scaleups. P(2025) 10. https://commission.europa.eu/document/download/7f3e1d1e-e406-4e44-ad2f-ed559f3891a6_en?filename=Decision%20on%20the%20establishment%20of%20a%20Commissioners%27%20Project%20Group%20on%20Startups%20and%20Scaleups.pdf

⁹¹ European Commission (2025) The EU Startup and Scaleup Strategy. Choose Europe to start and scale. Communication from the Commission to the European Parliament and the Council. COM(2025) 270 final https://research-and-innovation.ec.europa.eu/document/download/2f76a0df-b09b-47c2-949c-800c30e4c530_en

⁹² Martin Greenacre (2025) EU start-up strategy gets warm welcome, but now founders want action. Update from Science|Business, 29 May 2025. <https://sciencebusiness.net/start-ups/eu-start-strategy-gets-warm-welcome-now-founders-want-action>

⁹³ ETUC (2025) Response to the Commission’s plan for a 28th company regime for Innovative Companies - Defending workers and labour law. Adopted at the Executive Committee meeting of 04-05 March 2025 <https://www.etuc.org/en/document/response-commissions-plan-28th-company-regime-innovative-companies-defending-workers-and>

While trade unions initially supported the 2004 SE regime as a tool for deeper European integration, they now argue that 28th regimes are increasingly being used in ways that undermine workers' interests. In 2014, ETUC found that fewer than one in seven SEs had more than five employees.⁹⁴ By 2025, more than two-thirds were classified as 'shelf-SEs'—registered entities with no real business activity or workforce.⁹⁵ Cooperatives Europe has also issued a cautious statement, expressing concerns about potential unintended consequences.⁹⁶

Since the early 2000s, the European Union has introduced several 28th regimes in the field of company law, including the *Societas Europaea* (SE or 'European Company'), the *Societas Privata Europaea* (SPE), and the *Societas Unius Personae* (SUP). Today, more than 4,000 firms are registered as SEs, among them major Euro Stoxx 50 companies such as Airbus, Allianz, BASF, E. ON, LVMH Moët Hennessy Louis Vuitton, SAP, Schneider Electric, and TotalEnergies.⁹⁷

A 28th regime has also been created for the *European Cooperative Society* (SCE), facilitating the transnational activities of cooperatives.

The Clean Industrial Deal

The Clean Industrial Deal (CID) is another significant element of the Commission's agenda, some of whose initial provisions have already been enacted. For example, in June 2025, the Commission adopted a new State aid framework in support of the CID, enabling Member States to promote the development of clean energy, industrial decarbonization, and clean technology.

Summarizing the full scope of the CID is beyond the scope of this report, which focuses on the conditions for successfully extending workers' participation in their organisations. Despite the inclusion of certain positive elements, trade union analysts remain sceptical of the capacity of the CID to advance workers' interests without robust and proactive advocacy from labour organizations.⁹⁸ From a lens focusing on workers' participation, **the notable element from the CID is the reaffirmation of the relevance of social conditionalities**, specifically in relation to skills and quality jobs : *“The use of social conditionalities in public funding ensures that workers benefit from the support provided to industry, including to promote collective bargaining. This approach aligns with the EU’s broader objectives of fostering social fairness alongside economic growth. Enhanced competitiveness must build upon existing social achievements and the EU’s social model to achieve an inclusive and fair green transition. (...) As part of the review of the General Block Exemption Regulation, the Commission will assess if and how State aid rules can be updated to provide better incentives for industry to invest in upskilling, reskilling, quality jobs and recruitment of workers for a just transition. The Commission will assess if the use of training and skills*

⁹⁴ ETUC (2014) Total number of registered European Companies (SEs) <https://www.worker-participation.eu/European-Company-SE/Facts-Figures/Archive-of-SE-facts-figures2/Total-number-of-registered-European-Companies-SEs>

⁹⁵ ETUC (2025) Response to the Commission's plan, p. 2.

⁹⁶ Cooperatives Europe (2025) This is Von der Leyen's new strategy for boosting European competitiveness. 19.02.2025 https://coopseurope.coop/news_article/this-is-von-der-leyens-new-strategy-for-boosting-european-competitiveness/

⁹⁷ Wikipedia.

⁹⁸ ETUI (2025) The Commission's Clean Industrial Deal Communication, News, 14 May 2025. <https://www.etui.org/news/commissions-clean-industrial-deal-communication>

conditionalities for public funding supporting the anticipation and management of change and the industrial transition can be increased.”⁹⁹

The Omnibus Simplification Package

The Omnibus Simplification Package of legislation presented by the Commission in February 2025 represents a significant shift in the Commission's policy compared to the multi-year efforts to build the European Green Deal. The Omnibus package has clearly prioritized the creation of a regulatory environment more favorable to business interests. It has effectively led the European institutions to the unravelling of two major European directives that were intended to enhance sustainability in the global sourcing chains supplying Europe's economy: the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD).

Implementing these two directives fairly and as they were originally conceived would have made significant progress towards achieving more substantive worker participation in companies involved in global sourcing chains.

The Corporate Sustainability Reporting Directive (CSRD)

The Corporate Sustainability Reporting Directive (CSRD), adopted in December 2022, is a cornerstone of the European Green Deal.¹⁰⁰ It sets out mandatory reporting obligations for companies on environmental, social, and governance (ESG) matters. Member States were required to transpose the directive into national law by 6 July 2024. However, by that date, several Member States had failed to meet the obligation.

On 26 February 2025, the European Commission adopted its *Omnibus Package* of legislative proposals, which included significant revisions to the scope of the CSRD. Notably, the package proposed restricting the directive's application to only the largest companies—those with more than 1,000 employees—and reducing indirect reporting requirements for smaller firms operating within the value chains of CSRD-covered companies. These changes mark a substantial narrowing of the directive's original ambition. Additional revisions narrowing the scope of the CSRD have been added through the ordinary legislative procedure that involves Member States and the European Parliament.

As of 22 May 2025, Spain had not yet communicated its national transposition measures to the Commission. Consequently, the Commission launched infringement proceedings against Spain and 16 other Member States for failure to notify their transposition. A parliamentary bill transposing the CSRD had already been published in December 2024 and has since entered the legislative process.¹⁰¹

⁹⁹ See Commission (2025) The Clean Industrial Deal for competitiveness and decarbonisation in the EU – EU COM(2025) 85. p. 21 https://commission.europa.eu/document/download/9db1c5c8-9e82-467b-ab6a-905feeb4b6b0_en

¹⁰⁰ European Union (2022) Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting PE/35/2022/REV/1. OJ L 322, 16.12.2022, p. 15–80 <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32022L2464>

¹⁰¹

<https://sustainablefutures.linklaters.com/post/102jqac/spain-a-step-forward-in-implementing-the-corporate-sustainability-reporting-dir>

The Corporate Sustainability Due Diligence Directive (CSDDD)

On 25 July 2024, Directive 2024/1760 on corporate sustainability due diligence entered into force. The directive aims to promote more sustainable and responsible corporate behaviour across the global value chains of companies operating in Europe. It requires these companies to identify and address adverse human rights and environmental impacts arising from their activities both within and outside Europe.¹⁰²

The First Omnibus Package narrowed the scope of stakeholders that targeted companies must inform and consult, as specified in Article 3(1)(n) regarding the definition of stakeholders. It also limited the stages in the due diligence process at which companies are obliged to consult these relevant stakeholders, as set out in Article 13 on ‘meaningful engagement with stakeholders. Furthermore, the package postponed the transposition deadline by one year—from 26 July 2026 to 26 July 2027—and delayed the first phase of the application of the sustainability due diligence requirements for the largest companies to 26 July 2028.¹⁰³ Other revisions narrowed the effectiveness of the directive.

The Multiannual Financial Framework

On 16 July 2025, the Commission presented its proposal for the next long-term EU budget **(2028-2034 Multiannual Financial Framework (“MFF”))** amounting to almost EUR 2 trillion. The MFF is the European Union’s long-term budget plan. The current framework, running until 2027, allocates €1.2 trillion in funding (in constant prices), excluding the additional €750 billion assigned under the NextGenerationEU recovery initiative.

The Commission’s proposal is a significant revamping of the MFF. Key features of the proposal, selected for the purpose of this report, include 1) more flexibility across the budget and harmonized EU financial programs 2) National and Regional Partnership Plans for investments and reforms, 3) a new European Competitiveness Fund to boost investment in strategic sectors and critical technologies, as recommended in the Letta and Draghi Reports, 4) new sources of own revenue for the EU.¹⁰⁴ The president of the European Commission has indeed called for **new EU taxes on large companies**, tobacco and electronic waste as part of the EU budget for the period 2028–2034. Proposals include the ‘Corporate Resource for Europe (CORE)’ scheme, which would require companies operating and selling in the EU with a net annual turnover of at least EUR 100 million to make an annual lump-sum contribution. This is expected to generate around EUR 6.8 billion annually, on average. A ‘tobacco excise duty own resource’, which is expected to generate around €11.2 billion annually on average, has also been suggested.¹⁰⁵

¹⁰²

https://commission.europa.eu/business-economy-euro/doing-business-eu/sustainability-due-diligence-responsible-business/corporate-sustainability-due-diligence_en

¹⁰³ ETUC (2025) ETUC Transposition Guidance. The EU Directive on corporate sustainability due diligence (“CS3D”) as a driver to secure trade unions and workers’ representatives’ involvement in due diligence processes/policies. 52 p.

¹⁰⁴

<https://www.europarl.europa.eu/legislative-train/theme-delivering-together-and-preparing-our-union-for-the-future/file-post-2027-mff>

¹⁰⁵ European Commission (2025) The 2028-2034 EU budget for a stronger Europe. https://commission.europa.eu/strategy-and-policy/eu-budget/long-term-eu-budget/eu-budget-2028-2034_en

Workers have raised strong concerns about the future of the EU's main social fund (ESF+, €142.7 billion for the period 2021-2027), which could come under pressure from other objectives that have now been merged into a single fund, such as defense and competitiveness spending.

A two-year negotiation process has begun, during which time there will be multiple opportunities for actors, including Spain, to influence the outcome.

Simplifying access to financial instruments is a recurring concern voiced by many business stakeholders. According to the C.I.D., the proposed Competitiveness Fund will provide 'a one-stop-shop simplified access to EU funding', focusing on projects with European added value, such as clean technologies and industrial decarbonization. However, support for the Competitiveness Fund—which would consolidate several existing programs—is uncertain. Some Member States advocate instead for a new, more targeted fund focused on mobilizing both public and private investment through EU-backed de-risking tools, drawing on mechanisms like InvestEU and the Innovation Fund.

C. 2. Democracy at Work: A Significant Policy Trend in Brussels

Moving toward greater democracy at work had until recently been a growing trend among EU institutions and Member State governments that recognized *more democracy at work* as a shared policy objective. This trend was evident through several major institutional communications, notably during the second Semester 2023 of the Spanish Presidency of the EU Council, including from the European Parliament, the European Economic and Social Committee (EESC), and the Council of Ministers.

In November 2023, the **Employment, Social Policy, Health and Consumer Affairs Council (EPSCO)** adopted a **unanimous declaration in support of advancing democracy at work** across the EU.¹⁰⁶ Earlier in the year, in May 2023, **the European Parliament** adopted a resolution on a **Roadmap towards a Social Europe**—marking two years since the Porto Social Summit—which called on the Commission, Member States, and EU social partners to work towards broader collective bargaining coverage. The resolution also advocated for making EU funding, including State aid, conditional on public policy objectives, particularly social requirements. It further called for the effective enforcement of the social clause already embedded in the existing Directive on public procurement.¹⁰⁷

In April 2023, **the EESC adopted an opinion titled *Democracy at Work***, at the request of the Spanish Presidency.¹⁰⁸ The opinion emphasized that democracy at work strengthens democratic resilience and constitutes a cornerstone of 'sustainable economic competitiveness and prosperity'.

¹⁰⁶ EPSCO Council of the European Union (2023) Draft Council Conclusions on more democracy at work and green collective bargaining for decent work and sustainable and inclusive growth - Approval. 15162/23 <https://data.consilium.europa.eu/doc/document/ST-15162-2023-INIT/en/pdf>

¹⁰⁷ European Parliament (2023) Resolution of 11 May 2023 on a roadmap towards a social Europe – two years after the Porto Social Summit (2023/2586(RSP)) https://www.europarl.europa.eu/doceo/document/TA-9-2023-0203_EN.html

¹⁰⁸ European Economic and Social Committee (2023) Democracy at work. Exploratory opinion requested by the Spanish Presidency (SOC/746-EESC-2022) <https://www.eesc.europa.eu/en/our-work/opinions-information-reports/opinions/democracy-work>

It asserted that ‘mechanisms and legal instruments serving the purpose of democracy at work make companies more resilient, more economically successful and at the same time better able to deliver on employment and decent work.’ The EESC called for sustainable corporate governance to be defined within the European legal framework, with systematic participation by workers and their representatives, alongside civil society actors such as environmental, human rights, and consumer organizations. The opinion also expressed regret that ‘employee participation at company board level is not recognized as a key element of sustainable corporate governance, and it called for substantially improved participation rights and resources’ to enhance the effectiveness of European Works Councils.

The EESC report summarized the **noticeable trend** of greater democracy at work among EU institutions:

- “In the **Social Commitment made at the 2021 Porto Social Summit**, European governments and social partners reiterated their commitment to advancing and strengthening autonomous social dialogue at European, national, regional, sectoral and company level.
- The recent **European Parliament report on democracy at work** highlights that major changes arising from the European Green Deal and digitalization must be implemented fairly and encourages the promotion of legal opportunities for employees to participate. In the same spirit, the European Parliament recently called with a broad majority for a revision of the existing EU Directive on European Works Council.
- The **Directive on adequate minimum wages** in the EU requires all Member States to take measures to increase the coverage of collective bargaining, such as promoting the building and strengthening of the capacity of social partners.
- In a recent proposal for a **Council recommendation to strengthen social dialogue**, the Commission stated that Member States should fully recognize and respect the specific role of social partner organizations in social dialogue structures and processes, while recognizing civil dialogue as a separated process, involving a broader set of stakeholders on a wider range of topics.
- The **Social Economy Action Plan**, adopted 2021, specifically commits to promoting social economy business models which have democratic and participatory governance as one of their key identifying features.”

These recent policy orientations can be placed in a broader context and connected directly to the Commission itself. In July 2023, the previous Commission presented its **2023 Strategic Foresight Report** to Parliament and the Council. The report stated that the EU is 'experiencing an era of permacrisis and polycrisis' and identified increasing cracks in social cohesion and inequalities as key challenges. The report observed that inequalities were 'deeply linked with lower trust in national and EU institutions, as well as in liberal democracy at large'. The report **identifies 'strengthening democracy, including by increasing citizens' agency' as one of the ten 'key areas for action'**.¹⁰⁹ Although the expansion of workplace democracy is not formally discussed as

¹⁰⁹ European Commission (2023) 2023 Strategic Foresight Report. Sustainability and people's wellbeing at the heart of Europe's Open Strategic Autonomy. Communication from the Commission to the European Parliament and the Council. COM(2023) 376
https://commission.europa.eu/document/download/f8f67d33-194c-4c89-a4a6-795980a1dabd_en?filename=SFR-23_en.pdf

an area for action, previous sections in this report establish the connection between the democratic crisis and crises at the workplace. Therefore, the expansion of workplace democracy can be associated with the report's statement that 'Building broad public support for sustainability requires increasing the participation of European citizens in democratic deliberations and policy-making processes, complementing representative democracy. Inter- and intragenerational fairness, inclusive participation, and the agency of all citizens should lie at the heart of policymaking.'¹¹⁰

The current Commission has not prioritised the implementation of these requests relating to workplace democracy in its strategy or work programme. **Noteworthy achievements** are related to processes that began before the Commission took office, and **other actions are moving in the opposite direction** to the trend of materialising democracy at work at the EU level.

European Works Councils (EWC) Directive

Progress should be made on the **revision of the European Works Councils (EWC) Directive**. The European Works Councils (EWC) Directive, originally adopted in 1994 and amended in 2009, establishes employees' rights to transnational information and consultation within multinational companies. It applies to undertakings or groups of undertakings operating in the EU with at least 1,000 employees in total in at least two different Member States, with a minimum of 150 employees in any country.

In November 2021, Rapporteur Gabriele Bischoff presented to the Committee on Employment and Social Affairs a "Report on democracy at work: a European framework for employees' participation rights and the revision of the European Works Council Directive"¹¹¹

On 24 January 2024, the previous Commission presented a proposal to amend Directive 2009/38/EC, signalling renewed interest in enhancing the EWC framework. The objective of the long-awaited revision was to strengthen the effectiveness of worker representation in large multinational companies, particularly in the context of rapid economic transformation and restructuring.

The legislative process has progressed despite the absence of reference to this reform process in the *Clean Industrial Deal*, the *Competitiveness Compass*, or the Commission's 2025 Work Programme—an omission that may reflect shifting policy priorities. In May 2025, the European Council, Commission, and Parliament reached a provisional trilogue agreement, which triggered the imminent revision of the Directive.

¹¹⁰ European Commission (2023) 2023 Strategic Foresight Report (p 18).

¹¹¹ https://www.europarl.europa.eu/doceo/document/A-9-2021-0331_EN.html

The provisional agreement introduces several key improvements, pending confirmation by Member States¹¹²:

1. Clarification of Transnational Matters. The revised directive provides a clearer definition of what constitutes a transnational issue, helping ensure that EWCs are appropriately consulted on cross-border decisions that significantly affect workers.
2. Enhanced Access to Judicial Remedies. Provisions have been introduced to reinforce employees' and EWCs' ability to ensure effective recourse when rights are infringed, thereby strengthening the enforceability of the directive.
3. Dissuasive Sanctions. The agreement mandates the implementation of sufficiently dissuasive penalties for non-compliance by employers, addressing a longstanding concern regarding the lack of effective enforcement mechanisms.

The revised directive is expected to be formally adopted by late 2025 or early 2026. It represents a significant step forward in aligning transnational corporate decision-making with EU social standards and worker participation rights.

Social Dialogue

In March 2025 the Commission signed a **Pact for European Social Dialogue** with the European Trade Union Confederation (ETUC) and employers' organisations. The pact includes a commitment to appoint a European Social Dialogue Envoy and to strengthen the mechanisms for implementing social partner agreements through EU legislation.¹¹³

Social Economy

It should be noted that the **dismantling of the Social Economy Unit** within DG GROW (Internal Market, Industry, Entrepreneurship and SMEs), which took place on 1 May 2025, transferring its responsibilities to the Directorate-General for Employment, Social Affairs and Inclusion (DG EMPL) is a concerning development.¹¹⁴ It is a sign that the Commission's competitiveness agenda currently leaves little or no room for promoting business organisations that have historically prioritised pursuing a social mission, and operate on worker access to ownership and to voice. While this organizational change does not equate to a formal shift in hard or soft law, it signals a change in institutional priorities. This is especially troubling given the ongoing implementation needs of the *Social Economy Action Plan* (2021–2030), which requires coordination across multiple policy areas. The disbanding stands in stark contrast to the previously favourable policy environment for the

¹¹² Council of the EU (2025) Strengthening representation of EU workers in multinational companies: Council and Parliament reach agreement on the revision of the European Works Council Directive. Press release. 21 May 2025. <https://www.consilium.europa.eu/en/press/press-releases/2025/05/21/strengthening-representation-of-eu-workers-in-m multinational-companies-council-and-parliament-reach-agreement-on-the-revision-of-the-european-works-council-directive/>

¹¹³ European Commission (2025) Commission and social partners sign joint Pact to strengthen social dialogue in Europe. News article. 5 March 2025. https://employment-social-affairs.ec.europa.eu/news/commission-and-social-partners-sign-joint-pact-strengthen-social-dialogue-europe-2025-03-05_en

¹¹⁴ Cooperatives Europe (2025) Why Dismantling DG GROW's Social Economy Unit Matters. News. 05.05.2025 https://coopseurope.coop/news_article/why-dismantling-dg-grows-social-economy-unit-matters/

social economy leading up to the June 2024 European elections. This included the Council Recommendation on the development of framework conditions for the social economy (adopted in November 2023),¹¹⁵ the *Liège Roadmap for Social Economy in the European Union* signed in February 2024 by representatives of 19 governments—outlining 25 specific commitments to implement the Action Plan—and the European Economic and Social Committee’s own-initiative opinion of December 2024, which provided recommendations on how EU state aid rules could better support social economy entities,¹¹⁶ not to mention the fact that the United Nations had declared 2025 the year of the Cooperatives¹¹⁷.

C.3. Social Conditionalities: Broad Agreement, Limited Progress

There is a consistent call for social conditionalities in EU funding and State Aid from multiple EU institutions as well as from business leaders and trade unions. The **European Parliament** has called for ‘EU funding, including State aid, to be conditional on public policy objectives, in particular social requirements, in order to offer high-quality jobs, promote collective bargaining, respect EU labour rights and standards and ensure improved working conditions.’¹¹⁸ Similarly, the **European Economic and Social Committee (EESC)** has called as recently as 2023 for ‘stronger social conditionalities’ to be implemented “in all forms of EU funding and public procurement to ensure that the €2 trillion in annual public spending actively promotes quality jobs, collective bargaining and decent working conditions, particularly in regions undergoing transition.”¹¹⁹

The **Letta Report** on the Single Market, prepared following a request by the European Council in June 2023 for a high-level independent report, includes a dedicated section on ‘Common conditionalities for common public policy objectives’. It recommends a State Aid framework with common conditionalities for disbursement, with conditionality objectives covering concerns such as economic security, the environment, human well-being, workers’ rights, as well as good governance and accountability. Several options for state aid conditionalities were identified, including ‘ex-ante eligibility criteria’ to conditionalities regarding ‘ex-post changes’ in enterprise behaviour. The report emphasises that “the definition of clear conditionality criteria, their monitoring, and enforcement are key for successful industrial policymaking.” State Aid regulations should include ‘operational, measurable, verifiable’ social conditionalities, and the report puts emphasis on the need to ‘enforce consequences in instances of non compliance’.¹²⁰

¹¹⁵ Council of the European union (2023) Council Recommendation on the development of framework conditions for the social economy (C/2023/1344). <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32023H01344>

¹¹⁶ European Economic and Social Committee (2024) Social economy entities / State aid rules. How to support social economy entities in line with State aid rules: thoughts following the suggestions in Enrico Letta’s report (own-initiative opinion) INT/1071. Rapporteur: Giuseppe GUERINI. 12/12/2024

¹¹⁷ <https://2025.coop/>

¹¹⁸ European parliament (2023) Resolution of 11 May 2023 on a roadmap towards a social Europe – two years after the Porto Social Summit (2023/2586(RSP))

¹¹⁹ EESC (2024) Own-initiative opinion ‘Measures for a resilient, cohesive and inclusive European economy’ (ECO/661-EESC-2024-04534, Adopted on 29/04/2025) <https://www.eesc.europa.eu/en/our-work/opinions-information-reports/opinions/measures-resilient-cohesive-and-inclusive-european-economy>

¹²⁰ Letta, E. (2024) Much more than a market, pp 39–40.

Since its launch on 20 February 2024, **the Antwerp Declaration for a European Industrial Deal** has been signed by 1,300 organisations. It calls for guarantees that public funding leads to quality jobs and specifically for 'strong public funding' to de-risk private investment in clean technologies, “with guarantees to ensure the retention and creation of quality jobs in Europe and propose a competitive and sustainable tax level across Europe.”¹²¹ **Trade unions** also made repeated strong pleas for social conditionalities.¹²²

Contrary to this trend, the Commission’s recent communications and decisions do not appear to build on these demands. The Competitiveness Compass and the Clean Industrial Deal notably lack concrete proposals on social conditionalities. Furthermore, the Commission has taken steps in the opposite direction, for example by exempting small farms from complying with environmental conditionalities under the Common Agricultural Policy simplification package released in May 2025.¹²³

Conclusion: An Enabling Trajectory at the EU Level Toward a Regenerative Democracy

This chapter has provided an overview of the key policy developments in Brussels, showing that there have been repeated calls across EU institutions for proposals to materialise democracy at work at the EU level, as well as for social conditionalities in EU funding and state aid. This policy orientation is not reflected in the current Commission's work programme, which displays a remarkable lack of such proposals. This is a problem for which the Spanish government could offer a practical solution, advocating for the integration of these policy directions into the Commission's priorities, and helping to pave the way for a democratic and sustainable future.

The Spanish government could take the lead in steering the direction of change by suggesting concrete policy instruments that favor a democratic and sustainable future.

To this end, the Committee recommends establishing a European Regenerative Compass to complement the Competitiveness Compass, enhance its effectiveness, and ensure the consistency and robustness of European economic policy. **It would consist of deploying seven policy instruments, next to the new reporting tool, the Corporate Democratic Development Index, measuring worker access to voice and to ownership:**

- 1. A European Sovereign Fund to Address the Succession Crisis and Support Worker Buyouts**
- 2. Rights for European Works Councils to Shape and Consent to AI Deployment at Work**

¹²¹ The Antwerp Declaration for a European Industrial Deal (2024) <https://antwerp-declaration.eu/>

¹²² ETUC (2024) Industrial policy for quality jobs - Social conditionalities for social progress. Resolution adopted at the Executive Committee meeting of 24-25 June 2024. <https://www.etuc.org/en/document/industrial-policy-quality-jobs-social-conditionalities-social-progress>

¹²³ European Commission (2025) https://agriculture.ec.europa.eu/overview-vision-agriculture-food/eu-actions-address-farmers-concerns_en

3. **Full and Fair Transposition of the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD)**
4. **Building Consensus on a Unified European Corporate Income Tax Policy Anchored in the Dual Scoring Scale of Worker Access to Voice and Property**
5. **A Unified Incentive and Conditionality Mechanism Across all EU Funding, State Aid, and Public Procurement Pegged to the Corporate Democratic Development Index, Based on the Dual Labor Investors' Access to Voice and Ownership Scoring Scale**
6. **A 28th Regime for European Democratic Firms**
7. **Key Support Programs to Help Stakeholders Thrive in the New Policy Environment, Including the Creation of the EU Observatory on Access to Voice and Ownership**

A strategy deployed through these eight policy instruments would provide concrete and powerful options for making Europe's firms and economy more regenerative, and incentivize a trajectory toward shared prosperity grounded in the deepening of economic democracy, by growing worker access to decision-making at firm-level, and to property. Their combined effect could steer energies towards an overarching and easy-to-share goal – a thriving, innovative and sustainable European economy, via the democratisation of European firms through enhanced worker participation and access to ownership.

As more workers would participate in firms across the EU, **social conflicts can be expected to decrease** at local and national levels. **This would strengthen the social fabric of European societies, enabling them to respond to external threats (wars and emerging geopolitical threats in particular)** as healthy communities rather than being shackled by their own social conflicts.

The Regenerative Compass provides for major transformative policies that would impact all or most EU firms. Each of these instruments serves a distinct purpose. A European funding capacity promoting workers buyouts (WBOs) would be the powerful and necessary tool needed to face the EU's massive SMEs succession challenge. Currently, a third of SME firms across the EU have a retiring business owner and no successor. This instrument will enable owners and workers to work out a plan for a smooth transition towards genuine worker participation and firm ownership. As AI becomes more prevalent, it is crucial to expand the role of European Works Councils. This expansion would enable workers to be adequately informed and exercise a right to shape and to consent to the deployment of AI in the workplace. A Full and Fair Transposition of the CSRD and CSDDD would enhance much needed transparency and worker consultation along European value chains. Working toward a consensus on a unified European corporate income tax policy anchored in the dual scoring scale would be transformational for governments, workers, and firms. A Unified Incentive and Conditionality Mechanism encouraging Worker Access to Voice and Property would act as a true engine of change to enhance workplace democracy within European firms - that is, genuine participation in corporate decision-making, rather than mere information and consultation. This instrument is central to such a shift, powered by incentive mechanisms indexed on to the dual scoring scale measuring labor investors' access to voice and to property.

The recommendation for a '28th Regime' for a European Democratic Firm will act as a needed complement to the dominant competitiveness agenda by foregrounding the concept of democratic firms. It will build a bespoke incentive mechanism to support such firms, regardless of the modest economic share they may represent initially. Finally, the *enabler measures* are designed to equip firms, workers, and Member States with the tools and support they need to make effective use of the opportunities created by the other policy instruments.

These instruments jointly aim to revise the norms governing businesses' access to markets and capital. They achieve this by restructuring these norms around the dual commitment made to Spanish workers by the Constitution, but relevant to all workers across the European Union: ensuring both access to voice and to property for every labor investor.

In an era of deep geopolitical uncertainties, European business should be made resilient and anchored in the territory to reinforce Europe's sovereignty as a whole and in its individual Member States. This Regenerative Compass as a complement to the Competitiveness Compass, could create historic momentum to steer the economy in a more desirable direction, helping each and every firm to address the 9 challenges reviewed in Part I of this Report, and to contribute to shaping the future in a democratic and sustainable direction. This would be highly desirable for the Union's about 200 million labor investors, and 23 million businesses, and would help chart a hopeful path for all countries around the globe.

II. B. The Policy Toolbox: Policy Instruments and Cultural Transformation

New Reporting Tool: The Corporate Democratic Development Index based on the Two Participation Scoring Scales Measuring Labor Investors' Access to Voice and Ownership

A new instrument is proposed to measure the state and progress of each firm in the deployment of the dual promise made by Article 129.2 of the Spanish Constitution to every worker. It is a simple instrument that enables a clear monitoring of not only the presence of workers in strategic decision-making bodies and their share in the firm's capital, but a concurrent measure of progress on those two dimensions¹²⁴.

Corporate Democratic Development Index based on the Two Participation Scoring Scales

The Voice Scale (V)		The Ownership Scale (O)	
Rating	Categories	Rating	Categories
0	A company in which those who work hold 0 of the voting rights to 1 seat on the company board (by which we mean the committee in charge of the strategic decisions or legislative branch)	C	0% of shares held by the workers of the firm
1	A company in which workers hold from 2 seats to less than 1/3 of the voting rights on the company board	B	More than 0 to less than 2% of shares held by the workers
2	A company in which workers hold from 1/3 of the voting rights to less than 1/2 on the board (or the works council is equivalent to a college weighing at least 30% of the votes of the company board to less than 1/2) (Codetermination)	Ba	Between 2% and less than 25% of shares are owned and/or administered by the workers
3	A company in which workers hold 1/2 of the voting rights on the company board (or the works council is equivalent to a college holding 50% of the votes on the company board (aka German Montan Codetermination))	A	Between 25% and less than 50% of the shares are owned and/or administered by the workers
4	A company in which the company board operates under a dual majority rule (codecision) , where at least one of the majorities is exercised by worker representatives organized as a college of voters or by the works council (aka Economic bicameralism).	Aa	50% of the shares are owned and/or administered by the workers
5	A company in which workers hold all the voting rights on the company board (aka workers' cooperative or a <i>laborist company/sociedad laboral</i>)	Aaa	More than 50% of the shares are owned and/or administered by workers, and all the rest is owned and/or administered by other workers or "steward owners"

Example:	Voice Score (V) for a specific firm = 4		Ownership Score (O) for a specific firm = A
Corporate Democratic Development Total Rating for this specific firm = 4 ^V A ^O = 4A			

¹²⁴ For further methodological developments, see Julien Pharo's thesis (Lille, 2023) and Thibault Crismer's thesis (PLS Paris Dauphine University): <https://ido-initiative.org>

Each company will be given a rating which will situate its achievements along the two scales.

All incentives and support provided by the public authorities, as access to public procurement, will be pegged to the dual rating reached by the firm. The final rating category for a firm will be determined by a simple combination of the two ratings, given that there are two scales and two ratings. The **combination**, as well as the **progression**, of the levels of participation in **both dimensions (decision-making and ownership)** within the same company **will be taken into account** by the public powers for the reinforcement of the established **promotion measures**.

On the Avenue of Voice, Rating 4: "Dual Majority" means that at least one of the voting majorities at the Board-level is exercised by workers' representatives or by the works council. In practice, it means that a majority is required not only from representatives of capital but from representatives of labor (they both enjoy a veto right) at the board level (i.e. Economic Bicameralism).¹²⁵ All decisions ranging from the appointment of the CEO to the business strategy or allocation of profits standardly approved by the Board has to receive a majority from the labor representatives as well. In the political history of democracy, it is considered as the threshold of democratic consent. It is thus of great relevance for firms moving toward the trajectory of larger access to voice for workers to reach the point where a true consent can be exercised by the labor investors. Rating 5: Worker cooperative or laborist company (*sociedad laboral*), i.e. firm governed by its workers independently of the portion of the shares they own.

On the Avenue of Ownership (i.e. the access to the means of production): seeing firms moving forward on the trajectory is particularly critical for all firms in need of a succession or transition plan. Here workers and citizens' funds should progressively buy back the entirety of the shares. The full transfer of shares to labor investors and citizens' funds will have the beneficial effect of freeing up capital to do what a firm is best at, including launching new or innovative projects. Above a majority holding, the owning of shares by workers could be complemented by "steward owners" who exercise their ownership right in ways that prioritize the company mission according to multi-dimensional metrics, rather than simply the maximum return on capital investment.¹²⁶

Scope: The reform would apply to 100% of Spanish companies, with a possible exemption on the voice scale/standards for small and medium-sized enterprises (SMEs); that is, firms with fewer than 50 employees.

¹²⁵ See Ferreras, I. (2017) Firms as Political Entities. Saving Democracy through Economic Bicameralism. Cambridge University Press, 2017; Sachs, B. and S. Block (2020) Clean Slate for Worker Power: Building a Just Economy and Democracy. Center for Labor and a Just Economy Report, Harvard Law School, Cambridge MA <https://clje.law.harvard.edu/app/uploads/2020/01/Clean-Slate-for-Worker-Power.pdf> ; Lafuente S. (2022), "Dual Majorities for Firm Governments", in Ferreras I., J. Battilana, D. Méda ed., Democratize Work. The Case for Reorganizing the Economy. The University of Chicago Press, 73-78 ; Battilana, J., and I. Ferreras (2021) "From Shareholder Primacy to a Dual Majority Board." in A Seat at the Table. Worker Voice and the New Corporate Boardroom, The Aspen Institute Business & Society Program Report Series, August. <https://www.aspeninstitute.org/wp-content/uploads/2021/09/Final-Worker-Voice-and-the-Corporate-Boardroom.pdf>

¹²⁶ This concept exists within an evolving field where practices are currently being shaped through voluntary adoption rather than being mandated by codified legislation. Government interest in clarifying and formalizing these nascent practices would provide necessary validation and regulatory support, thereby accelerating their broader implementation. See <https://docs.google.com/document/d/1G09RF4gKZoXgtSJaaS4QXXRVclC0jawOqVyhJrKu7q8/edit?tab=t.0#heading=h.lzuedasmx2yl>

Reporting mechanism and validation: The specific ratings of firms in terms of voice and ownership will need to be measured annually and validated by firms' worker representatives, via a works council or union delegation. AI reporting tools already exist to alleviate firms' reporting burden, and these could be employed to make sure reporting is a smooth and light process. Such a tool could be offered by the Government as a way to increase AI literacy¹²⁷; use in every Spanish firm could support the disclosure and reporting process for all non-financial information. An appeal structure housed at the Ministry of Labor would validate the firm's score if it is contested at the firm level.

¹²⁷ Such an operational tool already exists. See the AI-powered reporting app: <https://www.wequity.app/company>.

1. At the Spanish Level

(1) Draft Legislation for the Promotion of Worker Access to Voice and Ownership in Companies

Explanatory Memorandum

Article 129.2 of the Spanish Constitution requires public authorities to effectively promote the various forms of participation in firms, to encourage cooperative businesses through appropriate legislation, and to establish means to facilitate workers' access to ownership of the means of production. The first two mandates were already present in the previous Constitution of 1931 (Articles 46 and 47), while the third was incorporated during the drafting of the current Constitution, in the midst of an industrial crisis, and reflects the concern of the drafters to save jobs in companies in crisis by making it easier for workers to acquire ownership of the companies for which they worked. It is in this context that worker-owned corporations emerged. Both worker-owned corporations and cooperatives have been recognized in Spanish legislation and have been, and continue to be, supported by the public authorities, mainly for their contribution to stable and quality employment and as a means to bail out companies in crisis. In other words, this Law supports but does not seek to specifically promote them. Nor does the Law promote the right that the Constitution recognizes for all workers, whether they are cooperative members or not, to participate in the voice and ownership of the companies in which they provide their services.

The law presented here provides the means to enact the constitutional mandate for public authorities to facilitate the participation of citizens in the economic and social life of the country (Art. 9.2 CE), which, in the case of workers, also takes the form of participation in the company, as later endorsed by the Constitutional Court (STC 298/1989).

Unlike its predecessor, the current constitution does not specify the various forms of worker participation that should be promoted, but in line with European regulations and tradition, these are understood to include both participation in "voice," or decision-making, and in the company's results and capital, which is known as the financial participation of workers in the company. As specified by the European Commission, the financial participation of workers in the company can be direct, through the distribution of profits, or indirect, through share ownership (Commission Communication of July 5, 2002, on a framework for the financial participation of workers).

The law has so far done little to promote employee participation in the company, and when it has done so, it has limited its scope to certain companies and forms of participation, as was the case with employee participation in the governing bodies of savings banks (Law 31/1985) or support measures to facilitate access to self-employment in cooperatives and worker-owned companies for unemployed workers; moreover, these measures are more oriented, as we saw, towards the creation of stable employment and the rescue of companies in crisis (Royal Decree 818/2021). Finally, the proposal for participated companies, contemplated in Law 44/2015 on Worker-Owned and Investee Companies, was never passed. This lack of attention from legislators has not discouraged some notable experiments in participation in our country, such as the one derived from the 1986 Agreement on Trade Union Participation in Public Companies, applicable to public companies with more than 1,000 workers.

The Workers' Statute approved in 1980 repealed Law 41/1962, which regulated, among other things, the participation of workers in the boards of directors of companies with more than 500 employees and recognized "participation in the company" as one of the basic rights of workers (Art. 4 One, g). However, when it came to regulating this right, it merely stated that, without prejudice to other forms of participation, workers had the right to participate in the company through the representative bodies regulated in that title (staff representative and works council) with the limited powers set out in Articles 64 et seq. The situation has hardly changed with the current Statute approved in 2015.

The labor legislation that should develop the basic right of workers to participate in the company has limited itself to regulating specific rights of worker representatives in terms of information; the possibility of issuing non-binding reports; exercising a certain degree of oversight over compliance with the law and agreements; and limited possibilities for genuine participation in the company.

According to the European Union, the participation of workers in the company for which they work includes the right to be informed, to be consulted, and to participate in company decisions (Directives 2002/2464 and 2002/1760, among others). The Community Charter of Fundamental Social Rights of Workers adopted in 1989 already recognized among these rights, as minimum principles common to all Member States of the European Union, the right to information, consultation, and participation of workers in the company. Article 153 of the Treaty on the Functioning of the European Union grants the European Parliament and the Council the power to adopt directives laying down minimum requirements to be applied progressively in areas such as: information and consultation of workers (e) and the representation and collective defense of worker interests, including co-management (f).

To date, regulation has mainly focused on a general framework for informing and consulting workers (Directive 2002/14/EC) and some specific rules in areas such as health and safety (Directive 89/391), work on digital platforms (Directives 2019/1152 and 2024/2831); or the application of these rights in transnational contexts, such as Directive 2009/38/EC on the establishment of a European Works Council, currently under review, and certain rules on worker participation in the administrative or supervisory bodies of European companies (Directives 2001/86; 2003/72 and 2019/2121).

What has been achieved is not enough, as the Commission noted after a fitness check in 2013; and European institutions, while recognizing the improvements that democracy brings to work, productivity, innovation, work organization, job quality, and worker involvement, are calling for greater worker participation in corporate decision-making processes, particularly so that companies adopt more sustainable and long-term approaches. (European Parliament resolution of December 16, 2021, on democracy at work, among others)

Directive 2019/2121 not only recognizes that the involvement of workers in the management bodies of companies contributes to companies adopting more sustainable and long-term approaches (recital 32), but also instructs the Commission to evaluate, by February 1, 2027, the application of the provisions on information, consultation, and participation of workers in the context of cross-border operations and the effectiveness of safeguards relating to negotiations on workers'

participation rights, *"taking particular account of the possible need to introduce into Union law a harmonized framework on worker representation in the administrative body, accompanied, where appropriate, by a legislative proposal"* (Article 4).

Directive 2022/2464, for its part, in regulating the sustainability information that companies must provide, includes *"workers' rights to information, consultation and participation"* (Article 29 ter.2, b, ii), and clarifies (recital 49) that sustainability reporting standards dealing with employee participation must specify, among other things, the information to be disclosed on *"employee participation in administrative and supervisory bodies."*

Nor can we forget the numerous recommendations made by European Union institutions to Member States to move towards greater democracy at work, such as the recent Parliament Resolutions of December 16, 2021, and June 1, 2023, the Exploratory Opinion of the European Economic and Social Committee on democracy at work of June 29, 2023, the Conclusions of the Council of the European Union of November 17, 2023, and the recent Opinion of March 21, 2025, of the European Economic and Social Committee in favor of positive Artificial Intelligence for workers, which recommends increasing worker participation in the company to minimize the risks and harmful effects of AI systems.

Finally, facilitating worker access to ownership of the means of production, or financial participation in their companies, as required by Article 129.2 of the Constitution, is particularly important at this time of crisis, both in terms of generational change in family businesses and SMEs, and in companies undergoing restructuring, in order to promote the continuity of many businesses and the preservation of jobs.

Apart from the existing measures to promote workers' access to partnership in their companies, transforming them into cooperatives or worker-owned companies, Law 44/2015 on worker-owned and employee-owned companies sought to promote a new avenue of access through the so-called employee-owned company. This law requires public authorities to promote the establishment and development of worker-owned companies, defining these mainly as capital companies in which workers have a stake in the capital, the company's profits, or the company's decision-making, without actually controlling the company, unlike workers in labor companies (art. 18). However, the concept of the employee-owned company remained to be developed, both in terms of the procedure for its recognition and its promotion.

In order to benefit from the existing scientific knowledge about the many dimensions of worker participation in companies, the Ministry of Labor established an international committee of experts on democracy in the workplace with the aim of analyzing the situation of Spain and making proposals. Established in February 2025 and chaired by Professor Isabelle Ferreras, from the University of Louvain, the international committee handed out its report to the Minister of Labour at the end of 2025.

The work of the Expert Committee was divided into 3 mandates:

1. **Diagnosis:** Examine the history, content, and current applications of Article 129.2, and identify contemporary problems for which its application might offer solutions.

2. **Strategy:** Propose a trajectory for the application of Article 129.2 moving forward.
3. **Policy:** Identify legislative tools and other resources that offer rigorous, research-based solutions that are innovative, economical, and adaptable to Spain's culture of territorial and economic diversity.

The Expert study concluded that Article 129.2 is not currently being applied through effective legislation. Indeed, Spain is among the least developed countries in the European Union in terms of the recognition of workers as key constituents of the economy, measured both in terms of institutional structures that allow for democratic participation in the workplace and in terms of worker access to ownership of shares in companies. At the same time, the Committee also observed a number of Spanish enterprises that model exemplary applications of Article 129.2, notably worker cooperatives, which are some of the strongest in the world. Committee members concurred that a more rigorous application of Article 129.2 could prove to be highly effective in helping Spain to join the leaders of the EU in terms of best practice, and to move up the productivity ladder identified as the key challenge of the European Union by the Draghi Report (2024). In specific, the Committee recommended firm democratization as a means of enacting the mandates of Article 129.2 by opening a path for all labor investors to access voice and ownership and marshalled factual evidence and robust economic and political arguments to explain the necessity of public intervention in this direction.

The Committee found that firm democratization offers important possibilities to address and reverse current negative trends, notably:

1. The succession crisis faced by Spanish SMEs (An estimated one third of SME owners will retire over the next decade, placing approximately 600,000 jobs at risk each year; a large majority have no plan for succession)
2. The competitiveness lag (Particularly in job quality and innovation; despite investments, the Spanish economy has struggled to harness innovations in ways that augment worker productivity, rather than simply replacing, outsourcing, or downgrading workers)
3. Abuses and misuses of AI in the workplace (Industries are implementing and undergoing massive change in ways that threaten worker autonomy and privacy with insufficient plans to involve workers in safely and effectively deploying new technologies)
4. Fragmentation of the value chain and job informality (Distant investors extract profit via “coercive comparison” among fiscal regimes and from hidden and unpaid or poorly-paid workers)
5. Loss of economic sovereignty and territorial resilience (Transnational capital is mobile, while workers and local communities are largely anchored in a specific location, making regions bear a disproportionate amount of the risk from corporate investment and disinvestment decisions in which they have no say)
6. Poverty and inequality (Spain's working poverty rate is 13.7%, and doubles among immigrants, reaching 29.5%, and almost 30% in the agricultural and domestic sectors.)

7. Damage to the natural environment (Of the nine biophysical limits within which humanity can safely operate, seven have now been transgressed, and non-democratized firms are responsible for a disproportionate amount of harm to the environment and global climate change)
8. Weakening civil society and unions (The marginalization of unions directly correlates with a rise in inequality and worsening working conditions and leaves governments and firms without constructive partners.)
9. Disillusionment with democratic institutions (Democratic institutions are being weakened by citizen disaffection, political marginalization, and the rise of authoritarianism)

In view of these conclusions, and drawing on scientific research and data, expert testimony, and comparisons with best practices in other EU countries, the Committee identified practical options to help stakeholders (in particular firms) to balance social, environmental, and economic considerations in business organizations.

As a result of the Commission's work, this law aims to promote worker participation in companies, both in decision-making (voice) and in ownership, in compliance with the constitutional mandate contained in Article 129.2 of the Constitution and following the guidelines and recommendations of the European Union.

The Law is structured into 20 articles distributed across 6 chapters, two transitional provisions, one repealing provision, and four final provisions.

Chapter I deals with general provisions such as the purpose and scope of the law, the forms of worker participation in the company, and the definition of key concepts used. Chapter II improves the regulation of workers' representative bodies contained in the Workers' Statute and their participation in the decision-making of the company for which they work. Chapter III regulates the access and participation of workers' representatives in the governing bodies of the company. The Law leaves the way open for a possible reform of the laws on capital companies and cooperatives to allow their administration to be organized by the dual system, as is the case with the European Company or the European Cooperative Society, and to also have, if they so wish, a management board and a supervisory board, as is possible in 21 of the 27 Member States of the European Union. Chapter IV focuses on worker participation in company ownership and the obligation of all public authorities to facilitate workers' access to ownership of the means of production, proposing economic policy measures that can contribute to this objective. Chapter V incorporates other measures aimed at promoting worker participation in the company, mainly geared towards progressively improving such participation, both in decision-making and in the ownership of companies. Chapter VI incorporates various measures to improve the response of administrative law to serious and very serious infringements of the rights regulated in this Law and the recourse to the collective dispute process regulated in the Labor Procedural Law. Finally, the Law has two transitional provisions, one repealing provision, and four final provisions. The Law on Worker-Owned and Participated Companies is partially repealed, given that this Law fulfills the objectives that motivated the regulation of participating firms in the former.

This Act establishes a fundamental framework for advancing business democratization, articulating its objectives in two main areas: worker participation in decision-making and their access to ownership.

With regard to worker participation in decision-making and co-management, the Act takes a decisive step towards co-decision for the first time in Spain. Inspired by models such as the German one, the legislation regulates co-management at two different levels: the participation rights of works councils and the rights of workers to appoint representatives to the governing bodies of capital companies.

With regard to share ownership (by employees of the company () (), the Law proposes public action mechanisms aimed at facilitating workers' access to the necessary financing to participate in the share capital of companies.) in companies () owned by

Additionally, in order to promote dynamic broad participation in the economy and to move Spain toward greater territorial resilience and capacity for innovation, tax and non-tax incentives linked to the Democratic Progress Index in companies are established to encourage companies to open up access to decision-making for workers and ownership of their companies.

CHAPTER I. General Provisions

Article 1. Purpose and Scope of the Law

One. The purpose of this Law is to respond to the dual constitutional mandate set forth in Article 129.2, which requires public authorities to effectively promote the various forms of worker participation in the firm and to establish the means to facilitate workers' access to ownership of the means of production.

Likewise, this Law incorporates the rules and recommendations of the European Union on the promotion of workplace democracy and its impact on the long-term sustainability of companies.

Two. Participation in the company, as well as information and consultation, are basic rights of all workers.

Workers shall exercise these rights in the company through their representatives, as established by this Law.

In the case of worker-owners, these rights shall be exercised through the corporate bodies of their respective company or cooperative.

Three. This law applies to all companies, regardless of their nature and legal form, except for sole proprietorships and public companies.

Article 2. Forms of Worker Participation in the Company for Which They Provide their Services.

Of the various forms of worker participation in the company, this Law deals with participation in decision-making and in the ownership of the company.

One. Worker participation in decision-making includes:

1. The right to decide on ordinary company matters that directly or indirectly affect the development of its activity in general.
2. The right to decide on strategic issues that affect the future of the company and that may directly or indirectly affect them.

Two. Workers' access to ownership of the means of production includes both direct and indirect access to ownership of shares in the entities for which they provide their services.

- a. Direct access may be achieved through the acquisition of shares in the entity for which they provide their services.
- b. Indirect access occurs when the entity acquiring these shares on behalf of the workers is an intermediary entity established and controlled by the workers for the purpose of managing these shares.

Article 3. Definitions

- **Company.** An organization resulting from the investment of capital and labor for the production or intermediation of goods or services for the market.
- **Group of companies.** A group of legally independent companies that are interconnected by links of ownership or control over management or strategic direction, as defined in Article 42.1 of the Commercial Code.
- **Employer.** A natural or legal person who, on their own behalf, either directly or through another party, carries out an economic activity in an organized and professional manner through a company, and is the contracting party in labor relations established with workers.
- **Worker.** A natural person who invests their labor and provides their services in return for remuneration, either on behalf of another person and within the scope of an organization and under the management of the employer, or in association with other workers in a cooperative regime.
- **Right of workers to participate in the company.** The right of workers to participate in the company includes their participation in decision-making, in the profits generated by the company, and in its assets.
- **Right of workers to participate in decision-making.** This right includes the rights to information, consultation, and participation in management, as well as participation in the management and control bodies of the entities for which they provide their services.

- **Social share.** This is the share that corresponds to each member in the rights and obligations of the entity of which they are a part, including their participation in the company's assets.
- **Labor directors.** These are the members of the board of directors or the supervisory board, elected to represent the workers who provide their services to the company, and in consideration of their status as workers.
- **Company interest.** The company's interest is understood to be maximizing the long-term value of the investment made in capital and labor while pursuing the mission that the company has set for itself, avoiding any negative impact on other stakeholders.

CHAPTER II On the Participation of Workers in the Company's decision-making and on the Bodies Representing Workers

Article 4. Rights to Information, Consultation, and Participation in the Company

The rights to information, consultation, and participation in the company are basic rights of all workers.

Without prejudice to other forms of participation, workers have the right to participate in company decisions through the representative bodies provided for in labor legislation and, in particular, through staff representatives, works councils, delegates, and trade union branches.

Workers may also participate in strategic decision-making through labor directors, elected to represent them in the administrative or supervisory bodies of companies, as the case may be, and specialized committees, in accordance with the provisions of the legislation on capital companies and cooperative societies.

Article 5. Amendment of Royal Legislative Decree 2/2015, of October 23, Approving the Revised Text of the Workers' Statute Law

One. An Article 61 bis is incorporated into Title II, Section One, "Representative Bodies," as follows:

"The bodies representing workers in the company or workplace are those indicated in the following articles.

The workplace is the default electoral unit. However, collective agreements for the sector at the state level, taking into account the characteristics of the sector, may establish an electoral unit other than the workplace, such as the company or the territorial division of the province."

Two. A second paragraph is added to Article 62.1 as follows:

"The figure of the joint staff representative for several workplaces with fewer than 6 workers may also be regulated in a sectoral collective agreement."

Three. A paragraph 2 bis is added to Article 63:

"The legal representatives of workers employed by contractors and subcontractors and in the value chain of the main company shall have the right to attend meetings of the works council of the main company with the right to speak but not to vote."

Four. A new Article 63 bis is added, which reads as follows:

"1. In groups of companies within the meaning of Article 42.1 of the Commercial Code, a group of companies committee shall be set up, the composition of which shall follow the rules laid down in this Law for the establishment of the negotiating committee for the group collective agreement.

2. The group committee shall have the right to be informed and consulted on matters affecting the group of companies as a whole or at least two companies in the group.

3. For the purposes set out in the previous paragraph, the group committee shall have the right to hold at least two meetings per year with central management. The meeting shall be convened by central management at least one month in advance, accompanied by a report on the development and prospects of the group of companies' activities. Central management shall inform local management thereof.

Without prejudice to other issues that may arise, the annual meeting shall analyze those related to the structure, economic and financial situation, probable development of activities, production, and sales of the group.

The information and consultation of the group committee shall relate in particular to the situation and likely development of employment, investments, relevant changes affecting the organization, the introduction of new working methods or new production methods, transfers of production, mergers, reductions in the size or closure of undertakings, workplaces or important parts thereof, and collective redundancies.

Consultation shall be carried out in such a way as to enable the employees' representatives to enter into a period of negotiations with a view to reaching an agreement with the central management.

4. The group committee shall be informed in good time of any exceptional circumstances or decisions to be taken which significantly affect the interests of employees, particularly in cases of transfers of undertakings, closures of workplaces or undertakings, or collective redundancies. In addition, it shall have the right to meet, at its own request, with central management or with any other level of management of the companies in the group that is most appropriate and competent to take decisions, in order to receive the aforementioned information and to be consulted on it. This meeting or meetings shall, where appropriate, be in addition to the annual meeting provided for in paragraph 3, unless, depending on the existing deadlines, they can be incorporated into the content of the aforementioned meeting without jeopardizing the effectiveness of the consultation.

The information meetings and consultation period referred to in this section shall be held sufficiently in advance to enable the committee's opinion to be taken into account when decisions are adopted or implemented, on the basis of a report drawn up by central management or any other appropriate level of management within the group.

5. Central management and the group committee shall decide by mutual agreement on the precise rules governing the chairing of their joint meetings. In the absence of such an agreement, they shall record in the minutes of their first meeting the procedures to be used to moderate the meetings.

The minutes of meetings between central management and the group committee shall be signed by a representative on behalf of each party.

6. Central management shall inform the management of its companies of the meetings it is going to hold with the group committee.

7. The group committee shall operate in the same way as the works council.

8. Whenever necessary for the proper performance of its duties, the group committee may be assisted by experts of its choice.

9. The expenses arising from the functioning of the group committee shall be borne by the central management, which shall provide the financial and material resources necessary for it to perform its functions properly.

In particular, central management shall cover the following expenses:

- a. Those relating to the organization of group meetings, including the costs of meals, accommodation, and travel for its members.*
- b. Those arising from an expert appointed by the group committee to assist it in its duties.*

10. The members of the European Works Council shall inform the representatives of the employees of the undertakings and establishments or, failing that, the employees as a whole, of the content and results of the information and consultation procedure carried out in accordance with the provisions of this article.

Five. The title of Article 64 is amended to read: "*Rights of information, consultation, and participation.*"

Six. Article 64.1 is worded as follows:

"The works council shall have the right to be informed and consulted by the employer on all matters that may affect the employees, as well as on the situation of the company, its organizational design, and the consequences for employment. It shall also have the right to participate in the company's decisions under the terms provided for in this article.

Information is understood to mean the transmission of data by the employer to the works council so that the latter is aware of a specific issue and can proceed to examine it. Consultation is understood to mean the opening of a process of dialogue and negotiation between the company's management and the Committee on a specific issue, with the aim of reaching an agreement. Participation involves establishing mechanisms for the involvement of workers in the configuration of the company and its production model. In all cases, these rights shall be exercised vis-à-vis the appropriate business representative at the appropriate level of business decision-making.

In information, consultation, and participation procedures, both parties shall act in accordance with the requirements of good faith, in compliance with their reciprocal rights and obligations, taking into account both the interests of the company and those of the workers.

Seven. The third paragraph of Article 64.5 is worded as follows:

"The works council shall have the right to initiate a reasonable period of consultation with the capacity to make proposals and sufficiently in advance of the employer's planned implementation of the decisions taken by the employer on the following matters:

- a. Staff restructuring and total or partial, permanent or temporary redundancies. In cases of relocation in companies or groups of companies of Community dimension or in companies incorporated as public limited companies or European cooperatives, which may involve the total or partial closure of these companies, the consultation period should allow the legal representatives of the workers on the works council to be informed of the report of the European works council or the ad hoc representative body, if any, on the decision to close the company.*
- b. Company decisions on the reconfiguration of the production model, in particular the introduction of new technologies, changes in production outsourcing chains, and energy transition.*
- c. Reductions in working hours.*
- d. The total or partial relocation of facilities.*
- e. Mergers, takeovers, or changes in the legal status of the company that involve any incident that may affect the volume of employment.*
- f. The implementation and review of work organization and control systems, time studies, the establishment of bonus and incentive systems, and job evaluation, especially when algorithmic personnel management mechanisms and artificial intelligence systems are used.*
- g. Vocational training plans within the company.*
- h. The introduction of employee financial participation systems.*

If the consultation period ends without agreement, mandatory mediation must be sought before the autonomous collective dispute resolution systems of the territory or the resolution procedures provided for in the sectoral collective agreement applicable to the company. In the meantime, the implementation of the decision taken by the employer shall be suspended.

Failure by the employer to open this consultation period shall result in the nullity of the decision or measure adopted by the employer, which shall be dealt with in accordance with the collective dispute procedure set out in Article 153 of the Law 31/2011 regulating social jurisdiction”.

Eight. Following Article 64.5, a new paragraph 5 bis is added, which reads as follows:

"The works council has the right to validate or veto the introduction and development of artificial intelligence systems in the workplace when these concern recruitment and selection procedures, personnel management (including management, monitoring, productivity, and evaluation), customer relations, service provision, production, and any other area related to the employment relationship.

In order to carry out its work, the works council shall have the right to request the support of experts in the matters under consultation.

The company's management shall be obliged to pay the remuneration of two experts for a reasonable number of hours to effectively assist the committee in its discussions: one expert in matters relating to the deployment of artificial intelligence systems and one expert in matters relating to the consequences of the company's actions on planetary boundaries.

Nine. Article 64.7.c) ET is reworded as follows:

"To participate with the company's management in decision-making on the reconfiguration of its organization and production model in order to achieve greater efficiency, as well as environmental sustainability and social responsibility.

The right to participate shall be exercised through procedures agreed upon by both parties through collective bargaining, ensuring in all cases that the committee is informed in advance of any company decisions that affect the aforementioned objectives."

Ten. A new section 7 bis is added to Article 64, as follows:

"In companies where there are no employee representative bodies to carry out consultation periods, a negotiating committee shall be set up, consisting, on the one hand, of company representatives and, on the other hand, by representatives of the most representative trade unions and by trade unions representing the sector to which the company belongs and with the authority to form part of the negotiating committee for the collective agreement applicable to it, in proportion to their electoral support in that sector. However, this trade union committee shall in any case be validly composed of the organization or organizations that respond to the company's call within ten days."

Eleven. A paragraph 4 is added to Article 69 as follows:

"Candidacies for staff representatives or works council members must contain at least 60% of the positions to be filled. In the event that there is only one candidacy, it must contain as many candidates as there are positions to be filled."

Twelve. A final paragraph is added to the first section of Article 85 as follows:

"Through collective bargaining, the necessary means shall be established for the participation of the representative bodies in the company, together with the company's management, in the reconfiguration of its organization and its production model in the interests of greater efficiency, as well as environmental sustainability and social responsibility in its actions."

CHAPTER III On the Participation of Workers in the Governing Bodies of the Company

Article 6. Worker Participation in Company Governing Bodies.

One. Workers have the right, through their representatives, to participate in the administrative or supervisory bodies of their company and its group of companies, if applicable, as well as in the specialized committees that these bodies have established.

Two. The applicable collective agreement for the company or group of companies shall determine the number of worker representatives on the administrative and supervisory bodies. Higher-level collective bargaining may set sectoral and/or territorial minimums.

If no agreement is reached, or in the absence of regulation in the applicable collective agreement, worker representation on the aforementioned bodies shall be as follows:

- a. In companies or groups of companies with 50 to 1,000 employees in Spain or including the rest of the world, one-third of the members and voting rights in the aforementioned bodies of the company and the parent company, in the case of a group, shall be attributed to the employee representatives.
- b. In companies or groups of companies with more than 1,000 workers, in Spain or including the rest of the world, 50% of the members and voting rights in the aforementioned bodies of the company, and the parent company in the case of a group, shall be attributed to the labor directors.

Three. The applicable collective bargaining agreement of the company or group of companies shall also determine the method of appointment of the aforementioned representatives within the following options:

- By appointing labor directors through the workers.
- By granting the works council the authority to appoint within its body the individuals who will hold the positions of labor directors.

- Or by using the works council as an appropriate channel for workers' representation in strategic decisions, giving its representatives one-third or half of the votes on the board of directors.

Article 7. Appointment and Dismissal of Workers' Representatives on Corporate Bodies.

One. A company or group, or a higher-level agreement applicable to companies in a sector and/or territory, collective agreement shall regulate the requirements for becoming a worker representative, with respect for gender equality and non-discrimination, the term of office and the grounds for dismissal, as well as the method of appointment from among the possibilities established by law.

Worker representatives on corporate bodies and their committees shall be appointed by the bodies representing the workers in the company or group of companies, or by the trade union sections of the most representative trade union organizations in the company or group of companies. In the case of a group of companies with the right to set up a European Works Council or a transnational information and consultation procedure, a role in the appointment procedure shall be assigned to that transnational body or, failing that, to the transnational trade union organizations representing the company.

The proposal shall also designate substitutes in the event that the appointed directors cease to hold office for any reason during their term of office. Substitutes may attend meetings of the board of directors or supervisory board as observers.

Two. Candidates for employee representatives on corporate bodies must be employees of the company or group of companies with an employment contract, in Spain or in one of the subsidiaries outside Spain, for an indefinite period and with a minimum of six months' seniority in the company or group of companies, and must not be subject to any of the prohibitions provided for in the legislation. Those who hold or have held management positions in the company in the last two years may not be candidates.

Three. Directors representing employees may not assume management responsibilities in the company until two years have elapsed since the end of their term of office.

Four. Employee representatives may only be dismissed by decision of the bodies that elected them, through a meeting convened for that purpose, by an absolute majority of its members, through free, personal, direct, and secret ballot.

Five. Under no circumstances may it be established that validly appointed worker representatives must resign from other positions representing workers or trade unions in the company or group, in Spain or outside Spanish territory.

Article 8. Rights, Obligations, and Responsibilities of Directors Elected to Represent Workers.

One. Directors elected to represent the company's workers shall be governed, in addition to labor regulations, by the rules set forth in the Capital Companies Act and the Cooperative Companies Act, as applicable, applicable to administrators and members of the board of directors or governing council, with the exceptions provided for in this Act.

Two. Directors elected to represent workers or labor directors shall have the same rights, obligations, and responsibilities as other non-executive directors, including the right to remuneration for their duties as directors, where applicable.

In addition, they shall have the rights, guarantees, and facilities inherent to the legal or union representation of workers in the company, including specific time off to perform their duties as directors, as well as a number of hours of specific training to be taken each year of their term of office, related to the position of labor director.

They shall also be entitled to coverage under a civil liability insurance policy appropriate to their position, which protects their personal assets against claims for errors, omissions, or negligent acts in the performance of their duties on the board, including coverage of legal defense costs and possible bonds or indemnities.

The company must make available to employee representatives, sufficiently in advance, the information and resources necessary or appropriate for the performance of their duties, including specialized advice.

Any violation of the rights of information, consultation, and participation of employee representatives in the aforementioned bodies and committees may result in the nullity of the decision or measure adopted by the respective body or committee, which shall also have an effect on the acts or decisions adopted in implementation of said decision or measure.

A collective agreement shall determine in which matters falling within the competence of the administrative or supervisory bodies the agreement of the employee representatives shall be necessary, as well as the consequences of their non-participation. In any case, the appointment of the person in charge of personnel must be accepted, or at least not opposed, by the employee representatives. Both requirements must be recorded in the regulations of the corresponding body or committee.

Three. Labor directors shall be subject to the duties of diligence and loyalty to the company and shall be liable for any damages caused by acts or omissions contrary to the law or the articles of association, or for those carried out in breach of the duties inherent in the performance of their duties, provided that there has been intent or negligence.

Article 9. Amendment of Royal Legislative Decree 1/2010, of July 2, Approving the Revised Text of the Capital Companies Act.

One. A new section 3 is added to Article 212, in the following terms:

"3. In any case, directors appointed to represent employees must be employees of the company with a permanent employment contract and a minimum of six months' seniority."

Two. Article 220 is amended as follows:

"In a limited liability company, the establishment or modification of any kind of service or work relationship between the company and one or more of its directors shall require the approval of the general meeting. This approval shall not be necessary in the case of directors elected to represent employees and where the services provided correspond to those of their job."

Three. A new section 3 is added to Article 223:

"3. Directors elected to represent employees may only be dismissed by agreement of the body, legal representative, or union representing the employees who appointed them, and in the cases established by collective agreement."

Article 10. Non-Financial Information on Employee Participation in the Company.

Companies that provide non-financial information on social relations and, in particular, on the mechanisms and procedures available to the company to promote worker involvement in the management of the company, in terms of information, consultation, and participation, must specify the information corresponding to worker participation in the administrative and supervisory bodies and in their respective committees.

CHAPTER IV. Workers' Participation in the Ownership of the Company

Article 11. Workers' Access to Ownership of the Means of Production.

One. The public authorities shall adopt the necessary measures to facilitate workers' access to the ownership of their companies, especially when the aim is to ensure the continuity of the company and secure jobs.

Two. These measures shall be aimed both at removing obstacles that prevent workers from accessing ownership and at encouraging such access through fiscal, financial, or other measures.

Among other measures, the Ministry of Labor and Social Economy shall launch a specific website with information available to employers and workers on forms of financial participation, experiences of worker participation in company capital, existing aid to facilitate access to capital, and any other resource that may contribute to this end.

Three. In designing measures to facilitate access to ownership, as well as in their implementation, the most representative business associations and trade unions, organizations that promote the financial participation of workers in the company, and other interested parties must be consulted.

Four. The applicable collective agreement or, failing that, the company agreement shall determine the percentage of capital to be made available to workers, as well as the procedure, terms, and conditions for its acquisition.

If no agreement is reached, companies must ensure that a plan is put in place to facilitate workers' access to ownership of at least:

- a. 2% of the share capital if the company has 25 to 1000 employees,
- b. 10% of the capital if the company has more than 1000 employees.

Article 12. Indirect Access through Intermediary Entities.

One. Workers' access to ownership of the means of production includes both direct access to ownership of shares in the companies in which they work and indirect access through intermediary entities established and controlled by the workers.

An entity is understood to be controlled by workers when, directly or indirectly, workers hold the majority of voting rights in its corporate bodies.

Two. Such an intermediary entity may take the legal form of a civil or commercial company, an association, a foundation, or a wage investment fund, and its purpose shall be to acquire for the workers shares in the company for which they provide their services and, where appropriate, to hold and manage them in the interests of the workers as owners thereof.

The agreements establishing these entities may provide for the diversification of up to 50% of the worker's investment, at the worker's request, once a minimum period of five years has elapsed since they assumed ownership of said shares.

Three. The workers participating in the intermediary entity shall democratically elect the members of its administrative body, who shall be subject to the duties of diligence, loyalty, and responsibility towards said workers and shall report on their actions at least once a year and whenever requested by one-fifth of the participating workers.

The administrative body of the intermediary entity shall designate the person or persons who shall attend, with voice and vote, the general meetings and shareholders' meetings of the companies in which the workers provide their services, and, where applicable, those who hold corporate positions. Those representing the intermediary entity in these corporate bodies shall promptly inform the participating workers of the decisions and agreements adopted within the company in which they provide their services.

Four. The support measures to be established by the State Administration to promote workers' access to the capital of their companies through intermediary entities, and the conditions that will be required to benefit from them, shall be determined by regulation.

The support measures may consist of a partial subsidy of the interest payable on the loans granted; total or partial income tax relief on the amounts allocated by the employer, the intermediary entity, or the employee to the purchase of shares for the employees; or other similar measures.

To be eligible for these plans, workers must be employed by the company on a permanent contract.

Upon leaving the company where they work, regardless of the reason, employees will recover full rights to their shares and may demand reimbursement in cash, under the agreed conditions.

Five. The measures adopted to facilitate workers' access to their companies' assets shall also apply when the entity acquiring, subscribing to, or assuming the shares in the capital in the interest of the workers is an intermediary entity established and controlled by the workers.

Article 13. Treasury Stock in Limited Liability Companies for the Purpose of Implementing a Plan to Allocate Shares to their Employees.

1. The general meeting of limited liability companies may authorize the acquisition of own shares for delivery to the company's employees for the purpose of implementing a remuneration plan.
2. The remuneration system through the delivery of shares must be provided for in the articles of association and approved by the general meeting, by means of a resolution that shall include the maximum number of shares that may be allocated to this remuneration system in each financial year, the value of the shares taken as a reference, and the duration of the plan.

3. The acquisition by the company of its own shares in exercise of the authorization referred to in the first paragraph may only take place under the following conditions:
 - a. The shares to be acquired must be fully paid up.
 - b. That the net assets, once the acquisition has been made, are not less than the amount of the share capital plus the unavailable reserves, whether legal or statutory.
 - c. The acquisition must take place within five years of the authorization agreement.

Article 14. Amendment of Law 35/2006, of November 28, on Personal Income Tax

Article 42 is worded as follows:

"f) Under the terms established by regulation, the delivery to active employees, free of charge or at a price below the normal market price, of shares or holdings in the company itself or in other companies, whether or not they belong to the same group of companies, in an amount not exceeding, for the total delivered to each employee, 50,000 euros per year, provided that the offer is made under the same conditions for all employees of the company, group, or subgroups of companies, and none of them, either individually or together with their family members, exceeds 5% of the share capital."

CHAPTER V Other Measures to Promote Worker Participation in the Company

Article 15. Corporate Democratic Development Index to Measure Progress and Incentive an Ambitious Trajectory

Since the Constitution sets an intention, tools are required to assess how well the nation's commitments and policies align with the Constitution's provisions. Two scoring scales to measure companies' alignment with the Constitutional mandates to promote access to voice and ownership in terms of worker presence in decision-making bodies as well as their share of the firm's capital. In order to measure the progress of each company, a Corporate Democratic Development Index is established. All the tools of the State (tax favourable rates, public incentives like social security support, preferable access to public procurement, etc.) will be mobilized to ensure firms progress along this dual scale.

The **Two Participation Scoring Scales** contain the following benchmarks:

- A. On levels of worker participation in decision-making:
 - a. Entities in which workers hold 0 to 1 seat on the company board.

- b. Entities in which workers hold from 2 seats to less than **1/3** of workers' representatives with voting rights on the company board.
 - c. Entities in which workers hold **from 1/3 to less than 1/2** of the voting rights on the company board (or the works council is equivalent to a college weighing at least 30% of the votes of the company board).
 - d. Entities in which workers hold **at least 1/2** of the voting rights on the company board (or the works council is equivalent to a college weighing at least 50% of the votes of the company board) .
 - e. Entities in which the company board operates under a dual **majority** rule, in which at least one of the majorities is exercised by workers or by the works council.
 - f. Entities in which workers exercise **all the voting rights** on the entity's board.
- B. On levels of worker access to the means of production:
- a. Entities whose workers directly or indirectly own 0% of the shares.
 - b. Entities whose workers directly or indirectly own more than zero to less than 2% of the shares.
 - c. Entities whose workers directly or indirectly own between 2% and less than 25% of the shares.
 - d. Entities whose workers directly or indirectly own between 25% and less than 50% of the capital.
 - e. Entities whose workers directly or indirectly own 50% of the capital, and part of the rest of shares is owned and/or administered by workers.
 - f. Entities whose workers directly or indirectly own more than 50% of the capital, and all the rest of shares are owned and/or administered by workers or "steward owners."

C. Combination and progression on both scales

The **combination**, as well as the **progression**, of the levels of participation in **both dimensions (decision-making and ownership)** within the same company **will be taken into account** for the reinforcement of the established **promotion measures**.

Article 16 Employee-owned Companies.

One. Companies that have a plan to promote employee participation in the company based on the criteria and levels of participation indicated in the previous article may be recognized as employee-owned companies.

Two. The objective of this Plan shall be to increase worker participation in the company's assets and/or decision-making.

Such Plans shall be negotiated in a collective agreement or company agreement between the company and the workers' representatives. All workers must have access to the plans implemented in their company or workplace.

Workers must be informed in detail of the objectives of the Plan, its duration, and the positive and negative effects it may have on the workers involved.

The content and procedure for filing and publishing these plans, and for updating them, shall be determined by regulation.

Three. In the design of the promotion measures relating to investee companies and their workers, as well as in their application, the most representative business associations and trade unions, organizations that promote worker participation in the company, and other interested parties must be consulted.

Four. The aid provided for the promotion of the incorporation of workers as members of cooperative and labor companies, including the capitalization of unemployment benefits for incorporation into the aforementioned social economy entities, shall be applicable to the incorporation of workers into the investee companies referred to in this article.

Article 17. Wage Investment Funds and Pension Funds.

One. The Government will assess the possibility of setting up a wage investment fund with the aim of supporting workers' access to ownership of their companies. The public and/or private contribution shall be determined by regulation, as well as the criteria to be followed in determining the promotion measures and their beneficiaries, their amount, updating, and the consequences arising from their improper application.

Two. The Government will assess the possibility of adding a specific procedure for the participation of workers covered by pension plans and funds at company or group level, through their representatives, in the decision-making and control of the management of such plans and funds, modifying the Regulations on pension plans and funds, approved by Royal Decree 304/2004, of February 20, accordingly.

Article 18. Institutional Participation and Public Funding of Trade Unions

The Government shall assess the possibility of regulating by law the institutional participation of trade unions through public funding to compensate for their representative role in collective bargaining and in social dialogue. The regulation must be based on the principle of the most representative trade unions, measured by their electoral support and by the percentage of their

participation in the bargaining committees of collective agreements, as provided for in Title III of the Workers' Statute Act.

CHAPTER VI. Guarantees.

Art. 19. Amendment of Royal Legislative Decree 5/2000, of August 4, Approving the Revised Text of the Law on Infractions and Sanctions in the Social Order.

One. Paragraph 10 of Article 2 is amended to read as follows:

"Natural or legal persons and communities of property owners of workplaces and companies of a community dimension located in Spanish territory, with regard to the rights of information, consultation, and participation of workers under the terms established in their specific legislation."

Two. Paragraph 7 of Article 7 is amended to read as follows:

"The violation of the rights of information, hearing, consultation, and participation of workers' representatives and union delegates, under the terms established by law or convention."

Three. Section 5 of Article 8 is amended to read as follows:

"Actions or omissions that prevent the exercise of the right of assembly of workers, their representatives, and union branches, under the terms established by law or agreement; as well as those that violate the right to information, consultation, and participation of workers' representatives, when this occurs in breach of good faith, through the transmission of false information, or through the repetition of such violations."

Four. The following paragraph shall be added at the end of section 1 of article 40:

"Infringements, for serious and very serious offenses for violation of the rights of information, consultation, and participation by the employer and the administrative liability arising therefrom shall be understood without prejudice to the declaration of nullity of the decision of the company's management or that adopted by the corporate body under the terms established by the applicable regulations."

Art. 20. Amendment of Law 36/2011 of October 10, Regulating Social Jurisdiction.

A fourth paragraph is added to Article 153 as follows:

"The challenge of decisions made by the company or group of companies that have been adopted without opening the consultation period in the cases provided for in Articles 64.5, and 7 of the Workers' Statute with respect to the rights of participation and consultation regulated therein shall also be processed in accordance with this procedure."

TRANSITIONAL PROVISIONS

First

Within a maximum period of two years, collective agreements may develop the provisions of Article 6 Two, regarding rights of representation in the administrative bodies of companies. Once this period has elapsed, the supplementary rule provided for in that provision shall enter into force.

Second

Within a maximum period of two years, collective agreements may develop the provisions of Article 11 Four, regarding rights relating to the percentage of capital that must be made available to workers. Once this period has elapsed, the supplementary rule provided for in that provision shall enter into force.

REPEALING PROVISION

Law 44/2015, of October 14, on Worker-Owned and Employee-Owned Companies shall be renamed Law 44/2015, of October 14, on Worker-Owned Companies, and Articles 18, 19, and 20, as well as Chapter III entitled *Employee-Owned Companies*, shall be repealed.

FINAL PROVISIONS

First

The articles of this Law shall be directly applicable throughout Spanish territory under Article 149.1 of the Spanish Constitution in its sections:

- 1º for recognizing workers' rights that must apply equally to all of them;
- 6º because they affect commercial and procedural legislation, which is the exclusive competence of the State;
- 7º because it affects labor legislation, which is the competence of the State, without prejudice to its enforcement by the bodies of the Autonomous Communities;
- 8º because it affects civil legislation, which is the responsibility of the State, except in those matters that are regulated by regional or special rules because they are the responsibility of the Autonomous Communities;
- 14th, because it affects matters of general finance and State debt, without prejudice to the regional tax regimes in force in the Historical Territories of the Basque Country and in the Regional Community of Navarre;
- 17th, for affecting basic legislation and the economic regime of Social Security, without prejudice to the implementation of its services by the Autonomous Communities.

Second

One. The government shall submit, within the next six months, a proposal to amend the Capital Companies Act and the Cooperative Companies Act to include the possibility for companies to opt for a dual or monistic management system, stating this in their articles of association.

Two. The powers of the board of directors shall include, at least, strategic planning, the adoption of the most important decisions, and the day-to-day management of the company.

Three. The supervisory board shall be responsible for appointing, dismissing, and remunerating the members of the management board, supervising their actions and their committees, and, where appropriate, exercising liability actions. The supervisory board shall have the power to approve or oppose strategic decisions taken by the management board.

Four. When employee representatives participate in any of the above boards, the provisions of Chapter III of this Law shall apply.

Third

The Ministry of Labor and Social Economy shall develop regulations promoting measures that facilitate employee access to the capital of their companies through intermediary entities, as provided for in Article 12 Four, and measures that benefit employers and employees who implement plans to promote employee participation in their companies, as provided for in Article 16 Two.

Fourth. Entry Into Force

This Law shall enter into force twenty days after its publication in the Official State Gazette.

(2) Example of Corporate Tax including a Malus/Bonus System to Incentivize the Democratization of Firms on the Voice and Ownership Avenues

Summary

This chapter proposes the implementation of a new fiscal framework (the Democratic Bonus/Malus system)¹²⁸ to incentivize the democratization of firms in Spain. This framework, which can be deployed immediately, is based on a constitutional scale that measures corporate democracy and a tiered structure with five tax brackets. This policy framework is designed to complement a new law on company democratization. While a law could make certain democratic statutes obligatory, this policy framework would encourage firms to adopt them voluntarily and progress further along the democratization trajectory. This system would not only make Spain attractive to (more) democratic foreign companies but would also encourage less democratic firms to transform their organizational structures.

The policy framework is built on a framework that links a firm's democratic governance level to its tax rate. The system uses four key thresholds to establish five distinct tax brackets. Firms at the lowest level (non-democratic) would face a higher tax rate, while those at higher levels would receive a progressively more beneficial rate. This system would be based on a dual tax base: corporate income tax and a tax on the company's added value. The use of added value as a tax base is proposed because it is more robust, harder to manipulate than taxable profit, and is directly linked to the firm's productive activity within a specific territory.

Macroeconomic simulations based on a post-Keynesian model suggest that this policy framework, when combined with new regulations, would **generate positive or even very positive macroeconomic effects**. These include an increase in activity, investment, and wages, along with a decrease in unemployment and public debt. **The policy framework would not increase the overall tax burden but would redistribute it more equitably, rewarding democratic firms for their societal contributions and asking more from those that externalize costs (that the State has thus to care for)**. This innovative fiscal approach would not only support the democratization of companies in Spain but also position the country as a pioneer in Europe, potentially spurring a new dynamic at the EU level to align public aid and taxation with democratic criteria.

¹²⁸ This policy instrument has been prepared based on scholarly work conducted by Julien Pharo (PhD in Economics, Léreps, Toulouse and Clersé, University of Lille) and Vincent Duwicquet (PhD in Economics, Senior Lecturer in Economics (Clersé, University of Lille).

A. Purpose

In order to facilitate the implementation of a law promoting the democratization of Spanish companies, we propose the introduction of a policy framework, applicable to all companies producing in Spain. While the law does not set democratic regulatory obligations, but only optional statutes, the policy framework will encourage companies to adopt them. If the law sets regulatory obligations, the bonus could encourage companies to go further in terms of democracy, and the penalty could penalize companies, particularly foreign ones, that are not subject to regulation and those that do not go beyond the regulatory obligation (if this is relatively unambitious).

Here we will show how, based on a measure of corporate democracy and the creation of democratic thresholds (Sections 2.a and 2.b), **a democratic incentive tax¹²⁹ could be deployed more widely in Spain by amplifying the mechanisms already in place in the Spanish fiscal code,¹³⁰ and refining them with the aim of strengthening government action to democratize companies** (Sections 2.c and 2.d). Next (Sections 3.a and 3.b), we will show what the macroeconomic effects of such differentiated taxation coupled with regulations promoting the democratization of companies would be, using a post-Keynesian model (2024)¹³¹. The incentive-based tax objective, with its qualitative focus on transforming production, appears to complement the quantitative **approach that has enabled Spain to be a pioneer in setting a proper frame for companies** through increasing taxes on large companies, having introduced a temporary tax on excess profits in 2023, an extraordinary tax on banks since 2022, and, in accordance with the 2021 OECD agreement implemented in Europe at the end of 2023, a minimum rate of 15% on all taxable profits of multinationals.

A more favourable tax rate for companies that have adopted more democratic statutes and/or granted new decision-making rights to their employees would facilitate legislative changes towards a genuine democratization of the company. In addition, **this bonus/malus system, which does not yet exist in any country, could make Spain attractive to the more democratic foreign companies. Conversely, the introduction of a less favourable tax rate for the least democratic companies would encourage them to transform the organizational structure of large companies and their subsidiaries producing in Spain. The production units of undemocratic companies that would decide to close their doors in Spain as a result of this tax disincentive would represent an opportunity for worker buyout, especially if the law provides for a right of first refusal for employees** (a right of first refusal for employees allows them to buy the company's shares or a portion of the business before a third-party offer is accepted). This policy framework could even have a knock-on effect in other European countries in terms of legislation and taxation, especially if it is supported by complementary measures at the EU level.

¹²⁹ See Julien Pharo's thesis, *Démocratie d'entreprise et fiscalité* (Corporate Democracy and Taxation) (2023, Université de Lille, Département d'économie), which proposes the creation of such an incentive and disincentive mechanism at both the national and European levels.

¹³⁰

[https://sede.agenciatributaria.gob.es/Sede/en_gb/impuesto-sobre-sociedades/que-base-imponible-se-determina-sociedades/tipo-impositivo.html#:~:text=Startups\(2\)-,15%25](https://sede.agenciatributaria.gob.es/Sede/en_gb/impuesto-sobre-sociedades/que-base-imponible-se-determina-sociedades/tipo-impositivo.html#:~:text=Startups(2)-,15%25)

¹³¹ See "Corporate taxation and macroeconomic dynamics in a monetary union: the French case," *JPKE*, Duwicquet (2024).

B. Mechanism

Measuring corporate democracy

In order to determine the level of democracy in each company, we rely on the **Corporate Democracy Development Index**, anchored in two scales: a voice scale that assesses legal status and reflects the functioning of governing bodies in terms of how they allow employees to influence strategic decisions (including the appointment of managers), measuring the representative presence of workers in the company's strategic body¹³² ; and an ownership scale which measures the level of employee participation in ownership, with a view to a possible transfer of shares to employees. Using these two scales¹³³ measuring access to voice and ownership (see the chapter II.A.2 for more details on these two scales), we can implement a bonus/penalty system that combines tax incentives and disincentives with progressive tax brackets and threshold and intermediate and democratic thresholds that make companies eligible for public aid/tax cuts.

As with other taxes, the democratic bonus/penalty would be calculated on the basis of an annual declaration by companies, which would have to be validated by the works council or a union delegation. In the event of non-validation, it would be up to the administration and the social partners to consider the recourse formula¹³⁴.

Establishing five bonus/penalty levels

We propose building five tax brackets based on four thresholds reflecting different levels of democracy: the minimum information threshold, the intermediate democratic transition threshold, the democratic consent threshold, and the internal democracy threshold. Each level will entitle the taxpayer to either a bonus or a penalty, the severity of which will depend on the level of democracy achieved. The government could make certain statutory criteria legally binding: for example, criteria enabling companies with their parent company in Spain to reach the intermediate transition threshold, and others enabling all companies producing in Spain to reach the minimum information threshold.

¹³² For further methodological developments, see also Thibault Crismer's thesis (PLS Paris Dauphine University): <https://ido-initiative.org>

¹³³ To refine this measure of corporate democracy, the government could choose in the future to add other scales, measuring employee well-being or the company's ability to be accountable to its stakeholders.

¹³⁴ For example, a public organization could be created that is autonomous but subject to parliamentary oversight and representative of civil society (trade unions, NGOs, randomly selected citizens, etc.), which would be able to verify companies' "democratic declarations" and, if necessary, audit them on the basis of these scales.

FIGURE II.8: Indicative Criteria for the Five Tax Brackets on the Voice Scale (for the Sake of Economic Simulation)

Rating 0	Companies that do not exceed this minimum information threshold will receive a heavy penalty
Minimum information threshold	Criteria Voice: Presence of two employees on the board of directors
Rating 1	Companies that meet or exceed this minimum information threshold will receive a lower penalty
Intermediate transition threshold	Criteria Voice : “False parity”/Cooperatives (with a minority of employee members)
Rating 2	Companies that meet or exceed this intermediate threshold will receive a small bonus
Democratic consent threshold	Criteria: Voice : “Dual Majority” (Bicameralism)
Rating 4	Companies that meet or exceed this democratic consent threshold will receive a large bonus
Internal democracy threshold	Criteria Voice : Worker cooperatives (with a majority of employee members)
Rating 5	Companies that meet this internal democracy threshold will receive a very large bonus

A Democratic Bonus/Penalty Based on Corporate Income Tax

To provide tax incentives and disincentives for companies producing in Spain, we propose a practical, ready-to-use democratic bonus/malus system based on taxable income, similar to corporate income tax, with bonuses in the form of reduced rates and maluses in the form of increased corporate tax rates. It should be noted that the current corporate tax rate in Spain is 25% (and 20% for cooperatives).

Due to the many existing tax advantages to businesses, which have significantly reduced the corporate tax base, its effectiveness could be limited, hence the importance to accompany this measure with a reflection on these existing tax advantages. Furthermore, lowering corporate income tax below 15% would run counter to the international and European desire, from which the US has just distanced itself, to introduce a minimum tax rate of 15%. That is why we propose 15% as the minimum tax rate.

FIGURE II.9: Different Corporate Tax Rates (indicative)

Rating 0 (companies below the minimum information threshold)	Rating 1 (companies between the minimum information and intermediate threshold)	Rating 2 (companies between the intermediate and consent democratic threshold)	Rating 4 (companies between the consent democratic and internal democratic threshold)	Rating 5 (companies above the internal democratic threshold)
Corporate tax rate:	Corporate tax rate:	Corporate tax rate:	Corporate tax rate:	Corporate tax rate:
30%	27,5%	22%	17%	15%

A Democratic Bonus/Malus Incentive Framework also Based on the Added Value of Companies.

Although we have not simulated this case of bonus/malus in our macroeconomic model, in addition to amplifying the differentiation of existing corporate tax rates, the democratic bonus/malus could also be based on the creation of a tax/subsidy based on the added value of companies producing in Spain, which has nothing to do with value added tax which actually imposes on consumption and not at all on the added value of businesses. It is inspired by the French contribution on the added value of companies¹³⁵, and similar to the tax base of the extraordinary tax on banks in Spain, which is upstream of taxable profit. The added value of companies, which is an accounting result calculated by all companies, truly corresponds to production in the territory since it is an accounting result that takes into account wages. We could use it with positive rates (penalties) for undemocratic companies below the intermediate transition threshold, but also negative rates (bonuses) giving access to subsidies for more democratic companies above that threshold¹³⁶.

The advantage of taxation/subsidies based on the added value of companies is twofold. The taxable profit of companies seems easier to manipulate than added value, which is broader, especially since the administration can potentially react to its underestimation¹³⁷. Furthermore, the added value of companies is anchored in a given territory, taking into account employees while providing an indication of the size of the company, which is not the case with taxable profit. It can therefore be used as a basis both for penalties to determine the actual amount of tax, and for bonuses to determine subsidies (with negative rates) for companies exceeding various thresholds.

¹³⁵ With a rate of 1.5% of the added value of companies, it brought in nearly 20 billion euros in 2020 in France, which is just under 0.8 percentage points of GDP.

¹³⁶ Taking into account the amount of gross value added of Spanish non-financial companies and the GDP of Spain in 2023, a rate of 2% of their value added would represent about 0.8 points of GDP.

¹³⁷ For example, a company that starts outsourcing a large part of its production to minimize its added value could be subject to a tax adjustment that reintegrates the added value of subcontractors (producing in Spain) into its taxable base (thus increasing the amount of penalties).

FIGURE II.10: Different Tax Rates on the Added Value of Companies (Indicative)

Rating 0 (companies below the minimum information threshold)	Rating 1 (companies between the minimum information and intermediate threshold)	Rating 2 (companies between the intermediate and consent democratic threshold)	Rating 4 (companies between the consent democratic and internal democratic threshold)	Rating 5 (companies above the internal democratic threshold)
Added value of Company rate: 2%	Added value of Company rate: 1%	Added value of Company rate: - 1%	Added value of Company rate: - 2%	Added value of Company rate: - 4%

It should be noted that as these two tax bases (taxable profit/value added by companies) are not mutually exclusive but rather reinforce each other, we therefore advise the government to use them in conjunction with each other.

C. Potential Benefits

Simulation of Different Scenarios in the Event of the Implementation of a Democratic Bonus-Malus System

We have estimated the various potential macroeconomic and budgetary effects of implementing a democratic bonus-malus at the national level, using a post-Keynesian stock-flow consistency model. This model allows us to capture macroeconomic dynamics in a consistent manner by taking into account the interaction between flows and stocks. The model chosen is a reliable theoretical reference, as it is a simulation based on an open, financialized economy adapted to the situation in Spain.

It is a fictional model originally designed with French data, with two economies of different sizes: **one country in the Eurozone and the rest of the Eurozone. The economic characteristics of Spain share most similarities with this model, and work particularly well for Spain, as the two economies of different sizes in this model fit particularly well the situation of Spain and the rest of the Eurozone.**

We considered four scenarios in which the majority companies do not belong to the same category and therefore behave differently depending on their membership to a particular category of company (Rating 4, Ba Rating 2, B Rating 1, and C Rating 0) in order to be able to make macroeconomic forecasts based on the effectiveness of the mechanism for transforming the type of majority company in Spain. *A priori*, most companies currently producing in Spain are Rating 1, and only a very small proportion (among the *Sociedades Cooperativas* of the social economy or even the *Sociedades Laborales*) reach the intermediate threshold of consent or even reality. We postulate that in each type of scenario, one category of company is strongly majority in order to visualize ideal types that allow us to consider the effects of a democratic incentive tax system accompanying a law aimed at democratizing companies in Spain. In the first two scenarios, where companies remain Rating 0 or Rating 1, we are considering taxations representing 1.6 points or 0.8 points of

GDP respectively. In the next two scenarios where companies are Rating 2 or A Rating 4, we are considering tax cuts representing 0,8 points or 2,3 points of GDP respectively. We simulate three of the four scenarios in order to compare the macroeconomic developments following the joint implementation of the regulations and the democratic bonus-malus system with the **reference scenario**, which corresponds to the current trend in 2023 (in red).

Scenario 1 (in blue): The majority of companies remain Rating 0 (as is currently the case): We assume that these companies pass on almost all of the penalties to wages (or even prices) in order to maintain their profit margins and offset the tax increase (Corporate tax increases from 25 to 30%, representing 1,6 points of GDP). However, the penalties do not affect their behavior in terms of dividend payments. In this case, it means that neither the democratic bonus/penalty nor the regulation (without sufficient legal obligations to ensure that a certain threshold is reached) really have any effect. This scenario seems completely unrealistic, but it does allow us to take into account possible criticisms of the system.

Scenario 2 (in orange): Majority companies have become Rating 1 thanks to the combined effect of regulation and the Democratic Bonus-Malus system. Corporate tax increases from 25 to 27,5%, representing 0,8 points of GDP. By assumption, these companies do not pass on the malus to wages but only to a small extent to prices which means that Rating 1 companies pay half as much in dividends as C Rating 0 companies and therefore invest more. In this scenario, the new regulations and the bonus-malus system oblige/encourage the vast majority of companies producing in Spain to reach the threshold of least coercion (Rating 1), which greatly reduces the share of Rating 0 companies and generates positive macroeconomic effects.

Scenario 3 (in green): The majority of companies have become Rating 2 thanks to the combined effect of the regulations and the Democratic Bonus-Malus system. Corporate tax decreases from 25 to 22%, representing 0.8 points of GDP. It is assumed that Rating 2 companies pass on 80% of their bonus to investment and pay virtually no dividends and reduce share buybacks. In this scenario, new regulations requiring companies with their parent company in Spain to reach the intermediate transition threshold, thereby prohibiting Spanish companies from being Rating 0 or Rating 1, and which may apply in part to foreign companies producing in Spain, as well as the bonus-malus system, push the vast majority of companies producing in Spain to reach the intermediate threshold. This has very positive macroeconomic effects.

Scenario 4 (untested): The majority of companies have become Rating 4 (or even Rating 5) thanks to the combined effect of the regulation and the Democratic Bonus-Malus. Assuming that Rating 4 and Rating 5 companies do not pay any dividends, do not buy back shares, and pass on all bonuses to salaries and investment.

The expected macroeconomic and budgetary effects of the democratic bonus-malus system

In the two most likely simulated scenarios (2 and 3), the democratic bonus/malus, accompanied by regulations promoting the democratization of companies in Spain, generates overall positive or even very positive macroeconomic effects: an increase in activity, investment (see Figure II.11), wages (see Figure II.12), and profits, as well as a decrease in unemployment (see Figure II.13) and even public debt (see Figure II.14). This graph shows that in the second scenario, due to the transformation of corporate behavior, the budgetary impact would be much more positive than in scenario 1 (where the penalties paid are higher), due to the increase in activity. And even in scenario 3, where public spending increases due to the payment of bonuses to more democratic companies, the budgetary impact is more positive than in the first scenario, due to the increase in activity, which is even stronger in scenario 3 than in scenario 2.

FIGURE II.11: Investment (Relative to the Baseline Scenario)

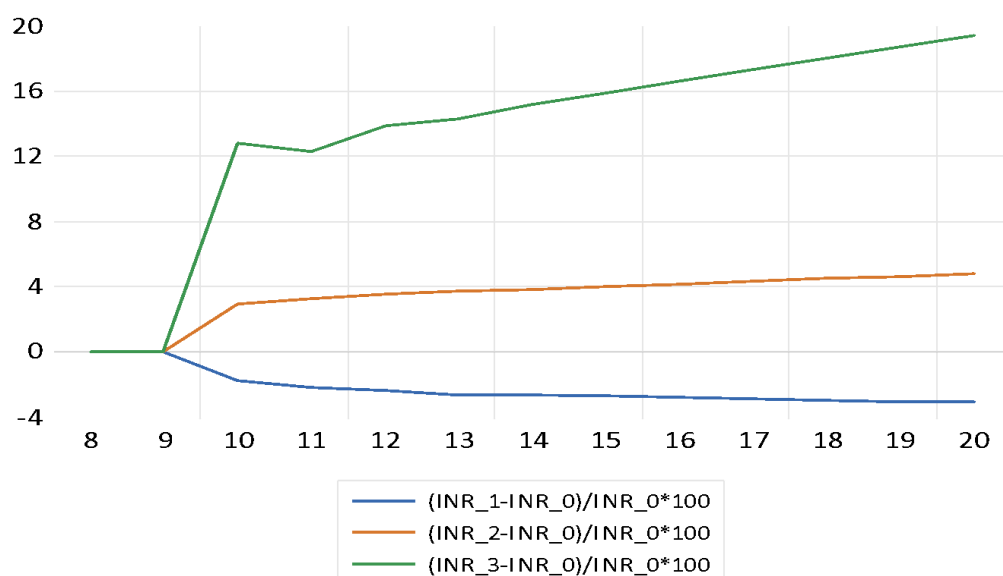


FIGURE II.12: Real Wages (relative to the Baseline Scenario)

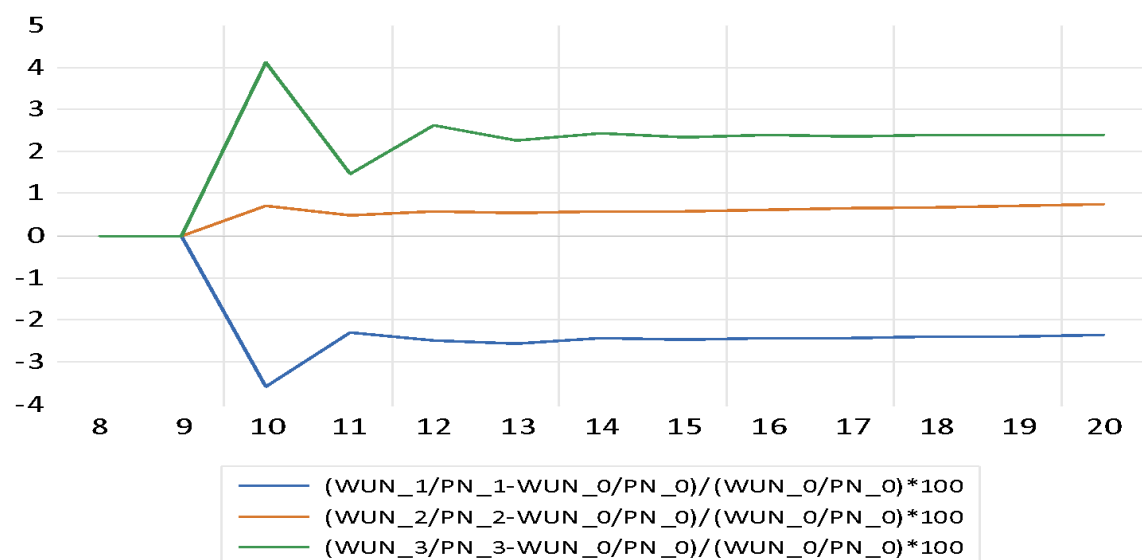


FIGURE II.13: Unemployment Rate (Relative to the Baseline Scenario)

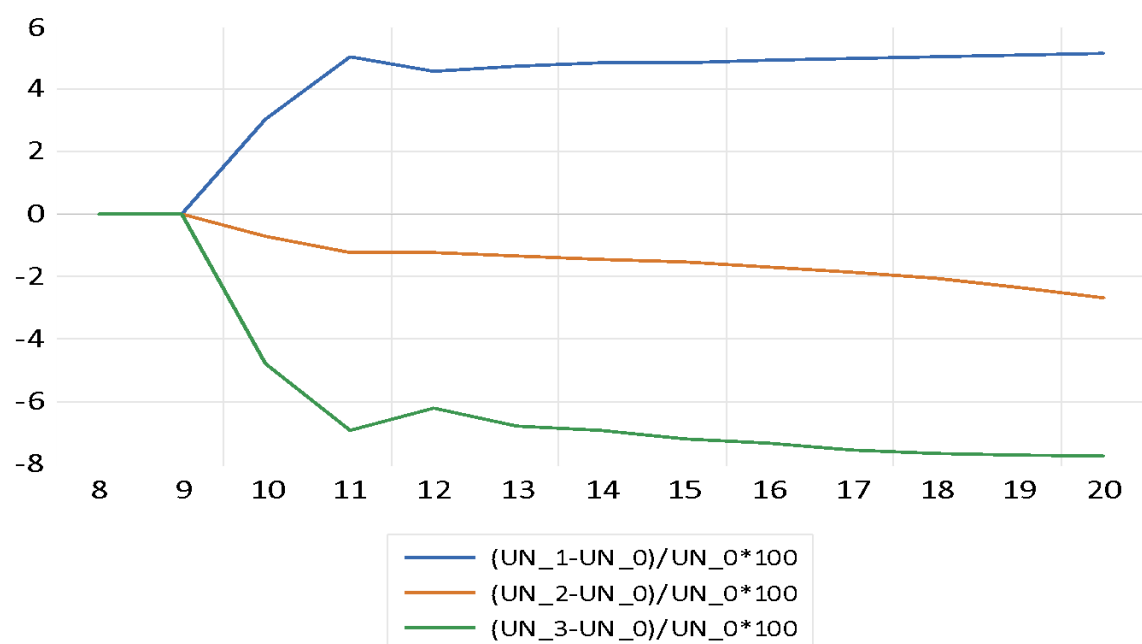
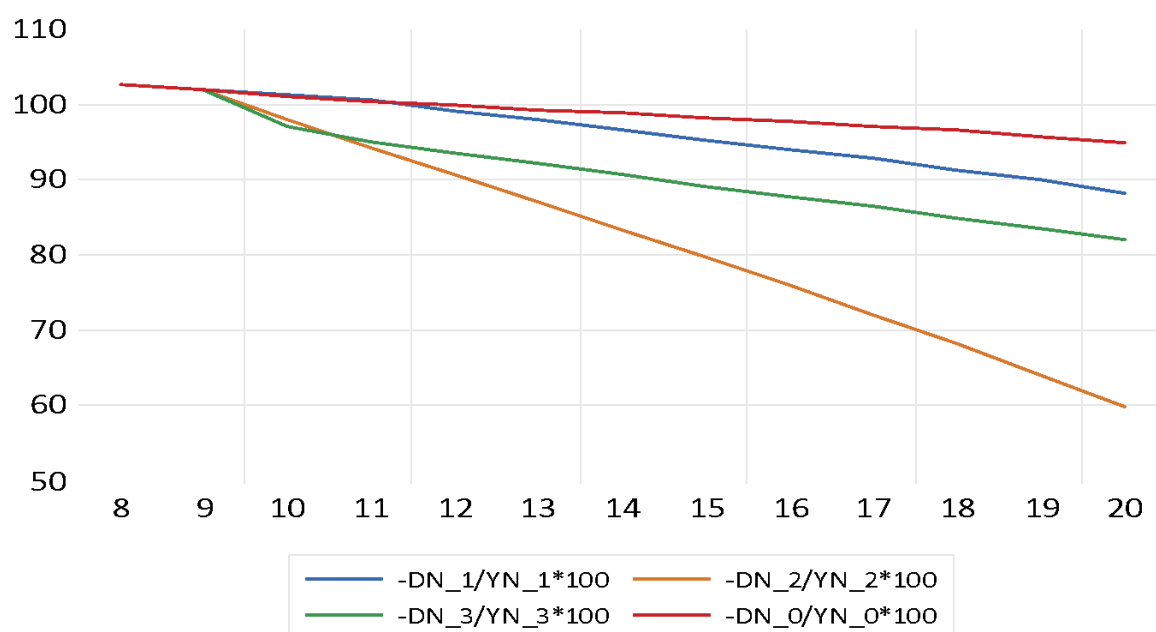


FIGURE II.14: Public Debt¹³⁸ as a Percentage of GDP



D. Implementation Considerations

The introduction of a democratic bonus-malus system would support new regulations promoting the democratization of companies, while having potentially positive macroeconomic and budgetary effects. These expected macroeconomic effects also depend on the level of ambition of the legislation aimed at democratizing companies. Indeed, the more the legislation encourages companies to democratize, the stronger the effects will be. While the effects of a change in corporate tax rates, based on the degree of democracy of companies, seem significant, we can anticipate that the application of a bonus-malus on the added value of companies would have even more significant effects, especially since in scenario 3, this would allow subsidies to be paid to companies that reach the intermediate transition threshold. In the same way, the implementation of a tax on profits distributed in the form of dividends¹³⁹ in addition to the democratic bonus-malus system, will strengthen the robustness of the behavioral assumptions about dividend distribution, and the effectiveness of this system, especially because this trajectory would contribute to the reduction of the deficit and public debt (as seen in Figure II.14).

A crucial point lies in the possibility for a recourse, by workers' representatives or by the management, when the company's 'democratic declaration' is not validated internally by a works council, or by a union delegate or is contested by the management. The actual possibilities for verification and control will depend on the robustness of the monitoring of the concrete indicators .

¹³⁸ The initial public debt of reference scenario 0 (in red) represented, in this fictional model calibrated for France, 103,5% of GDP. Ultimately, this initial figure corresponds much better to Spain because in 2023 its debt was precisely 103,5% of GDP. To reinforce the reduction of public debt in this graph, we have included, only in this graph, in addition to our fiscal device, a taxation of distributed dividends from 25 to 50% in scenarios 2 and 3.

¹³⁹ We could for example increase the tax on profits distributed as dividends to 50% (which is the opposite of what is currently the case where they are only taxed between 19% and 23% depending on the amount distributed, which is much less than the general corporate tax rate of 25%).

The implementation of a democratic bonus-malus system could significantly influence the reporting of extra-financial information, that has developed over the past few years but which currently does not measure governance from a democratic perspective. Adding an obligation for companies to annually declare their democratic internal level through using the simple Corporate Democratic Development Index based on the Dual Participation Scoring Scale (presented earlier in II.B.) looks like an easy first step.

Regions would be able to go beyond the government's objective by introducing additional bonuses and penalties if they so wish. With the introduction of a bonus-malus system tied to the two Participation Scoring Scales, Spain would become a pioneer in Europe. By introducing an incentive tax system tied to the Corporate Democratic Development Index, Spain would also lead at the European level by encouraging national administrations to cooperate around a common goal: the democratization of companies across the European Union.

Appendix

A. Calculation of the actual tax rate using the two scales

To calculate a tax rate that combines two scoring scales—one for **voice** and one **for** ownership—a weighted formula can be used. The proposed methodology establishes that the final tax rate (T_{final}) would be a function of two base rates, each derived from a different scoring scale.

If the objective is to give equal weight to both scales, the rate would be determined as follows:

$$T_{\text{final}} = (0.5 \times T_{\text{voice}}) + (0.5 \times T_{\text{property}})$$

Where:

T_{voice} is the tax rate assigned to the company according to its level on the voice scale.

T_{property} is the tax rate assigned to the company according to its level on the property scale.

The value of 0.5 indicates that both scales have the same weighting, reflecting the constitutional commitment to both workers' access to participation in decisions and to capital. Giving a different weight to each scale could be justified as well.

B. Example of possible ambitious implementation timeline:

Leading with a new dynamic political paradigm aimed at encouraging all companies to make decisive progress in the access to voice, the Spanish government will:

2026: with immediate effect: revision of the Spanish legal framework in accordance with the promises made to Spanish workers in the Constitution.

- **Fiscal support for all companies that immediately implement the new standards**

⇒ All companies that begin to comply with best practices will receive immediate support in the form of a more favorable tax rate.

2029: Companies that do not have a family business succession plan (not some equity fund) must move forward with a plan to transition ownership to their workers, according to the scale of ownership.

- **All companies that exceed** (meet a higher level of representation for their number of employees) **receive support in the form of a more favorable tax rate** + support from the new citizen funds established by the government and autonomous authorities.
- ⇒ Companies that do not meet the **new standards (thresholds*) will receive a tax penalty.**
- ⇒ Progressively for the others (after 15 years after profitability), **the minimum standard will rise one point on the scale.** This is a matter of deliberation worth a Citizens' Assembly.

- ⇒ All companies that exceed (meet a higher level of representation for their number of employees) receive **support** in the form of a more favorable tax rate.
- ⇒ Companies that do not meet the **new standards will receive a tax penalty.**

2032: **After 6 years of practice (2026-2031):**

- **The minimum standard will rise one point on the scale.**

All companies that exceed (meet a higher representation level for their number of employees) receive **support** in the form of a more favorable tax rate.

- ⇒ Companies that have not made progress since 2026 receive a **penalty.**

(3) Public Procurement to Stimulate Workers' Access to Voice and Ownership

Beyond taxation, **public procurement and State aid** represent two additional powerful levers that Spain may use to implement **Article 129.2** of the Constitution, by promoting the dual Constitutional promises to **workers, i.e. access to voice and to ownership, participation** as a key award criterion in public tendering.

A. Purpose

Public procurement is a significant driver of the Spanish economy. In 2021, Spain spent **11.6% of GDP** on public procurement, compared to an **OECD average of 12.9%**. This means that any policy affecting procurement can influence over a tenth of the national economy.

Moreover, public investment in Spain — at **2.8% of GDP** in 2021, below the OECD average of 3.4% — could be substantially enhanced through public reinvestment strategies, amplifying the leverage of procurement policies.

This proposal seeks to adapt the **Most Economically Advantageous Tender (MEAT)** approach in public procurement to reflect Spain's constitutional commitment to worker participation. As a matter of fact, the proposal would give more substance to **Article 28.2 of Law 9/2017 of 8 November, on Public Sector Contracts (Ley de Contratos del Sector Público, LCSP)**, which states that contracting authorities: *“shall value the incorporation of social, environmental and innovation considerations as positive aspects in public procurement procedures.”*

The LCSP already allows for certain social clauses, including reserved contracts for **Special Employment Centres of Social Initiative** and **Work Integration Social Enterprises (Empresas de Inserción)**. These provisions typically focus on creating jobs, improving working conditions, and supporting inclusion for disabled and disadvantaged individuals. They are based on the margins of manoeuvre permitted by European public procurement directives, which provide a framework across the continent.

This proposal would broaden **the scope of social clauses** to consider the impact of procurement on **all workers**, not just those in specialized enterprises. All firms would be encouraged — and eventually required — to address worker participation in both governance and ownership structures.

B. Mechanism

The proposal would operate on the same basis as the tax incentive system based on the Corporate Democratic Development Index based on the Dual Participation Scoring Scale measuring worker access to voice and ownership. The mechanism can be summarized in the following four elements:

1. Firms applying for public tenders would be required to carry out a **self-assessment** of how they integrate **workers' participation** in their governance and ownership structure. The

Corporate Democratic Development Index , which measures the level and quality of worker access in terms of both voice and ownership.

2. This dual scale would be used as an **award criteria** in tendering procedures. A high score on this scale would increase a firm's chances of winning the tender, provided it also meets the other criteria.
3. Public authorities would decide the **weighting of this criterion** compared to others, such as price, technical quality, sustainability, lifecycle costs and after-sales service. A minimum weighting could be set, enabling for a degree of autonomy and experimentation for autonomous and local authorities. While the proposal does not mandate a specific weighting, it is worth noting that criteria accounting for less than 10% of the total score are unlikely to significantly influence bid outcomes.
4. The mechanism would be **integrated into the public sector procurement platform**, the Plataforma de Contratación del Estado (PLACE), which serves as an electronic 'marketplace' where public contracting authorities and suppliers can find business opportunities and manage tenders. All central government procurement and that of adhering to autonomous and local authorities is published on this platform, providing a single point of access for tenders, buyer profiles and related information.

The proposal would require amendments to the **LCSP**, which transposes EU Directives **2014/23/EU** and **2014/24/EU** into Spanish law. These changes also depend on a **revision of the EU Public Procurement Directives**, currently planned by the European Commission for **2026**. This revision represents a crucial opportunity for Spain to advocate for embedding **workplace democracy** as a legitimate award criterion (See Part II.B.2.(5)).

C. Benefits

Across Europe, approximately **55% of public contracts** are awarded based on **lowest price only**. This narrow approach runs counter to the interests of our societies as a whole because it encourages all firms to engage in a **race to the bottom** in terms of wages, the quality of goods and services, and sustainability.

The proposed mechanism would trigger a **gradual transformation** of the sectors most exposed to public procurement in Spain. Thousands of companies could thus be encouraged to improve workers' access to voice and ownership to maintain or enhance their access to public contracts. By aligning eligibility with the **Workers' Dual Participation Scoring Scale**, firms would be incentivized to progress from lower to higher (e.g., Aa) participation ratings. This shift could strengthen widespread adoption of **employee voice and employee ownership models**.

D. Implementation Considerations

To ensure coherence and administrative efficiency, one **single, unified system** for measuring worker participation (viz. the **Workers' Dual Participation Scoring Scale**) should be used across all relevant policy domains — including **taxation, public procurement, and State aid**.

Importantly, this proposal **requires significant changes to EU law** (See Part II.B.2.(5)). While the mechanism is **objectively measurable**, it challenges the current EU legal orthodoxy, which only permits evaluation criteria **linked to the subject matter of the contract**.

In the **absence of EU-level reform**, Spain could utilize existing legal margins, including the flexibility provided by **CJEU case law**, to promote workplace democracy through public procurement criteria. Under the current European framework, it may be legally defensible to reward firms for high levels of worker participation **only if** those practices demonstrably improve contract delivery (e.g., better service continuity, lower staff turnover, enhanced innovation). This approach should be pursued in parallel with potential political initiatives in Brussels.

(4) New Citizen Funds to Support Access to Ownership and Accelerate Transfer

Summary

To promote **a more balanced and decentralized financial landscape** that fosters widespread place-based prosperity and innovation, and to overcome the shareholder value regime of corporate governance, this report proposes **worker- and citizen-controlled investment funds that will gradually acquire and administer majority holdings in medium and large companies**. The political and legal challenge is to prevent these funds from becoming indistinguishable from existing institutional capital pools that ultimately reproduce the shareholder value regime – as pension funds tend to do. This requires **empowering Citizen Funds to pursue social, environmental, and economic goals beyond shareholder value. Governed through democratic mechanisms, these funds can become important pillars in an institutional architecture designed to increase workers' access to voice and ownership, and collective, democratic agency in the economy**. Indeed, empowering collective democratic agency in corporate governance and in the broader process of corporate investment can make a positive contribution towards a more sustainable, innovative, and competitive business environment in Europe.

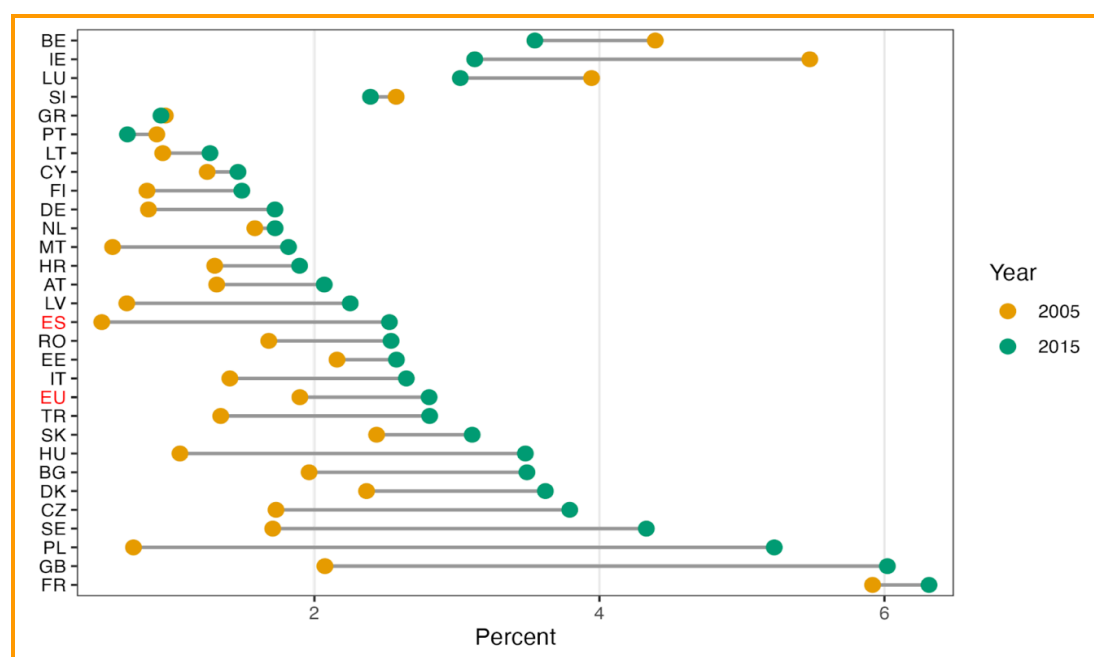
Furthermore, the **impending SME succession crisis presents a strategic opportunity** that justifies immediate action. With 70% and 90% of Spanish family businesses lacking a formal succession plan, Spain is facing the urgent need to retain ownership of its productive assets and safeguard its economic sovereignty.¹⁴⁰ This is especially critical given that traditional succession channels, such as sales to private equity firms or other foreign investors, can lead to a loss of local control and the erosion of the country's productive fabric. By promoting democratic ownership models, Spain can seize this moment to create a credible alternative to speculative acquisitions, ensuring business continuity, preserving employment, and protecting local economic value for the long term.

A. Purpose

The Spanish Constitution states the need to open up a path for workers to access the means of ownership. Across Europe, the proportion of employees with share ownership in their firms has increased over time (EWCS survey). Spain lagged far behind as recently as 2005, but has since made a significant step forward. As shown in Figure II. 14, the percentage of employees participating in share ownership schemes quintupled, from 0.5% in 2005 to 2.5% in 2015, but overall remains a very minor reality.

¹⁴⁰ For more details on the question of succession, see *Challenge 1: The SME Succession Crisis*.

FIGURE II.15: Proportion of Employees Participating in Employee Share Ownership, 2015 vs 2005



Note: For the EU, the simple average among respondents is shown. Data: EWCS Survey, accessed via the UK Data Service.

At present, one option to pursue worker share ownership would be via pension funds. However, pension funds have an obligation to make monthly payments to millions of pensioners, which pushes them towards return-maximizing investment strategies, regardless of the consequences of those investments for current workers and future retirees (Braun 2022). Another problem is that pension fund governance structures tend not to be aligned with democratic principles, although proposals to change that exist and should be implemented (McGaughey 2021).

The main route towards employee share ownership today is via Employee Stock Ownership Plans (ESOPs) and the legal form of the Sociedad Laboral in particular. These have to be strengthened, as in the proposal of the Cooperative ESOP model¹⁴¹.

Citizen Funds will be encouraged to co-invest and thus to bolster worker control via cooperative ESOP plans. Because they concentrate employees' portfolio risk and are not workable plans on their own for larger companies, ESOPs cannot provide a path towards majority ownership by workers across the entire economy. This is because they only allow workers to become shareholders in *their own respective* companies. However, *wages* are already a means for workers to claim a share of corporate revenue from their own companies. As employees accumulate shareholdings in the same company for which they already work, their financial risk becomes highly concentrated, especially when compared to a diversified portfolio of stocks. **To avoid**

¹⁴¹ See Next section: At the level of the EU (1). **The 'Cooperative ESOP' model replaces the trust structure with a democratically governed Employee Ownership Cooperative (EOC)** that is used as a vehicle to purchase shares of the operating company and holds ownership on behalf of employees. The cooperative then buys shares of the operating company, with the seller either agreeing to gradual financing, or imposing a full direct sale requiring the cooperative to obtain an external loan while using future profits to service the debt. The Coop ESOP follows a "second-degree" democratic governance: direct worker control at the cooperative level and proportional representation at the level of the operating company. See: (Ellerman and Gonza 2019 ; Gonza 2025)

concentrating workers' risks, the funds proposed here are diversified funds that will go hand in hand with cooperative ESOP plans while leveraging workers' ability to access ownership of the means of production per the Constitutional commitment made at Art.129.2: to “facilitate workers' access to ownership of the means of production,” i.e. beyond the single, individual firm in which they work.

B. Mechanism

Next to individual, firm-level ESOP plans, we propose the establishment of Citizen Funds. The proposal is inspired by the worker funds proposed (but never fully implemented) in Sweden; the Democratic Ownership Funds proposed by Common Wealth (Gowan & Lawrence 2019) and subsequently embraced by Bernie Sanders in his 2020 Presidential election campaign (Palladino 2019); and by the currently operational Citizenfund in Brussels (DEAL 2025).

Crucially, and unlike ESOPs, the Citizen Funds are *collective capital institutions*. Rather than enabling individuals to acquire shares in their own employers, **their primary purpose is to serve as collective, democratically governed investment vehicles that allow citizens to exercise shareholder rights and to pursue social, environmental, and developmental objectives in regional economies.**

That said, particularly relevant for larger firms, Citizen Funds could buy shares in firms to complement workers' ESOP holdings in those firms. Voting rights associated with such co-investments would remain with the Citizen Funds and be exercised in the perspective of steward owners, but direct coordination between workers and Citizen Funds would be encouraged.

Contributions to the funds come from a levy on the profits of large firms that exceed median profit rate in the respective sector. These contributions can be supplemented by co-investments from the public financial sector, such as regional development banks, as well as by Cooperatives and Coop Funds, as is already the case for worker buyouts in Spain today (fi-compass 2025b).

Contributions collected at the national level and allocated to funds whose governance structures are anchored at the regional level. The primary investment mandate of Citizen Funds is to support regional and domestic economic development in alignment with social and environmental goals determined at the European, national, and local levels. The precise asset allocation shall be decided by the funds themselves, but portfolios should be split roughly evenly across the region, the remainder of the Spanish economy, and – for diversification – the international stock market.

The main principle regarding governance structure is that Citizen Funds should be governed by workers and their representations. This does not preclude the appointment of experts by workers and their representatives. As long as this principle is respected, various governance arrangements are possible. The following may serve as an example: A Citizen Fund may be governed by a board of trustees consisting of employee representatives elected according to the sectoral composition of the regional economy and according to union representativity in the region (70%); ex-officio representatives of the regional government (20%); and elected representatives from regional

business association (10%). This composition ensures that local government priorities and business interests are heard, while ensuring worker control over the funds.

Domestic investments can take the form of holdings of domestic shares of listed companies or shares of unlisted companies. Loans can be made in cooperation with regional public banks. Investments in struggling companies can be made in cooperation with the Sociedad Estatal de Participaciones Industriales (SEPI). Investments via index funds are permitted, as are start-up investments in cooperation with public development banks. Investments via alternative asset managers such as hedge funds or private equity are prohibited.

All employees are automatically enrolled as voting members and beneficiaries of their regional fund. They may transfer their voting rights to locally elected (within their own companies) representatives.

Members regularly evaluate and update, via a democratic process led by the board, the fund's strategy and vote on any changes.

Citizen funds reinvest two thirds of their earnings and pay out the remaining third to members. As funds mature, this ratio can be adjusted. Returns are calculated on a multi-year basis to reduce the incentive for short-term return chasing.

C. Potential Benefits

For large, stock-market listed corporations, Citizen Funds promise a stable, domestic shareholder base. The beneficial impact of such a base of 'patient' domestic capital is well established in the comparative political economy literature (Hall and Soskice 2001). **Patient shareholders insulate corporations from short-term capital market pressures and allow them to plan and implement long-term investments.**

In addition to qualifying as patient capital, worker shareholders who have a long-term interest in the sustainability of a firm's business model also bring more specific benefits to corporate governance. The positive externalities from employee share ownership for a range of metrics are firmly established in the literature, including for capital market performance and for social and environmental performance (Richter & Schrader 2017; Braam et al. 2024).

For small and medium-sized companies, an additional key benefit of Citizen Funds arises from the impending SME succession crisis. With one-third of business owners set to retire in the next decade and up to 600,000 jobs at risk annually, Spain needs a plan to retain ownership of its productive assets and safeguard its economic sovereignty. Citizen funds provide, as a complement to a Cooperative ESOP plan, or not, depending on economic circumstances, a viable alternative to selling companies to private equity or foreign investors, thus ensuring business continuity, preserving employment, and protecting local economic value for the long term.

D. Implementation Considerations

The political and legal challenge is to prevent these funds from becoming indistinguishable from existing institutional capital pools that ultimately reproduce the shareholder value regime and its negative environmental and distributional externalities. The chief example here are pension funds, which are under structural pressures to deliver high returns on an annual basis. By contrast, Citizen Funds, because they do not need to meet monthly payment obligations, are empowered to choose to forego short-term financial returns for longer-term social, environmental, and economic returns.

The main challenge is to calibrate a governance structure that allows these funds to invest in, and engage with, companies in ways that are both worker-friendly while contributing positively to overall economic performance. This requires striking a balance between democratic decision-making and ensuring that investment options on which democratic votes are held have been prepared and examined by experts.

A final consideration concerns the broader financial environment within which Citizen Funds operate. Currently, the financial playing field is heavily tilted in favor of actors who pursue extractive investment strategies without regard for unpriced negative externalities. Using regulatory and tax policy levers to constrain those actors and investment strategies will be crucial to level the playing field for Citizen Funds. The primary example of a financial actor whose business model is built on routinely ignoring negative social and environmental externalities are private equity firms (Appelbaum & Batt 2014; Christophers 2024). Measures to reduce the privileges currently enjoyed by private equity firms include, but are not limited to the following: First, in companies bought by private equity, employee representatives are automatically granted a majority of board seats. The goal of this measure is to reduce the ‘control premium’ and thus to reduce the number of viable PE buyouts to those where investor interests and worker interests can be aligned. Second, health, care, and education institutions should not be allowed to be bought by private equity at all. In these industries, **Citizen Funds will be encouraged to co-invest and thus to bolster worker control via Cooperative ESOPs.** Lastly, companies should only be allowed to pay dividends up to a certain percentage of their operating income over a multi-year period.

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(5) Accurate Identification of Labor Investors, and their Access to Voice and Ownership

Considering the dual commitment made by the Spanish Constitution to all workers, i.e. access to voice and to ownership, a key challenge rests with identifying who are these workers

A. Purpose

Firms are “real entities” (Gindis 2009) that are best understood as “political entities,” combining capital and labor investment in the pursuit of a joint endeavor –i.e. setting goals for themselves (i.e. delivering a service, producing a good, solving a pressing problem, etc.) (Ferrerias 2017). Hence, firms pursue these goals through the combination of these two classes of investments. While standard business organizations restrict the enjoyment of political rights to govern the firm to those who have injected capital (via the corporation, usually), the Spanish Constitution identifies two promises for every worker: access to voice and to ownership. **Indeed, those who invest their labor –the “labor investors” of the firm (Ferrerias 2012, 2022) - are as necessary as the capital investors for the firm to exist while they take risks as well –as the covid pandemic has reminded us (Ferrerias, Battilana, Méda ed. 2022). Granting them access to voice and ownership is thus a logical and decent move which can build trust, and in fact: labor productivity and innovation capabilities (Battilana & Ferrerias, 2021).**

Identifying who exactly can legitimately enjoy the dual commitment upheld by the Constitution, i.e. access to voice and to ownership, is an endeavour in and of itself. As corporations standardly practise “Reductio ad Corporationem” (Ferrerias 2017), through all sorts of “fissuring” practices (Weil 2014), **workers are “hidden” through the various legal workings of the global value networks, i.e. the “value chains:” outsourced, formally tasked with working for other employers or downright absorbed into gig- and platform- work ecosystems worldwide (Casilli 2025; Tubaro, Casilli, Cornet, Le Ludec, Cierpe 2025).** Indeed, firms tend to get organized around the corporate structure that organizes the relationships of the capital investors vis-a-vis themselves (Robé 1999), and shed responsibilities vis-a-vis labor investors outside of their realm of action, resorting to commercial relationships with subcontractors, etc.

B. Mechanism

It must be acknowledged that **identifying the labor investors in the firm**, that is: who are the relevant workers to be granted access to voice and ownership at the firm level, remains an open-ended endeavor. All those who invest their labor in the performance that is necessary for the firm to sell its product or its service and who are governed in return by the rules and decisions of the firm should be considered labor investors, or *workers*, according to the universalistic word used by Article 129.2 of the Spanish Constitution, that is: not *employee* (in Castellano: *empleados*), not wage worker (in Castellano: *asalariados*), which means, whatever their actual legal status. The labor investors are thus those who are governed by the decisions of the firm in return for their investment in delivering its service or production (Ferrerias 2017), and they should logically be granted access to voice and ownership of a portion of the wealth that they are contributing to creating.

The International Labor Organization has recently started to look at this challenge. Some type of **disclosure obligation for firms** to identify these workers should be considered, while many of them are left hidden through the legal workings of the value chain, as they are outsourced, formally tasked to working for other employers or squarely platformized. This disclosure should become a standard **reporting obligation on the sides of corporations that will have to reveal about their current state regarding their labor investors, and their access to voice and ownership.**

Regardless of their size or legal structure and to supplement current metrics, such as ESG reporting criteria, reporting about this labor dimension of the *constitutional* state of the firm¹⁴² should become good business practice in order to disclose to public authorities and potential capital investors the formal rules and bylaws that govern an organization, focusing on¹⁴³:

- the constituency of the firm: who are its labor investors across legal status and jurisdictions;
- what kind of access to voice do they get (i.e. access to direct participation or representation in information mechanisms, from consultation, codecision to full consent or veto right) ;
- what kind of access to ownership do they get (i.e. access to capital shares of the corporate structure).

C. Potential Benefits

The main benefits include:

Enabling Constitutional Compliance: This reporting mechanism directly addresses the long-unfulfilled mandate of Article 129.2 of the Spanish Constitution by identifying the "labor investors" who are intended to benefit from access to voice and ownership, thereby creating the necessary data for targeted policy and legal action.

Increased Transparency and Accountability: By requiring firms to disclose the true extent of their "labor investors" and their participatory rights, the mechanism combats "fissuring" practices and externalization of responsibility. This fosters greater corporate accountability towards all who contribute to the firm's value, going beyond traditional employee definitions.

Informed Policymaking and Investment Decisions: The data generated would provide public authorities with an accurate picture of the democratic state of firms, allowing for the design of more effective incentive schemes and regulations. It would also inform potential capital investors who

¹⁴² The constitutional dimension of the firm speaks directly to the functioning of the governing bodies as they are set out in the organization's formal documents, including its bylaws. The constitutional dimension is so named for two reasons. First, in a legal sense, it bases its analysis on the bylaws, which are comparable to its "constitution" or fundamental law. Second, in a political and sociological sense, it speaks to the functioning of the representation and decision-making bodies that embody the organization's government. This functioning is the heart of what defines the political functioning of the organization. Framework developed through research conducted by Isabelle Ferreras with collaborators via the TED_CriDIS: at University of Louvain, Sebastian Perez Sepulveda (Ferreras and Sepulveda 2024), Julien Charles and Auriane Lamine, Gabriel Levie (2022), at ULille, Julien Pharo (2023), and at PSL Paris-Dauphine, Thibault Crismer (2025).

¹⁴³ The *Internal Democracy in Organizations Index* (IDO) project is being developed as part of a doctoral thesis in sociology conducted by Thibault Crismer under the supervision of Dominique Méda at the IRISSE laboratory at University Paris Dauphine-PSL. This research is framed by a CIFRE agreement between AD Conseil and the National Association for Research and Technology (ANRT). The research is part of the open science movement, with the aim of sharing the results of the study as widely as possible. See <https://ido-initiative.org/>

seek to align their investments with democratic and sustainable practices, supplementing existing ESG metrics.

Strengthening Social Dialogue and Trust: By making visible the "hidden" workers and their actual (or lack of) access to voice and ownership, the reporting obligation can become a powerful tool for unions and civil society to advocate for improved conditions and greater participation. This transparency can build trust within firms and across the economy by acknowledging the contributions and risks taken by all labor investors.

D. Implementation Considerations

Difficulty of defining "Labor Investor" Universally and Operationally: The proposal broadens the definition of "worker" beyond traditional "employees" or "wage workers" to include anyone investing labor in the firm's performance who is governed by its rules. Operationalizing this definition to accurately identify all "labor investors" across complex, fissured, and globalized value chains (outsourced, platformized, gigified workers) will be immensely difficult and could lead to significant definitional disputes and legal challenges.

2 attention points should be considered:

- The **proportionality dimension** is also critical to consider the proper ways through which an outsourced part-time labor investors can count and be represented among the larger constituency of labor investors by a relevant union organization.
- The category of labor investor seeks to **capture all those who invest labor** in the joint endeavour that is the firm in order for the firm to sell its product or service while in return they are being governed by its rules. In some industries, beyond employees and workers, unpaid content providers (i.e. social media industry), user-data producers (i.e. AI industry), or service-enabling patients (i.e. health industry) should certainly count as labor investors are (Ferrerias 2017). Hence a proper deliberation on who should count, next to the obvious cases, as labor investors, which opens a path to voice and ownership, should be organized at the transnational level when looking at the case of global transnational corporations, and relevant industry and firm level.

Legal and Cross-Jurisdictional Complexity: Implementing this reporting obligation can only be experimental at first and will necessitate a careful cross analysis under the supervision of the **National Observatory on Access to Voice and Ownership** (see Proposal Chapter II.B.1.(6). It will necessitate navigating complex existing labor, commercial, and international laws. For firms operating across borders or relying heavily on international supply chains, identifying and consistently reporting on "labor investors" under varying legal statuses and jurisdictions will be a challenge that the EU *Corporate Sustainability Reporting Directive (CSRD)* and the *Corporate Sustainability Due Diligence Directive (CSDDD)* can substantially alleviate.

Data Collection and Verification: Gathering comprehensive and verifiable data on all "labor investors" (especially those outside direct employment contracts) and their precise access to voice and ownership across diverse legal statuses and organizational structures will be a massive

undertaking for firms. It will require new internal reporting systems under the supervision of the institutions of labor relations existing for core employees (typically, Works Council), alongside robust external verification mechanisms set up by the Ministry of Labor in order to prevent superficial compliance.

Resistance from Firms and Industries: Many firms, particularly those that heavily rely on outsourcing, fissuring, and platform models to manage labor costs and responsibilities, are likely to resist such a broad and demanding reporting obligation. They may argue it imposes excessive costs, invades commercial privacy, or creates an unmanageable administrative burden (while labor investors, if they are, are paid for their work at some point and can thus easily be reported about if the good faith is present), potentially leading to lobbying efforts against the proposal. However, it is not unthinkable as the EU Platform Work Directive shows: this **Directive has created a new obligation for platforms to report all workers to tax authorities**. This means particularly those who are not their, formally, employees (Marzo 2025)¹⁴⁴.

¹⁴⁴ Viz. especially Art. 16 and 17 of Chapter IV. Directive (EU) 2024/2831 of the European Parliament and of the Council of 23 October 2024 on improving working conditions in platform work <https://eur-lex.europa.eu/eli/dir/2024/2831/oj> See: Claire Marzo, 2025, *Les mutations du droit social européen au temps du travail de plateformes numériques*. Rennes : Presses universitaires de Rennes

(6) An Observatory on Access to Voice and Ownership

The national strategy required to deploy the constitutional mandate under Article 129.2 requires a monitoring and evaluation tool to ensure continuous progress and policy coherence. Therefore, the Ministry of Labor will establish an **Observatory on Access to Voice and Ownership**.

Its creation is justified by the imperative to translate the constitutional mandate into measurable public policy guided by scientific evidence. The Observatory will be tasked with the following three missions:

Missions	Description and Justification
I. Monitoring, Measurement, and Benchmarking	The Observatory's core objective will be the continuous monitoring of workers' access to voice and ownership across Spanish firms. Its work will involve measuring progress (using metrics such as the five-level scoring scales), identifying good practices , and highlighting structural obstacles . This process will generate the essential data required for rigorous tracking of the implementation of Article 129.2.
II. Scientific Research and Policy Insight	The Observatory will be tasked with producing, systematizing, and disseminating innovative research of high scientific quality . This insight is crucial for informing science-based policymaking and strengthening the involvement of all the key stakeholders into the deployment of the Constitutional mandate, and supporting continuous progress.
III. Fostering Democratic Debate and Actionable Policy Instruments across Policy-levels	Following the precedent of the EU Tax Observatory, this new Observatory would aim to foster a democratic and inclusive debate on the future of democracy in the workplace. Crucially, its work would contribute to the emergence of new actionable policy instruments at the EU level, and by Spanish Regional authorities, ensuring the policy framework remains dynamic, and effective.

Anchored in the pursuit of its third mission, the Observatory's governance will involve scientists, social partners, and other relevant stakeholders. However, the independence of scientists will be ensured, particularly when carrying out the first two missions.

In summary, the creation of this Observatory is an enabling condition for the successful, long-term implementation of the policy perspective contained in Art. 129.2 of the Spanish Constitution. It will provide the knowledge base and constant benchmarking required to guide the trajectory of firm democratization for both Spanish companies, and more largely European companies.

(7) Adaptation of Mobilising the Training Infrastructures to Empower Firms and Labor Investors for Participatory Governance

Business leaders and union leaders, managers and workers as catalysts for cultural transformation

The book *Shared Capitalism at Work* (Freeman et al., 2010) is one of the most important works on the experience of financial participation and worker participation in decisions in firms in the United States. The book points out that shared capitalism is associated with improvements in productivity and profits because sharing motivates workers to work more and reduces labor turnover. It also finds that shared capitalism is associated with outcomes that improve worker well-being in the form of higher compensation, greater job security, and a better work environment. In general, the best results of shared capitalism occur when participation in company profits is accompanied by participation in decisions (more autonomy in the job, less hierarchical supervision). **The research highlights the fact that the management skills suitable for managing firms committed to shared capitalism are different from those suitable for the pure capitalist firm, so that a successful move into this direction will depend on whether those management skills are possessed or not.**

If the challenge is already great in the context of employee-ownership plans in the US, that engage mainly with the avenue of ownership, it is reasonable to suspect that the challenge of building a more democratic organizational culture is greater. But Spain already has a robust ecosystem of experienced actors and training instruments that can be leveraged to shape the training programme needed for the transition.

As this report argues for the need for a transformative policy shift to implement Article 129.2 of the Spanish constitution and promote greater workers participation, including increased worker participation in corporate governance and in employee ownership, the **existing training infrastructure could be strategically adapted to prepare workers, unions, and employers for this transition.** A successful implementation of the policy shift across Spanish firms would require significant changes in business culture, organisational practice, and worker capabilities. The transition is indeed meaningful: not only the policy shift could establish mandatory thresholds for worker participation in governance and incentives for employee ownership, but tens of thousands of firms would be incentivized by powerful mechanisms, including a corporate tax reform, to exceed these thresholds and reach the higher categories in the Workers' Participation Rating Scale.

A. Purpose

The objective of this proposal is to mobilise and reorient Spain's existing training infrastructure to support this transition. By leveraging established tools—such as public vocational training, company-based training credits, union-led education—and integrating the valuable experience of social economy actors, Spain can scale the knowledge, skills, and governance models needed for widespread, sustainable participation. Rather than building new institutions from scratch, the

proposal seeks to adapt current programmes to align with the broader national goal of increased participatory governance and ownership. The virtuous circle that is expected from these changes is to generate a level of trust that will support Spain's prosperous flourishing as a society beyond economic resilience.

B. Mechanism

Spain already has a robust ecosystem of experienced actors and training instruments that can make **key contributions** to shaping the training programme needed for the transition:

- **Universities, business schools and professional schools** are well positioned to take a leadership role in reflecting on their programs, and providing the training necessary to deepening workers' access to voice and ownership in the workplace.
- **Trade unions and business federations** have extensive experience in labour relations.
- **Change management programmes**, developed over the past decade, involve both business actors and academia.
- The **Spanish cooperative sector and social economy enterprises** offer a **unique and proven model** of participatory governance and have developed **training programmes with international standing**.

This proposal builds on existing systems, enhancing them with targeted interventions and partnerships to prepare both workers and employers for participatory governance. In particular:

1. In **public vocational and lifelong learning**, modules on worker participation could be embedded within the 'Formación Profesional para el Empleo' programme. Certified courses could also be developed on topics such as worker representation on boards and committees, financial literacy, basic governance principles and employee ownership models (e.g. worker buyouts).
2. The **company-based training credit system** (see Fundación Estatal para la Formación en el Empleo, FUNDAE) could allow companies to use their annual training credits to prepare worker representatives for governance roles and provide managerial training in participatory practices and collaborative decision-making. This would enable representatives of financial investors and workers to develop a new shared corporate culture. In-house training programmes could also be supported.
3. **Union-led training programmes** could be expanded to better include the new legal frameworks for participation and the rights and responsibilities of worker representatives in firm governance. Practical negotiation, co-decision-making and conflict resolution skills could also be adapted to integrate the new policy framework.
4. **Spain's cooperative sector and social economy actors**, particularly in regions such as the Basque Country, could contribute unique value to the development of the training infrastructure. This sector has a wealth of experience in participatory governance, and

could be seen as a laboratory testing models and drawing lessons learned from decades of experience with several models, both good and bad.

This experience will be strategically incorporated into the national training agenda through.

- *Partnerships with leading cooperatives* (e.g. the Mondragón Group) to co-develop training content based on real-world practices, provide trainers and mentors from participatory firms and case studies, and host experiential learning or immersion programmes for workers and company managers.
 - *Engaging with social economy federations* (e.g. Confederación Empresarial Española de la Economía Social (CEPES) and Confederación Española de Cooperativas de Trabajo Asociado (COCETA)) could play a vital role in disseminating best practices in employee ownership and democratic management. These federations could also showcase best practices and demonstrate how to overcome obstacles and difficulties using social economy case studies.
5. **Cross-sectoral coordination and support** could be guaranteed through coordinated engagement on a relevant platform involving SEPE, FUNDAE, unions, employers and social economy organisations. National standards and curricula for participation-related training could gradually be developed, drawing from both conventional enterprises and the social economy

C. Potential Benefits

The benefits of a training infrastructure that supports the transformative shift proposed in this report include:

1. **Accelerated organisational adaptation of Spanish firms.** Firms and workers who have been trained in participatory practices are more likely to successfully implement governance reforms and avoid merely going through the motions. Investors and managers who are familiar with the successful implementation of participatory governance in Spanish and other European firms over several decades are more likely to facilitate the transition rather than impede it. Workers who understand governance structures are better prepared to engage constructively. Spanish firms pioneering the transition towards higher categories in the Workers' Participation Scoring Scale (e.g. upgrading from a C notation to an Aa notation) would be supported by experienced trainers.

This evolution will generate the following consequences:

2. **Productivity and resilience.** The advantages of worker participation, as illustrated throughout the report, would materialise faster and on a larger scale across the Spanish economy if training programmes were to facilitate cultural change. Evidence from Spanish cooperatives shows a link between inclusive governance and long-term resilience, particularly during times of crisis (e.g. the Mondragón cooperative during the 2008 financial crisis).

3. **Social dialogue and democratic culture** The proposal will encourage a broader shift toward participatory citizenship in the economy. **The trust in society in general, and in democratic rule in particular, should be gradually and positively impacted, and feed a virtuous circle of prosperous flourishing.**

D. Implementation Considerations

Governance and oversight. Consideration could be given to coordinating with a multi-stakeholder task force (including the Ministry of Labour, SEPE, FUNDAE, CEPES, unions and business federations), with regional representation to reflect the role of autonomous communities and local cooperative ecosystems.

Funding: Part of FUNDAE's funding could be allocated specifically to participation-related training, and Spain could make use of EU structural funds (e.g. the European Social Fund+) for pilot projects and curriculum development.

Travelling to firms in other European countries could be encouraged to enable managers, employees and board members to learn from countries with greater experience of substantive levels of worker participation than Spain, including the German co-management model.

Evaluation: Public authorities could track key metrics such as the number of workers and companies trained, the extent to which participatory practices are adopted, and their impact on workplace satisfaction, trust and productivity.

2. At the Level of the European Union

(1) A European Sovereign Fund to Address the Succession Crisis and Support Worker Buyouts

We propose the creation of a dedicated **EU-level funding capacity** to support gradual and democratic employee ownership transitions across Member States.

A. Purpose

The **European Sovereign Fund for Workers' Access to Ownership** would address the critical financing gap currently hindering the widespread adoption of worker buyouts (WBOs), while establishing a framework that incentivises participatory governance and safeguards the long-term viability of the enterprises concerned.

With one-third of business owners set to retire in the next decade and up to 600,000 jobs at risk annually at EU level, Spain and other European countries need a plan to retain ownership of their productive assets and safeguard their economic sovereignty (fi compass, 2025). The European Sovereign Fund would **target the tens of thousands of SMEs facing the succession challenge, and the financial intermediaries that are or could become their partners in the succession planning.** Targeting viable or thriving SMEs facing the succession challenge that would be open to democratic employee ownership represents a departure from the traditional view of workers' buyouts and employee financial participation. In the past, worker buyouts have frequently and wrongly been seen as a tool to preserve employment when a firm is at risk of bankruptcy while no investor is willing to buy it. In this context, some of the firms acquired in these circumstances have naturally remained fragile rather than thriving. On the contrary, with adequate planning, **the Fund would amplify the needed transformation of mature SMEs into participatory firms**

Employee financial participation has often been viewed through a restrictive managerial lens, as a means of increasing worker involvement in the success of the firm through reduced absenteeism and labour turnover, as well as increased employee funding. The ambition of this proposal is bigger as it is designed to support workers' access to ownership, and lead a **transformative approach to genuine participation in decision-making.** Workers cooperatives and Sociedades laborales are relevant corporate legal tools in the Spanish context, which could be leveraged for buying back shares on behalf of workers.

Additionally, an innovative 'Cooperative ESOP' model is being proposed in order to overcome two major limitations of existing models of ESOPs: their lack of participatory governance and their design based on full property transfers, while rewarding gradual conversions could have more potential.^{145,146} **The 'Cooperative ESOP' model replaces the trust structure with a democratically governed Employee Ownership Cooperative (EOC)** that is used as a vehicle to purchase shares of the operating company and holds ownership on behalf of employees. The cooperative then buys shares of the operating company, with the seller either agreeing to gradual

¹⁴⁵ Gonza, T. (2025) The Slovenian Cooperative ESOP in Rosen et al.. *E Expanding employee ownership. Models in the US, UK, Canada, France and Slovenia*, National Center for Employee Ownership (NCOE). p. 33-34. <https://www.employeeownership.co.uk/common/Uploaded%20files/Expanding%20Employee%20Ownership%20Models%20in%20the%20US,%20UK,%20France,%20Canada,%20and%20Slovenia.pdf>

¹⁴⁶ Gonza, T., Ellerman, D. and Kosta, M.J. (2024) Democratic ownership. Scale through leveraged conversions. In *The Routledge Handbook of Cooperative Economics and Management*. Routledge. p 250-261 s

financing, or imposing a full direct sale requiring the cooperative to obtain an external loan while using future profits to service the debt. The Coop ESOP follows a "second-degree" democratic governance: direct worker control at the cooperative level and proportional representation at the level of the operating company. The model reduces governance complexities, allowing for gradual onboarding of employees into governance, and increasing the chances of business owners deciding for the model. Membership of the EOC is based on labour, not capital contribution. The principle of 'one person, one vote' is followed when making decisions, and membership is a personal right based on work, not a property right that can be sold. Economic rights within the cooperative are based upon the labour contributions of the workers, using individual capital accounts (ICA).

Building on and scaling up this approach offers a promising way forward for ensuring both financial sustainability and democratic participation, while reinforcing the EU's strategic autonomy.

B. Mechanism

The **European Sovereign Fund for Workers' Access to Ownership** could be hosted by the European Investment Fund (EIF), whose central mission is to support Europe's small and medium-sized businesses (SMEs). The EIF has indeed some experience in providing financing to national intermediaries that support workers buyouts using financial products under the Social Investment and Skills Window of Invest EU and Invest EU Social Entrepreneurship Portfolio Guarantee Product.¹⁴⁷

Key features of the fund would include:

1. **Support transitions to democratic governance.** Financial support, such as low-interest loans and guarantees, would be provided on the condition that firms implement primary or secondary forms of democratic governance. Particular emphasis would be placed on models in which employees have genuine voting rights and representation, such as the *Sociedad laboral* in Spain, or the Cooperative ESOP framework. Preferential interest rates, extended repayment terms and higher guarantee coverage could be leveraged to incentivise genuine democratic governance, particularly when workers are given veto power over strategic decisions. This mechanism could be extended to other types of socially responsible succession mechanisms, such as steward ownership.
4. **Support for gradual worker buyouts.** The facility would support both gradual transitions and full, immediate conversions, since it is ultimately the seller who makes the decision in such voluntary successions. While some SME owners may prefer full and immediate sales, others may be more motivated by gradual conversions (i.e. over a period of 3, 5, 10 years) if they want to experiment with employee financial participation before selling their assets outright. This model also enables workers to acquire equity incrementally over time, avoiding the issue of weak employee financial capacity in the short term, and increasing their knowledge and ability to learn how to govern the firm and manage the business.

¹⁴⁷ fi-compass (2025) ESF+ Study on Worker's Buyout, Op. cited p 84-92.

5. **Financing mechanisms.** The capabilities offered by the **European Sovereign Fund for Workers' Access to Ownership** would include low-interest loans and guarantee instruments, channelled through national development banks or accredited financial institutions. Repayments would be made over time through the operating company's profits (now being partly channelled to members of the cooperative or the *sociedad laboral*), ensuring sustainability and limiting financial risk for individual employees. The scheme would therefore not bring substantive direct financial means to employees in the short run (dividends).
6. **Tax policy coordination.** In collaboration with Member States, the EU Commission would explore and encourage **fiscal incentives** for owners to sell to employees rather than to private equity firms or competitors, as well as for employees to buy shares. These tax incentives would be adjusted to encourage genuine democratic governance, with the most significant incentives gradually being restricted to firms that adopt governance models enabling workers to influence strategic decisions through veto power (e.g. 50% of shares + 1 for workers or more).
7. **Incentivise a macro regional approach to employee ownership.** Employee Stock Ownership Plans (ESOPs) and worker buyouts are often considered tools for employee ownership and economic democracy at the firm level. While this represents a significant improvement on classic, non-participatory firms, where workers only exercise their information and consultation rights (at best), it still leaves them without any influence on economic trends at a regional or international level.

The European Sovereign Fund for Workers' Access to Ownership would encourage a regional approach to gradually build an 'ESOP beyond the firm-level' approach. The fund would incentivise intermediaries and firms that receive its support to contribute to the creation of Regional **Citizens Funds (See Chapter II.B.1. (3))** by allocating a fixed portion of their profits to purchasing shares in such a fund in their region. Additionally, Regional Citizens Funds could pool resources from public authorities, cooperative employee ownership trusts (Coop ESOPs), citizens, and private investors. These Regional Citizens Funds would invest in multiple firms and industries through workers' buyouts and by investing in new participatory start-ups and scale-ups. This gradual, bottom-up approach to building resources for the growth of certain types of firms is one of the success factors behind the strength of the cooperative sector in Spain, France and other countries. Here, it would be facilitated by an EU policy that would be a catalyst for the decentralisation of increased economic power for workers and regional entities.

C. Potential Benefits

By establishing this funding capacity, the EU would **address an immediate labour market and business continuity challenge, while also contributing to a broader strategy of economic sovereignty**, social cohesion in line with the dual promise made by the Spanish Constitution to workers via its article 129.2: i.e. access to voice and access to ownership. This initiative would

demonstrate Europe's dedication to inclusive ownership structures and a robust, place-based, resilient, and citizen-centred economy.

Democratising European firms could indeed be the **answer to the problem of succession planning for European SMEs, which most observers recognise as a deep challenge**. With one third of SME owners set to retire within the next 10 years, the European Union is approaching a critical juncture. The ageing population of business owners is set to trigger a wave of SME successions, placing up to 600,000 jobs at risk each year.¹⁴⁸ Traditional exit strategies include family transfers, mergers or private equity sales. However, family transfers are becoming less common, while mergers and private equity sales can have negative consequences for the European economy. In this context, employee ownership models such as worker buyouts (WBOs) and gradual employee stock ownership plans (ESOPs) to get to majority worker ownership present a credible alternative that safeguards continuity, employment and local economic value. The emerging Cooperative ESOP model further strengthens this approach by embedding democratic governance through cooperative structures.

Despite the proven benefits of such schemes in several Member States, they remain marginal due to inadequate financing tools and limited institutional backing. Setting up a dedicated EU-level funding capacity and policy framework to promote workers' access to ownership, will **contribute to safeguarding Europe's productive fabric and to Europe's broader goal of achieving economic sovereignty and resilience**. Without coordinated European support, the potential of worker buyouts (WBOs) will remain largely untapped. The absence of a robust EU-level financing and policy infrastructure will continue to hinder the scaling of democratic employee ownership.

The proposal would be most successful if a large number of Member States adopted laws that promoted such models. A recent step in this direction has been made: in August 2025, the Slovenian government adopted the Employee Ownership Cooperative Act (ESOP Law), which introduced a range of tax incentives to support companies and business owners using this model.¹⁴⁹

D. Implementation Considerations

Funding required in a 10-year time horizon. Although the political ambition needs to be significant, the initial funding required for the first years of operation is limited. The growth of worker buyouts (WBOs) in Europe and the uptake of the policy instrument will indeed be gradual, as they imply cultural changes as well. The growth of WBOs will depend on the scale of the incentive mechanisms put in place, as well as on the extent to which the other policy instruments suggested in this Report are implemented, including tax mechanism and unified incentive and conditionality framework for democratic corporate governance across all EU funding mechanisms and State Aids (See Part II.B.2.(5)). A ten-year time frame seems relevant to stabilize support instruments and gradually increase funding capacity. Support provided would also include grants

¹⁴⁸ Lowitzsch, J. and Hashi, I. (Eds) (2024), The PEPPER V Report - Benchmarking Employee Participation in Profits and Enterprise Results in the European Union, The United Kingdom and the United States. Prepared by the Kelso Institute Europe in cooperation with European University Viadrina and the Inter-University Centre network. 382 p.

¹⁴⁹ Republika Slovenija (2025) Vlada potrdila predlog Zakona o lastniški zadrugi delavcev. Novice 23. 7. 2025, Accessed on 8 September 2025 <https://www.gov.si/novice/2025-07-23-vlada-potrdila-predlog-zakona-o-lastniski-zadrugi-delavcev/>

for technical support that reduces risk in employee ownership conversions (at least to bridge the learning curve for expert organizations), as well as funds for advocacy.

Expertise. There is a large network of experts that could be mobilized across the EU to shape a powerful mechanism. The European Commission has consistently shown an interest in employee financial participation schemes, and multiplied initiatives since the 1990s, including the publication of regular PEPPER reports that relies on a network of national experts.¹⁵⁰

Technical Assistance and Guidelines: The EIF could provide technical support to SMEs, retiring entrepreneurs, groups of workers, and intermediary organisations involved in buyouts. It could also promote the development of **EU guidelines on worker buyouts**, including model legal structures, financing pathways, and governance standards.¹⁵¹

The creation of a **funding tool for the transformation of mature SMEs into participatory firms** within EU funding institutions is a complementary strategy to current advocacy efforts and recommendations focusing on the use of existing social impact and social entrepreneurship schemes, including European Social Fund Plus (ESF+) programmes, built on the experience of the Employment and Social Innovation (EaSI) programme. However, their budget and scope are not fit for the scale of the SME succession challenge. Additionally, they could face cultural obstacles. A mainstream funding capacity within the EIF would ensure technical robustness and access to a network of financial intermediaries in all Member States. This would complement existing national schemes and attract private financing where appropriate.

¹⁵⁰ Lowitzsch, J. and Hashi, I. (Eds) (2024), The PEPPER V Report. Op. cited

¹⁵¹ fi-compass (2025) ESF+ Study on Worker's Buyout., Op. cited. p 32.

(2) Rights for European Works Councils to Shape and Consent to AI Deployment at Work

The right to shape and consent to AI deployment at work: Given the magnitude of the changes under way with the introduction of AI Systems and their direct impact on workers' labour investment, **a right to shape and consent** to these governing tools will be exercised by the Works Council. It is a right to shape, validate, or veto all decisions related to the introduction and deployment of Artificial Intelligence (AI) systems that interact with the content of work, and work processes.

A. Purpose

More than 1000 of the largest companies present across the European Union recognise a channel for worker representation: the European Works Council. It is composed of worker delegates elected by their colleagues on lists presented by labor unions present in the relevant countries or plants. The European Works Council enjoys **consultation and information rights**, and meets annually with top management of the company at the EU level. Established by an EU Directive in 1994, it is the most advanced system of workers' access to voice at the European company-level. The European Works Council Directive applies to companies with 1,000 or more employees, and at least 150 in two or more Member States, and covers more than 10 million workers across the EU.¹⁵²

This proposal seeks to deepen the role of European Works Council (EWC) through expanding the role of EWCs to include **co-decision power on matters related to Artificial Intelligence (AI) systems**. Whilst EWCs already enjoy full rights of consultation and information as regards the deployment of AI systems, given their significance in shaping modern work places, such an expansion is essential to ensure that **worker participation (and workers' access to voice at work) remains meaningful** in an era marked by the rapid acceleration of technological innovation, driven by the rapid adoption of artificial intelligence.

Genuine participation must go beyond mere information and consultation rights. Any serious reform of the EWC Directive must grant workers **actual decision-making rights**, enabling democratic governance over technological pathways that directly govern workers' worklife, shape their roles and transform the value of their personal investment in work –in particular, through transforming the value of their skills. These decisions are currently too often driven solely by cost-cutting and productivity goals, in the hands of profit-driven organizations controlled by the interests of capital investors.

While the recent revision of the EWC Directive has strengthened information and consultation rights, these mechanisms **still fall short of granting workers meaningful** say over strategic corporate decisions—especially those with long-term implications for the workforce, such as restructuring, relocation, or the deployment of new technologies.

The current framework lacks the necessary tools and leverage to shape how digitalisation, automation, and AI integration unfold across multinational firms. Yet, these technologies raise

¹⁵² The EU database maintained by the ETUI: <https://www.ewcdb.eu/>

complex ethical, economic, and social questions. They are reshaping workplace power dynamics and carry significant implications for **privacy, surveillance, job security, and skills development**.

Transformative technologies — mechanical, digital or algorithmic — are becoming increasingly interconnected. AI systems are at the core of these transformations, despite being the most recent and least stable technology. All stakeholders acknowledge the risks associated with their unpredictability. This justifies particular attention - and a concomitant increase in the quality of governance.

B. Mechanism

It is proposed to establish a **co-decision procedure** on all decisions related to the introduction and deployment of Artificial Intelligence (AI) systems the primary goal of which is to shape the content of work, and work processes. Under this mechanism, both the **company board** and the **European Works Council** would share decision-making authority. Decisions would require approval from both bodies, using a **dual majority rule** i.e. a majority within each is required to validate the decision.

The European Works Council shall therefore have **the right to scrutinise, shape and validate, and if necessary, veto the introduction and deployment of AI systems** in the workplace, when these concern: in particular, recruitment and selection procedures, personnel management (including recruitment, selection, direction, monitoring, productivity, and evaluation), customer relations, service provision, production, and any other field that concerns or is linked to working life.

In order to support its work, and inform its deliberations, the European Works Council shall have the **right to request the support of an expert** in AI-related matters subject to consultation.

In order to help EWC delegates to exercise their mandate in the best interest of the company's mission and workers, the company shall be obliged to cover the remuneration of two experts per year, for a reasonable number of hours, for the adequate clarification of the Council's deliberations: one of the experts shall be specialized in Artificial Intelligence (AI) matters and the other shall be designated at the Committee's discretion (for instance, on issues related to the interaction between the business and its environmental impact regarding the nine planetary boundaries shaping the evolution of the earth-system).

C. Potential Benefits

Enhancing the EWC's mandate in this area would deliver multiple benefits and address the current **power imbalance** in European corporate governance, where **financial investor interests dominate** and **labour investors remain structurally absent from strategic** decisions.

This proposal would:

- **Foster trust and legitimacy**, particularly during periods of disruptive technological change or corporate restructuring, by involving workers proactively in solution-oriented governance. This **would also significantly ease the introduction of responsible technologies at work, as well as reducing the risk of conflict and litigation, and building trust.** (see Challenge 3 on the A.I. Governance Crisis)
- **Encourage firms to pursue a ‘High Road’ strategy**—one that prioritizes labor investment and investment in technology in a way that promotes shared prosperity, creates well-paid jobs, and enhances overall productivity. This strategy relies on the **active identification and prioritization of pro-worker technological choices** within corporate strategy. Adopting the ‘High Road’ is a key element of the **vision for a new industrial policy adapted to the AI era.** (see Challenge 2 on the Competitiveness and Innovation Crisis)

D. Implementation Considerations

The revised European Works Council Directive is expected to be formally adopted by **late 2025 or early 2026**. Integration of this proposal into the current reform is unlikely but not impossible, given the trilogue agreement reached in **May 2025** between the European Council, Commission, and Parliament.

However, **Spain could play a leading role** in initiating a second phase of EWC reform, and including it during the transposition of the Directive in national law. Advancing into this direction would represent a **significant achievement** in reinforcing democratic governance within European firms and ensuring that AI is conducive of shared prosperity.

This proposal builds upon and extends existing reforms already undertaken by Member States. For example, the **German Works Council Modernization Act (2021)** grants Works Councils the right to consult an external expert when the **introduction or application of AI** is under discussion.

(3) Full and Fair Transposition of the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD)

In February 2025, **Spain formally urged the Commission to preserve the ambition of both the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD).**¹⁵³ It is critical that Spain pursues an ambitious national transposition of these directives, setting a standard for democratic engagement within corporate sustainability and due diligence frameworks. **Transparency regarding corporate conduct is essential for both companies and society to fully understand the impact of their actions. At a time when humanity is beyond the safety zone of 7 out of 9 planetary boundaries, strengthening our knowledge base about human and collective -corporate- behavior is critical to a manageable, and hopefully sustainable future.** Hence, States should **ensure a full and fair transposition** of the CSRD and the CSDDD—as close as possible as to how they were originally conceived.

A. Purpose

A full and fair transposition of CSRD and CSDDD would contribute to **establish the conditions necessary for a broader access to voice and ownership across the EU, and enable workers and their representatives to play a useful role in the production of quality information over the business activities**¹⁵⁴, which is a **precondition for meaningful engagement and relevant orientation of future economic development.** For such progressive change to occur, it is essential that a significant number of **firms comply with workers' rights to** information and consultation on sustainability and human rights issues, and that they **become familiar with the obligation to report on worker participation in corporate governance.** While the scope of both directives focuses on stakeholder consultation, rather than genuine participation in decision-making, their proper implementation could lay important groundwork for future reforms.

B. Mechanism

The Corporate Sustainability Reporting Directive (CSRD)

Spain should ensure a **robust and comprehensive transposition of the CSRD provisions relating to workers' rights to information and consultation.** The national legislation should explicitly **reference the relevant EU directives on workers' information and consultation rights**, along with their national transposition measures. It should also make clear connections to any existing Spanish legislation or practice that reinforces these rights. Crucially, the transposition should confirm that workers' representatives have the right to be involved in the materiality assessment process—a core step in corporate sustainability reporting. The law should clarify which worker representatives are to be consulted, how the consultation process should occur, and at what stage in the reporting cycle. Works councils would be the legitimate fora to be involved.

¹⁵³ <https://www.responsible-investor.com/esg-round-up-spanish-government-backs-csrd-csddd-eu-taxonomy/>

¹⁵⁴ Samani, N., Overland, C., & Sabelfeld, S. (2023). "The role of the EU non-financial reporting directive and employee representation in employee-related disclosures." *Accounting Forum*, 47(2), 278–306. <https://doi.org/10.1080/01559982.2022.2158773>

Moreover, firms should be required to report on how worker involvement (via the reporting along the lines of the Dual Scoring Scale on Access to Voice and Ownership) is integrated into their corporate governance practices concerning sustainability matters. This falls within the directive's scope insofar as it pertains to information and consultation processes.

Best practices in transposing the relevant provisions—specifically Articles 19a(5) and 29a(6)—include the imposition of penalties for non-compliance, the establishment of a clear obligation for CEOs to inform and consult workers, and simple procedural requirements such as mandating that firms provide an email address for the submission of worker opinions.¹⁵⁵

The Corporate Sustainability Due Diligence Directive (CSDDD)

Spain should ensure that the implementation of the CSDDD preserves the key elements essential for due diligence based on genuine consultation with worker representatives and other stakeholders involved at all stages of global sourcing chains. **Of particular significance is the requirement to conduct 'meaningful engagement with stakeholders,' as outlined in Article 5(e) and further detailed in Article 13.** The transposition should mandate that firms engage in genuine, ongoing dialogue with trade unions and workers' representatives from the outset and throughout the entire due diligence process.

Moreover, Spain could advocate for the Commission to issue **guidelines on the use of digital tools and technologies that assist companies in meeting their due diligence obligations** and in developing comprehensive knowledge of their sourcing chains (cf. Article 19 CSDDD). Also, in the spirit of the Platform Work Directive, **workers, and their unions, should be recognized the right to use the technological tools of the company as a public square among themselves to discuss matters of common concerns, without fear of spying or retaliation.**

C. Potential Benefits

A full and fair transposition of both directives, as closely as possible compared to how they were originally conceived, is a key step for a genuine and deepened workplace democracy to be progressively realized in Europe's globalized economy:

A comprehensive transposition of the CSRD provisions relating to workers' rights to information and consultation is **essential to guarantee that existing standards of workplace democracy can be effectively applied to sustainability issues in the context of transnational supply chains.**

A full and fair transposition of the CSDDD would contribute to **mapping the global sourcing chains of companies operating within the continent, which is an essential prerequisite** for enabling workers and other stakeholders involved in these chains to be properly informed, consulted, or more actively engaged.

¹⁵⁵ ETUC (2024) Recommendations for the transposition of the Corporate Sustainability Reporting Directive (CSRD), p 12-15 https://www.etuc.org/sites/default/files/2024-01/CSRD_Recommendations_web.pdf ; Sig Vitols, ETUI + WZB (2025) The Corporate Sustainability Reporting Directive (CSRD) Transposition: Late and a Missed Opportunity. Presentation for the GoodCorp / Monaco Online Network Meeting, 9 January 2025

D. Implementation Considerations

The legislative window for an ambitious transposition of the directives has been significantly impacted by the process initiated by the so-called Omnibus package. National leadership will thus be crucial to continue to expand the scope of relevance of the directives, and to increase relevance through national transposition.

Artificial Intelligence for Administrative Simplification: The goal of administrative simplification (or fight against the so-called administrative burden faced by firms) has been central to the debate on the legitimacy of these directives. Indeed, **the fear that their embedded reporting requirements represent an excessively heavy workload for businesses** has reignited the long-standing critique regarding the administrative burden imposed by the State over private actors. In this respect, the development of automated reporting tools based on Artificial Intelligence (AI) has proven its worth, considerably reducing the workload. **AI can analyze a company's internal documents, requiring only a fraction of human attention for final validation**, instead of mobilizing a vast network of internal informants. Such an operational tool is already in use via the AI-powered reporting app: <https://www.wequity.app/company>. **To businesses that fear the costs induced by the new reporting obligations, public authorities could just advise, or even support, a technological update in the reporting area.**

(4) Building Consensus on a Unified European Corporate Income Tax Policy Anchored in the Dual Scoring Scale Measuring Worker Access to Voice and Property

Spain could initiate a discussion at the EU level on the relevance of an EU strategy or policy instrument that would encourage Member States to align their corporate tax policies with democratic governance and ownership benchmarks.

A. Purpose

There is a **growing momentum** to address corporate tax policy at the European level. Firstly, Ursula von der Leyen, **the president of the European Commission, has called for new EU taxes on large companies, tobacco and electronic waste as part of the EU budget for the period 2028–2034 (see Part II.A.3.).**¹⁵⁶

Secondly, the **new geopolitical context could also shape a new approach to corporate taxation at the European level.** Indeed, European NATO member states have recently pledged to substantially increase defense spending, raising the question of how to finance this new policy. Adopting a historical perspective, policy experts point out that cutting defense spending after the collapse of the Soviet Union enabled governments to increase social spending ('the peace dividend'), while corporate income tax rates also halved within the OECD (from the mid-1980s to 2023) and capital gains tax rates dropped significantly (from up to 53% in the early 1990s to 26% in Germany today). Higher defense spending should, in this perspective, be funded by increasing taxes, especially on corporate income, high wealth, and capital gains.¹⁵⁷

This combined context provides an ideal opportunity to initiate a Europe-wide discussion on how a harmonized European corporate income tax policy could encourage further workers' access to voice and ownership across the continent, as corporate tax is considered the **most effective way to change firms' behavior.**

B. Mechanism

Member States would be encouraged to adapt their corporate tax policies, transforming them into powerful instruments that would gradually incentivize firms to move towards higher levels of democratic governance and ownership. The introduction of a **Tax Incentive Mechanism for firms pegged to the Corporate Democratic Development Index, based on the two Participation Scoring Scales measuring Labor Investors' Access to Voice and Ownership (See Instrument Part II.B.) at EU level is suggested.** It would be based on the same principles that the national Democratic Bonus/Malus tax incentive mechanism suggested in this report (See Instrument Part II. B.1.(2)) to bring Spain's Corporate income tax (CIT) in line with Article 129.2 of the Spanish

¹⁵⁶ European Commission (2025) The 2028-2034 EU budget for a stronger Europe. https://commission.europa.eu/strategy-and-policy/eu-budget/long-term-eu-budget/eu-budget-2028-2034_en

¹⁵⁷ Shahin Vallée and Joseph de Weck (2024) Europe does not have to choose between guns and butter. There is another way. Opinion. Guardian. Mon 7 Jul 2025 https://www.theguardian.com/commentisfree/2025/jul/07/europe-guns-butter-defence-spending-welfare-state?CMP=Share_AndroidApp_Other

Constitution. A degree of flexibility for Member States is entirely possible, provided that a European framework sets minimum thresholds and ensures overall consistency.

C. Potential Benefits

The **harmonized introduction** of such tax mechanisms in several European countries or across the European Union would, in our view, be **the most powerful mechanism** for encouraging all companies operating in Europe to improve workers' access to voice and ownership at firm-level. Such a strategy would avoid or reduce the risks of intra-European tax competition. It would **steer all energies towards a shared goal** – the democratization of European firms through enhanced worker participation in both the voice and ownership avenues, further strengthening a democratic and resilient European Union.

D. Implementation Considerations

Harmonizing corporate income tax across the EU would require a **unanimous decision by Member States**^{*}. Many Member States have resisted this possibility since the inception of the European Union. Therefore, the realization of the proposal depends on a new political dynamic within Member States, and of a fitting vision at the EU level. The **new geopolitical context** certainly brings the need for an “out-of-the box” renewed approach. Led by adequate strategic leadership, it could open up the possibility of favorable discussions in the near or medium future.

(5) A Unified Incentive and Conditionality Mechanism Across all EU Funding, State Aid, and Public Procurement Pegged to the Corporate Democratic Development Index, Based on the Dual Labor Investors' Access to Voice and Ownership Scoring Scale

Spain could **lead efforts** to steer the **European Union** towards the **establishment of a Regenerative Democratic Governance Incentive and Conditionality Mechanism across EU Funding**, State Aids and Public Procurement. This could be achieved by influencing the adoption of the next Multiannual Financial Framework (MFF) and building on the growing momentum for introducing social conditionalities in EU funding, as discussed in **Part II.A.C. The revision of the Public Procurement Directive, planned for 2026, could be used as a major opportunity to embed workers' access to voice and ownership into award criteria.**

A. Purpose

The mechanism would **calibrate the level of European financial support and State Aids according to the extent to which workers are granted access to voice and ownership in applicant companies.**

It would **incentivize applicant European firms to reach high levels of worker participation** to receive the highest levels of funding available, and to maximize their chances of **winning public procurement bids.**

The mechanism would function through **a single, integrated framework** impacting all funding under the **post-2027 EU budget**, as well as **national state aid schemes** and **public procurement** provisions.

By **linking access to public financing with high standards of internal democracy**, transparency and accountability, the EU could **incentivize responsible corporate behavior**, align economic activity with European values and reinforce the legitimacy of its industrial and innovation policies.

The mechanism would break down the silos between economic, labor, investment, and social policies. It would also **reduce the risk of public resources being mismanaged or captured**, ensuring that financial support is directed towards companies that contribute to sustainable, inclusive and democratic economic prosperity.

It would be a single mechanism across many EU instruments, **building on the current Commission's 'simplification' agenda.**

This proposed mechanism would acknowledge that **not all companies contribute equally** to European democracy, social dialogue, a vibrant culture of engagement and innovation at work, and the principles of “democracy at work” that the Union intends to promote in the workplace, as attested by the numerous recent communications from the European institutions (See Chapter II.A.2.). It would therefore **justify differentiated treatment in access to public funding.**

This approach would mark a significant departure from a traditional interpretation of the Single Market rules, which often treat any differentiated funding as a potential distortion of competition. Yet, as affirmed in numerous communications from EU institutions, **this shift aligns with broader Union objectives: promoting democratic governance, ensuring a just transition, and strengthening social cohesion across Member States. Far from undermining the Single Market, incentivizing a strong access to voice and ownership at firm-level would enhance its legitimacy, sustainability and fairness in an ever-changing global economy.**

B. Mechanism

Firms requesting EU funding would be assessed on their degree of advancement regarding their practices of workers' access to voice and ownership. The mechanism is based on the following elements:

- I. The **Corporate Democratic Development Index** will measure the levels of workers' access to voice and ownership at the time of application (section 1.).
- II. A **ranking of enterprises** will be made possible according to the two Participation Scoring Scales measuring labor investors' access to voice and ownership powering the **Corporate Democratic Development Index** (section 2.)
- III. A **modulation of all EU funding to reward firms in the higher categories** (section 3.)
- IV. **Horizontal consistency across EU policies:** a mechanism applying to the 2028 - 2034 EU budget (MFF) and extending to State Aid Regulations, Public Procurement law, and competition law (section 4.)
- V. **Ensuring compliance with existing EU Law** (section 5.)

The details of each of these elements is presented in the following sections:

I. Democratic Governance Index

Firms requesting EU funding would be required to report on their degree of advancement regarding their **practices of voice and ownership** avenues at the time of application, across all funding instruments.

The degree of democratic governance would be measured through a set of criteria including:

- The firm's legal form and its alignment with the sole pursuit of financial profit versus multiple objectives, including social, organizational, and environmental goals;
- The level of worker participation in decision-making through representation in governing bodies (i.e. board-level employee representation);
- The extent to which employee share ownership (ESO) empowers workers to meaningfully engage in corporate governance;

- The degree of consultation with and accountability to stakeholders beyond shareholders and workers.

These criteria would be combined into a simple, transparent quantitative score—the Corporate Democratic Development Index (See Part II.B.).

II. Ranking of Firms (Corporate Democratic Development Index)

The index would be used to categorise firms based on access to voice and to ownership by workers. Each firm will be assigned a rating. The **Index** would translate firm practices into an actionable tool for EU-level policy making.

On the **voice dimension**¹⁵⁸, the suggested categories are:

- **Rating 5** (highest level): A firm governed by its workers (*‘the governed’*), i.e. a worker cooperative or a laborist company (*sociedad laboral*).
- **Rating 4**: A firm in which the committee taking the strategic decisions operates under a **dual majority rule, where at least one of the majorities is exercised by workers or by the works council** (a.k.a. Codecision or Economic bicameralism). *This is the threshold of democratic consent.*
- **Rating 3**: "A company in which workers hold **½ of the voting rights** on the company board (or the works council is equivalent to a college holding 50% of the votes on the company board (a.k.a. German Montan Codetermination)
- **Rating 2**: A company in which workers hold from **⅓ of the voting rights to less than 1/2** on the company board (or the works council is equivalent to a college weighing at least 30% of the votes of the company board to less than 1/2) (aka Codetermination)
- **Rating 1**: A company in which workers hold **from 2 seats to less than ⅓ of the voting rights** on the company board
- **Rating 0**: A company in which workers hold **0 to 1 seat** on the company board

The same will be conducted on the **ownership dimension**¹⁵⁹, leading to higher valuation when increasing amounts of shares are transferred to workers. Here, Citizen Funds (See II.B.1.(4)), steward-owned firms and mission-driven enterprises with layered governance structures would also fall into higher categories, as their governance enables a more comprehensive view at the mission of the firm than firms tightly controlled by capital investors' interest to maximize shareholder value.

¹⁵⁸ **The Avenue of Voice** (i.e. the rights of the governed to bear on the decisions that govern them) measures the level of internal democracy within the firm, ranging from the least democratic model to worker governed firms (a.k.a. Worker cooperatives).

¹⁵⁹ **The Avenue of Ownership** (i.e. the access to the means of production): This measures the level of employee participation in ownership, with a view to a possible transfer of shares to labor investors, which would free up capital to initiate other innovative projects.

The suggested categories would be:¹⁶⁰

- **Category Aaa** (highest level): More than 50% of the shares are owned and/or administered by workers, and all the rest is owned and/or administered by other workers or "steward owners"
- **Category Aa**: 50% of the shares are owned and/or managed by workers
- **Category A**: Between 25 to less than 50% of shares owned and/or administered by workers
- **Category Ba**: Between 2 to less than 25% of shares owned and/or administered by workers
- **Category B**: 0,1 to less than 2% of shares owned by the workers.
- **Category C**: 0 shares owned by workers of the firm.

The **Corporate Democratic Development Index** combines the two dimensions to create a practical scoring tool.

Corporate Democratic Development Index based on the Two Participation Scoring Scales

Rating	The Voice Scale (V) Categories	Rating	The Ownership Scale (O) Categories
0	A company in which those who work hold 0 of the voting rights to 1 seat on the company board (by which we mean the committee in charge of the strategic decisions or legislative branch)	C	0% of shares held by the workers of the firm
1	A company in which workers hold from 2 seats to less than 1/3 of the voting rights on the company board	B	More than 0 to less than 2% of shares held by the workers
2	A company in which workers hold from 1/3 of the voting rights to less than 1/2 on the board (or the works council is equivalent to a college weighing at least 30% of the votes of the company board to less than 1/2) (Codetermination)	Ba	Between 2% and less than 25% of shares are owned and/or administered by the workers
3	A company in which workers hold 1/2 of the voting rights on the company board (or the works council is equivalent to a college holding 50% of the votes on the company board (aka German Montan Codetermination))	A	Between 25% and less than 50% of the shares are owned and/or administered by the workers
4	A company in which the company board operates under a dual majority rule (codecision) , where at least one of the majorities is exercised by worker representatives organized as a college of voters or by the works council (aka Economic bicameralism).	Aa	50% of the shares are owned and/or administered by the workers
5	A company in which workers hold all the voting rights on the company board (aka workers' cooperative or a <i>laborist company/sociedad laboral</i>)	Aaa	More than 50% of the shares are owned and/or administered by workers, and all the rest is owned and/or administered by other workers or "steward owners"

¹⁶⁰ The rating system mirrors Moody's credit rating system, linking the State's financial health to borrowing cost.

Example:	Voice Score (V) for a specific firm = 4			Ownership Score (O) for a specific firm = A
Corporate Democratic Development Total Rating for this specific firm = $4^V A^O = 4A$				

Each company will be given a rating which will situate its achievements along the two scales.

The **Corporate Democratic Development Index** will then be used for a bonus/malus incentive-based mechanism designed to reward further levels of access to voice and ownership (and discourage lower levels). It will steer a policy framework which will mobilize public subsidies, corporate tax rates, fiscal benefits, privileged access to public procurement etc. to incentivize further progress, encouraging less democratic firms in the country to transform their organizational structures further.

III. Modulation of EU Funding

EU funding for firms would be modulated to prioritize and reward those ranked highly on the Corporate Democratic Development Index - firms that demonstrate strong democratic governance and integrate workers in their ownership, **while disincentivising those with inadequate practices** in terms of worker information, consultation, and participation in decision-making. The modulation could include several financial incentives:

- **Preferential access** to EU financial instruments (e.g. the European Investment Bank, the future European Competitiveness Fund, or the future Decarbonisation Bank), including:
 - Earmarking increasing shares of available funds to firms with higher democratic scores;
 - More favourable loan interest rates;
 - Increased aid intensity or higher ceilings on funding amounts.
- **Access advantages** within the future EU Framework Programme for Research and Innovation, using similar mechanisms.

IV. Horizontal Consistency Across EU Policies

To maximize effectiveness, **this mechanism would extend beyond EU direct funding and be consistent across EU policies**, including the revised State Aid Regulations, the revised Public Procurement Directive, and competition law:

- **Current State Aid rules** allow for higher ceilings in cases where the societal benefit outweighs competition distortion (e.g. support to disadvantaged workers or to Services of General Economic Interest (SGEI)). This principle could be extended to ensure that modulation of national support aligns with the Workers' Participation Rating Scale established at European level, with greater aid intensity or de minimis ceilings for firms with higher scores.

- **Public Procurement law**, where the Corporate Democratic Development Index could be used as an award criterion in tendering procedures. The trend of increasing public expenditure for firms underscores the strategic importance of incorporating operational, measurable, and verifiable social conditionalities—as proposed in the Letta Report—into EU State Aid frameworks.
- **Competition law**, including merger regulations (e.g., Council Regulation (EC) No 139/2004), though not further addressed here.

V. Ensuring Compliance with Existing EU Law

The mechanism would also ensure consistency with existing EU Law. Companies that do not comply with EU laws would be barred from accessing EU and M.S. funding. The mechanism could indeed easily compile a list of companies that do not respect existing legal frameworks.

Establishing a centralized **non-compliance list**, based on breaches of existing directives, would streamline enforcement and send a strong signal that **access to public money is contingent on legal and social responsibility**.

At least two directives already provide for the integration of their provisions into the procurement mechanism at a national level:

- The EU Pay Transparency Directive (Directive (EU) 2023/970) will be fully implemented by 7 June 2026 and includes provisions aiming to exclude companies that do not fulfil their duties under the directive from accessing public procurement.¹⁶¹
- The Adequate Minimum Wages Directive (Directive (EU) 2022/2041) invites Member States to 'consider requiring contracting authorities to introduce, as appropriate, penalties and termination conditions ensuring compliance with the principle of equal pay'.¹⁶²

C. Potential Benefits

The proposal would introduce a **gradual but powerful transformation of the European economy**, incentivizing tens of thousands of firms to gradually move to greater levels of workers participation. A **very large number of companies would quickly be encouraged to consider improving employee participation and move across the Corporate Democratic Development Index (from C to Aa notations) in order to continue to benefit from high levels of support or market access through these European policy instruments**.

¹⁶¹ European union (2023) DIRECTIVE (EU) 2023/970 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 10 May 2023 to strengthen the application of the principle of equal pay for equal work or work of equal value between men and women through pay transparency and enforcement mechanisms, Art 24. <https://eur-lex.europa.eu/eli/dir/2023/970/oj/eng>

¹⁶² European union (2022) Directive (EU) 2022/2041 of the European Parliament and of the Council of 19 October 2022 on adequate minimum wages in the European Union PE/28/2022/REV/1 <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32022L2041&qid=1750081464482>

The budgets for the policy instruments covered by the proposal are indeed substantial. With a value exceeding **€2.0 trillion, the multiannual EU budget** is the first significant driver of change.¹⁶³ If the mechanism were extended to include State Aid provisions, it would **influence an additional €2.0–3.0 trillion over the next twenty years**, given the growing budgets allocated by Member States to supporting their firms (Member States granted over €185 billion in state aid in 2023 alone).¹⁶⁴ Thirdly, if supporters of worker participation succeed in extending the mechanism to EU public procurement law, it would account for **14% of the EU's GDP each year**, as set out in the Draghi Report.¹⁶⁵

There would be one unique mechanism. **Firms would know that moving up the Corporate Democratic Development Index would grant them greater market access** (through public procurement award criteria), as well as **greater subsidies** (through State aids provisions) **and greater financial support** (through EU funding across the Multiannual Financial Framework (MFF)).

This proposal would establish a **coherent and robust mechanism to promote economic democracy, while also fostering innovation, competitiveness and resilience** within the European economy. Overall, the Incentive and Conditionality Framework proposal for democratic corporate governance across all EU funding would create a **more integrated market and a more democratic Europe**.

This mechanism would ensure **better management of public** funds by gradually reducing the access of the least democratically governed firms to EU funding and state aid. It would also **simplify the system**, which is a goal for the Commission and all stakeholders who currently struggle with the proliferation of frameworks.

The mechanism would also incorporate other elements of the proposal for common social conditionalities outlined briefly in the Letta report. This section focuses on democratizing corporations.

D. Implementation Considerations

The momentum for the introduction of this mechanism is now, as Europe prepares for the 2028-2034 Multiannual Financial Framework (MFF). The MFF negotiation cycle opens a rare window of opportunity.

The revision of the Public Procurement Directive, planned for 2026 (as stated in the *Competitiveness Compass*), provides another major opportunity to embed workplace democracy

¹⁶³ The EU's 2021-2027 long-term budget, together with the NextGenerationEU recovery instrument, amounts to € 2.018 trillion in current prices. See : European Commission (2025) EU budget today. Webpage. Accessed on 3 June 2025. https://commission.europa.eu/strategy-and-policy/eu-budget/motion/today_en

¹⁶⁴ Member States granted more than €2.6 trillion in State aid over the period 2000–2023. See European Commission (2025) Scoreboard State Aid data - New dissemination tool for statistics (2000-2023) https://competition-policy.ec.europa.eu/state-aid/scoreboard/scoreboard-state-aid-data_en

¹⁶⁵ Public procurement represents roughly 14% of the EU's GDP annually. See : Draghi, M. (2024) The Draghi report: In-depth analysis and recommendations (Part B). p 111

into award criteria. Trade unions already request award criteria that favour companies with collective agreements and those that create direct jobs demonstrating the capability to execute the works with its own workforce.¹⁶⁶ This direction could be broadened to include award criteria derived from the Corporate Democratic Development Index and the **Dual Workers' Participation Scoring Scale**.

Naturally, the mechanism would be **phased-in smoothly and well-planned**, with a two-year period between the legal decisions and implementation to develop the necessary tools and guidance to measure the democratization of firms. Gradually implementing incentives and conditionalities is a feasible scenario.

Finally, the mechanism could be built upon the existing social conditionalities across Member States. The proposed mechanism does not emerge in a vacuum. On the contrary, many **existing policy instruments already bridge economic and social objectives** across the EU. The mechanism could draw valuable lessons from **national practices** in several Member States, where **social conditionalities** are already embedded in funding, taxation, procurement, and industrial policy.

Social conditionalities across the EU today incentivize a broad spectrum of goals—including **job retention, collective bargaining, working conditions**, and even **company legal forms**. Below are selected national examples that illustrate this evolving policy landscape, many stemming from a trade union review of good practices.¹⁶⁷ **The lessons learned from these experiences would be immensely valuable, and establishing a process to collect them would usefully help set up this new EU instrument based on existing practice and knowledge across the Union. It would also help in forging a new consensus.**

- In **Spain**, the 2024 **Law on Industry and Strategic Autonomy** mandates that companies receiving more than €3 million in public subsidies over five years must maintain their activity and employment levels for a legally defined period.¹⁶⁸ The Spanish Just Transition Institute (ITJ) has launched innovative tenders that link grid access for renewable energy projects to job creation and to broader social and environmental programs.¹⁶⁹
- In **Portugal**, companies operating under collective bargaining agreements can access tax incentives and preferential treatment when applying for both national and EU funding schemes.¹⁷⁰
- In **Germany**, the government introduced **Klimaschutzverträge (Climate Protection Contracts)** in 2023 to de-risk decarbonization investments in energy-intensive sectors. The

¹⁶⁶ ETUC (2024) Industrial policy for quality jobs - Social conditionalities for social progress, p. 2.

¹⁶⁷ IndustriAll European Trade Union (2025) Provisions for social conditionality, employment security and anticipation and management of change in the Clean Industrial Deal. Policy brief 2025/1. https://news.industriall-europe.eu/documents/upload/2025/3/638774815163272545_Policy_Brief_social_conditionality_2025_01.pdf, p.8

¹⁶⁸ La Moncloa (2024) The Government of Spain approves the Law on Industry and Strategic Autonomy, Council of Ministers, News, 2024.12.10. <https://www.lamoncloa.gob.es/lang/en/gobierno/councilministers/paginas/2024/20241210-council-press-conference.aspx>

¹⁶⁹ The Just Transition Finance Lab (LSE) (2025) Spain's just transition energy tenders, News, February 19, 2025 <https://justtransitionfinance.org/casestudy/spains-just-transition-energy-tenders/>

¹⁷⁰ IndustriAll European Trade Union (2025) Provisions for social conditionality, op. cited, p.8

contracts promote consultation with trade unions or works councils, offering reduced administrative scrutiny for companies that demonstrate such agreements. A federal law is under preparation that would condition access to public procurement on respect for collective agreements.¹⁷¹

- In **Italy**: the Florence municipality incorporates a “**contract of best favor**” clause in public procurement, awarding higher scores to firms offering the best working conditions and wages.¹⁷²
- In **Belgium**, the Brussels-Capital Region reformed SME support legislation in 2018, allowing social enterprises and circular economy firms to receive 10% additional aid intensity under *de minimis* rules. A 2023 reform mainstreamed this incentive logic, enabling all SMEs to claim social or environmental excellence via recognized labels and access **enhanced subsidy rates of up to 45%**.¹⁷³

¹⁷¹ *Ibid.*, p. 8.

¹⁷² *Ibid.*, p. 8.

¹⁷³ Région de Bruxelles-Capitale (2023) Arrêté du Gouvernement de la Région de Bruxelles-Capitale relatif à l'exemplarité au niveau social et environnemental des entreprises (6 JUILLET 2023.) <https://www.ejustice.iust.fgov.be/eli/arrete/2023/07/06/2023043748/moniteur> ; Service public régional de bruxelles (s.d.) Exemplarité des entreprises <https://economie-emploi.brussels/exemplarite>

(6) A 28th Regime for European Democratic Firms

In order to lead on the path toward workers' access to voice and ownership for all across the European Union, Spain could **propose the creation of a 28th regime for a European Democratic Firm (EDF)**. A 28th regime is an optional EU-level legal framework that complements, rather than replaces, national legislation.

This initiative would **build on recent proposals for a 28th regime targeting innovative scale-up companies**, but with different values in mind, the dual Constitutional promise made to the Spanish worker and arguably, relevant to all. The objective would thus be to promote firms grounded in the principles of democratic government, opening to all workers across Europe access to voice and ownership.

A. Purpose

European Democratic Firms would gain **access to an array of tax and economic incentives**. These benefits would be justified under the Commission's guiding principle that public support is warranted when its societal benefits outweigh potential distortions of competition. The EDF model, by embedding democratic governance and social contribution, would merit such recognition.

B. Mechanism

The proposal is based on the creation of a 28th regime that defines what a European Democratic Firm (EDF) is, and organises the pool of tax and economic incentives to which such firms would have access.

I. Defining features of a 28th regime for European Democratic Firms

The European Democratic Firm (EDF) would be defined by **two core characteristics**. First, it would embed political equality within its internal governance—recognizing the fact that the firm is a political entity¹⁷⁴ that should be governed democratically. Secondly, it would contribute to broader economic equality, seen as a necessary condition for enabling real contributive capability from the labor investors, but externally, at the societal level, for deepening democratic life across the continent.

Specifically, the two characteristics would be:

1. **Democratic Rule.** The EDF would incorporate the democratic rule into its governance model, ensuring that the firm is not controlled by the principle that political rights are enjoyed in proportion to capital investment, but by the principle that those who are governed by the firm, i.e. its labor investors, enjoy the political rights to govern the joint endeavor according to the principle of equality.

¹⁷⁴ On *Firms as political entities*, see (Ferrerías I. 2017. Cambridge University Press).

This is achieved through a range of legal options that guarantee the governed are subjected to a corporate government structure that enable them to consent to the rules that govern them, which are:

- (via the avenue of voice): Board-level employee representation would exceed 50% of voting power,
- (via the avenue of voice:) Dual-majority board: Workers representatives assembled in a Chamber representing them (or Works Council) validate (or veto) the decisions of the Board (i.e. Bicameral system).
- (via the avenue of ownership): Worker Cooperatives or multi-stakeholder cooperatives in which workers hold shares and enjoy a veto right.

The European Democratic Firm (EDF) corporate governance model would represent a significant evolution in business structure, moving beyond traditional paradigms. It would meticulously integrate a set of best practices designed to create a more balanced, sustainable, and ethically driven enterprise. On the side of capital investors, the EDF model would actively embrace and institutionalize "steward-owner" practices. This paradigm shift moves away from a purely extractive or short-term profit-maximizing approach. Instead, steward-owners are characterized by a long-term commitment to the firm's well-being, prioritizing its enduring success, societal impact, and the interests of all stakeholders. This involves a focus on sustainable growth, responsible investment, and active engagement in the company's strategic direction to ensure it remains true to its mission over generations.

Furthermore, the EDF model would be fundamentally rooted in a "mission-driven" view at the firm. This means a decisive move from a narrow, exclusively for-profit lens to a more expansive, mission-oriented focus. Profitability is of course essential for the firm's survival and flourishing, but it is not an end in itself. Instead, profit would be viewed as a means to achieve a broader, clearly defined societal or environmental mission. This mission would be embedded in the company's articles of association and strategic objectives, guiding all operational and investment decisions. This approach ensures that the firm's activities contribute positively to society while generating sustainable economic returns.

8. **Economic Equality and Fair Value Distribution.** The EDF would integrate the democratic principle of equality by respecting a **maximum CEO-to-worker pay ratio** and guaranteeing that all workers in their global supply chains are paid **living incomes or living income reference prices**. The maximum CEO-to-worker pay ratio could vary depending on company size. Its level would be decided through broad consultations with social partners, civil society and citizens. It could either be set directly at the desired level or start at a relatively high level and decrease gradually over ten years. Workers cooperatives usually hold a 3x ratio, while the largest ones (i.e. Mondragon) stick to a maximum of 7x. **For the record, the standard CEO-to-worker pay ratio in the EU exceeds 100** according to

European trade unions (CEOs are paid 110 times more than the average worker).¹⁷⁵ **In Spain, it exceeded 140 already in 2018.**¹⁷⁶ In the U.S., it now exceeds 280 in the 350 largest firms according to the Economic Policy Institute,¹⁷⁷ and **it exceeds 600 in the ‘Low-Wage 100’ group of 100 companies in the S&P 500 that are characterised with the lowest median worker pay.**¹⁷⁸ **The evolution in time of this ratio is deeply worrying.** The CEO-to-worker pay ratio of CEOs of major U.S. companies was 21-to-1 in 1965, 31-to-1 in 1978, and 60-to-1 in 1989. It hit 380-to-1 in 2000 (height of the stock market bubble) and it has remained above 200-to-1 since then, with the exception of the year 2008. This is the result of CEO pay spiralling out of control, with a 1,094% increase from 1978 to 2024, compared to the stagnation of worker pay, which has only increased by 26% over the same period (46 years).¹⁷⁹

Depending on industries, granting users (whatever their status is named: customers, clients, patients, etc.) a similar democratic right to consent could be justified on the ground that these users are also governed by the decisions of the firm, and invest in kind in the joint endeavour that is the firm (through producing and sharing content, co-producing the service, etc.) (see Ferreras 2017). For instance, In the case of **digital media platforms**, the EDF would also include user representation in addition to workers representation—drawing from the principles of platform cooperatives—to ensure democratic participation by all the governed.

II. Proposed Incentives

A series of incentives for European Democratic Firm (EDF) will be aligned to provide support :

- **Corporate Tax Incentives:** Member States could provide reduced corporate tax rates for EDFs, supported by differentiated treatment in national legislation, given the absence of an EU-wide corporate tax regime. Tax benefits could be calibrated to reward long-term EDF status and require a share of profits to be reinvested in the firm or in the creation of new EDFs.
- **Access to European Competitiveness Funding:** EDFs would enjoy simplified and prioritized access to premium programmes of the upcoming *European Competitiveness Fund*—via loans, guarantees, equity instruments—through a mechanism similar to the *Incentive and Conditionality Mechanism* (see Section 2.b). This could include preferential loan rates, increased aid intensity, and higher funding ceilings.
- **Favourable State Aid Treatment:** EDFs would qualify for maximum subsidy rates and elevated aid ceilings under EU State Aid regulations.

¹⁷⁵ ETUC (2025) CEOs paid over 100 times more than workers. Press release. 16.01.2025

¹⁷⁶ Statista (2025) Ratio between CEO and average worker pay in 2018, by country. https://www.statista.com/statistics/424159/pay-gap-between-ceos-and-average-workers-in-world-by-country/?srsltid=AfmBOOpWnFosjhCTFgjrTuiyM3EqOHk64OuEtc_cTrtYzhjU9Qk9xT3z

¹⁷⁷ Working Economic Policy (2025) CEO pay increased in 2024 and is now 281 times that of the typical worker. Working Economics Blog. 25 September. <https://www.epi.org/blog/ceo-pay-increased-in-2024-and-is-now-281-times-that-of-the-typical-worker-new-epi-landing-page-has-all-the-details/>

¹⁷⁸ Institute for Policy Studies (2025) Executive Excess 2025. 31st Annual IPAS Executive Excess Report. https://ips-dc.org/wp-content/uploads/2025/08/executive_excess_report_2025.pdf

¹⁷⁹ Institute for Policy Studies (2025) CEO pay has skyrocketed since 1978. September 25, 2025. <https://www.epi.org/publication/ceo-pay/>

- **Preferential Public Procurement:** EDFs would be granted priority access to EU-level public procurement opportunities.

To drive systemic change, these incentives could be **expanded progressively over the course of one to two decades**, thereby creating an increasing differential between EDFs and traditional capital-driven firms. If firms are recognized for what they actually are, i.e. political entities, thus concerned by the overall societal commitment of the European Union toward democracy, it becomes conceivable that by 2040, aEU funds, public procurement, and state aid could become inaccessible for large corporations that fail to fit within the overall democratic commitment of the European society at large.

Companies would be given clear advance notice, enabling them to undertake the necessary cultural, legal, and organizational transformations to deepen their transition toward EDF status.

Additionally, the EU should reserve access to specific high-impact sectors—such as **artificial intelligence-developing companies, media companies, digital labour platforms** — exclusively to EDFs. This would ensure that firms operating in these strategic and sensitive areas are aligned with wider democratic, societal objectives, reinforcing the EU’s commitment to value-based regulation.

C. Potential Benefits

Compared to the benefits of other policy instruments discussed in the context of this report, the **benefits of this proposal for directly promoting all workers' access to voice and ownership are limited**. Indeed, whereas a tax reform or hard law change impacts universally – i.e. all firms, the creation of a new 28th regime would only directly impact the small number of firms that opt for the new status. It will not directly impact all existing firms unless a large number of firms choose to adopt the new status.

By advancing a bold and principled vision of corporate democracy, **the EDF proposal will help project a clear horizon for European firms along the dual commitment made to the Spanish workers by the Constitution**. From this perspective, ambitious proposals are not merely aspirational—they are tactical tools that shift the policy landscape, enabling incremental and complementary advances within existing frameworks. In other words, advocating for such a 28th regime, in addition to the merits of the proposal, seeks to **strategically reposition the boundaries of what is politically thinkable and actionable in the context of EU economic policy**.

Supporters of workers’ access to voice and ownership are thus invited to consider bold initiatives such as the EDF, alongside efforts to safeguard or introduce progressive measures within the current agenda of the European Commission. This dual-track strategy acknowledges the dynamic and often unpredictable nature of the political field, including its latent possibilities and sudden openings.

On a pragmatic note, the inclusion of incentives such as corporate tax reductions, traditionally supported by the business community, would position the **EDF proposal both as bold enough and pragmatic enough** to stimulate constructive debate, and stir action.

D. Implementation Considerations

Crucially, the credibility and strength of the proposal will influence its reception among key stakeholders, and potential early adopters. Their support is more likely if the EDF model is seen as a robust model that **comes immediately with a series of incentives**.

*(7) Key Support Programmes to Help Stakeholders Thrive in the New Policy Environment,
Including the Creation of the EU Observatory on Access to Voice and Ownership*

The policy instruments proposed in this report require the development of adequate tools, including the implementation of a Democratic Governance Index at firm-level, and other enabling measures such as training and advisory services for businesses, workers' unions, public authorities, and financial investors in particular on how best to succeed in this trajectory.

To measure progress, there is a need to establish an European Union Observatory focused on access to voice and ownership. Tasked with collecting data, it will produce, systemise and disseminate scientific insights to inform science-based policymaking and stakeholder positions. This observatory will play a key role in disseminating a science-based toolbox for extending voice and ownership at work.

Creation of the EU Observatory on Access to Voice and Ownership

Spain has the potential to guide the EU towards broadening workers' access to voice and ownership. This can be achieved by reinforcing the effectiveness of its Regenerative Democracy Compass, through the creation of a monitoring and evaluation instrument. Such a tool would support sustained progress and policy alignment among Member States. Consequently, we suggest the establishment of an EU Observatory on Access to Voice and Ownership.

This new body would be modeled after the structure and ambition of the highly successful **EU Tax Observatory** (based at the Paris School of Economics). Its creation is justified by the imperative to translate the Regenerative Democracy Compass into measurable public policy guided by scientific evidence.

Mirroring its missions at the national level, the Observatory will be tasked with the following three missions:

Missions	Description and Justification
I. Monitoring, Measurement, and Benchmarking	The Observatory's core objective will be the continuous monitoring of workers' access to voice and ownership across Spanish firms. Its work will involve measuring progress (using metrics such as the five-level scoring scales), identifying good practices , and highlighting structural obstacles . This process will generate the essential data required for rigorous tracking of the implementation of Article 129.2.
II. Scientific Research and Policy Insight	The Observatory will be tasked with producing, systematizing, and disseminating innovative research of high scientific quality . This insight is crucial for informing science-based policymaking and strengthening the involvement of all the key stakeholders into the deployment of the Constitutional mandate, and supporting continuous progress.
III. Fostering Democratic Debate and Actionable Policy Instruments across Policy-levels	Following the precedent of the EU Tax Observatory, this new Observatory would aim to foster a democratic and inclusive debate on the future of democracy in the workplace. Crucially, its work would contribute to the emergence of new actionable policy instruments at the EU level, and by Spanish Regional authorities, ensuring the policy framework remains dynamic, and effective.

Anchored in the pursuit of its third mission, the EU Observatory's governance will involve scientists, social partners at the EU level, and other relevant stakeholders. However, the independence of scientists will be ensured, particularly when carrying out the first two missions.

To Conclude

Article 129.2 can galvanize policy changes that support the wellbeing of workers, innovative firms, and resilient territories, a thriving democracy, and the regeneration of the planet

We hope that this Report has helped the reader grasp the momentous importance of the dual promise made by the Spanish Constitution to Spanish workers, **a commitment to uphold the democratic project in the everyday lives of each working citizen**. Article 129.2 was meaningful in 1978, proposing one path toward a concrete instantiation of the values enshrined in the Constitution's preamble. It was also prescient; indeed, it could not be more relevant today. The first part of this Report guided readers through the main reasons for its relevance. It connected each reason to the nine challenges - indeed, the grave threats - that our societies face today... and showed how each challenge could be turned into an opportunity if we commit to upholding the mandates of Article 129.2.

The second part of this Report focused on thoughtful deployment, introducing an original policy framework that suggests minimal standards for worker access to voice and ownership, inspired by EU best practices. **Next to new legal thresholds for workers access to voice and ownership, it showed how the progressive application of a dynamic, incentive-based framework can foster a secure strategic environment in Spain for firms willing to move forward with extending voice and ownership to their labor investors, strengthen a culture of cooperation and innovation inside firms, and contribute to building trust in the larger democratic polis.**

Much work remains to be done. In the perspective pioneered by this Report, we have tried to offer a way to understand the meaning and practical deployment of the dual Constitutional promise, with a focus on the **labor investors of private businesses**. After this exercise "in comprehension," it seems clear that the next step is to begin thinking "in extension." Specifically, **the Committee would like to point out three large categories of workers that fell beyond the scope of its Report**. Moving forward to achieve a full application of the provisions in Article 129.2, they, too, should enter into consideration.

The first large category of labor investors beyond our scope of inquiry are workers in **public businesses and administration**, for whom these two promises should have meaning as well. A second significant category are the labor investors **legally defined as self-employed workers**. The fact that they are not employed (or not directly employed) by a firm should not prevent the State from examining ways to increase their ability to enjoy access to voice and ownership. Experiments are underway across the globe with organizational forms that allow for risk-sharing and access to voice in mutually supportive ways, notably via the cooperative form. Particularly in light of the growing number of workers in this category, it would be relevant to think about how the Constitution's dual promise could be enacted through better legal and organizational forms to support these workers.

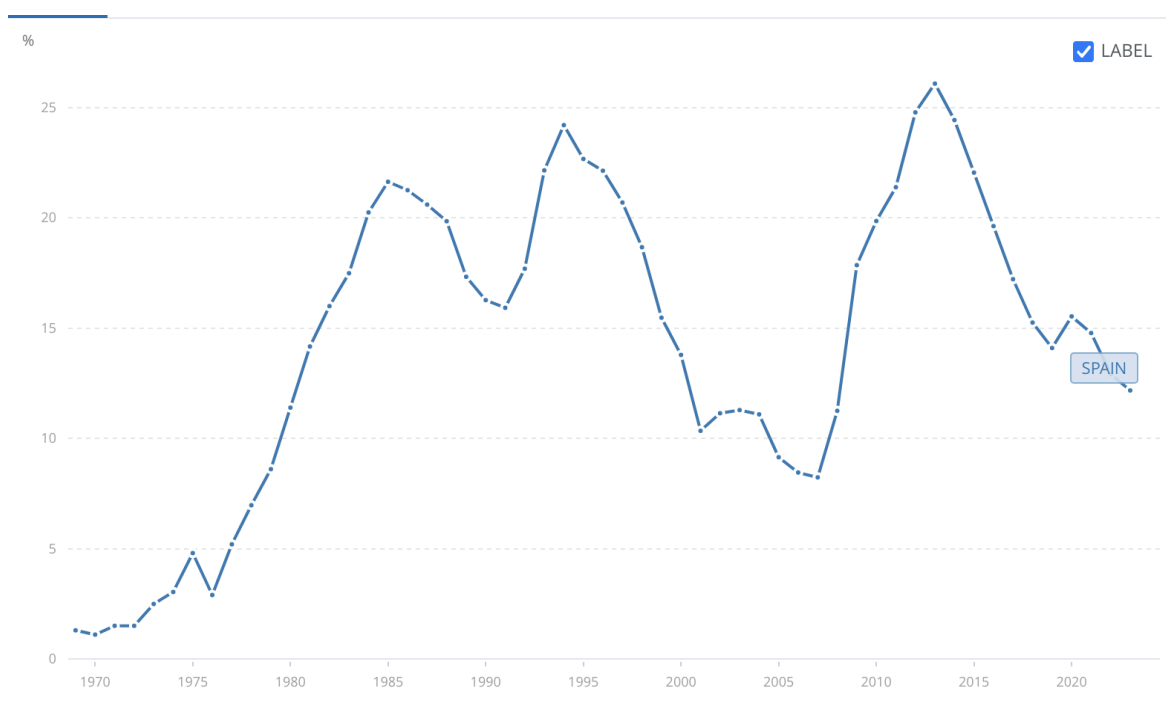
Finally, and **broadening the scope still further, the Committee notes that the promise of 129.2 resonates perhaps even more vividly among workers who are currently excluded from access**

to work, and thus from the potential status of citizen in the workplace and the Constitutional promise of voice and ownership. We thus close by noting that those left without a job are worthy of the same levels of consideration extended to the workers that do fall within the scope of our Report.

At the time the Spanish Constitution was ratified, the unemployment rate in the country was lower than 5%.¹⁸⁰ Since then, Spain has experienced multiple challenging moments of high unemployment, rising to 21.6% in 1985, 24.2% in 1994, and as high as 26.1% in 2013, as shown in Figure CCL.1. below.

Data from the INE shows an unemployment rate of 10.29% as of September 2025. This means there are 2.5 million people in Spain without jobs, individuals who can legitimately be considered "jobless workers."

FIGURE CCL.1. : Unemployment, Total (% of Total Labor Force).



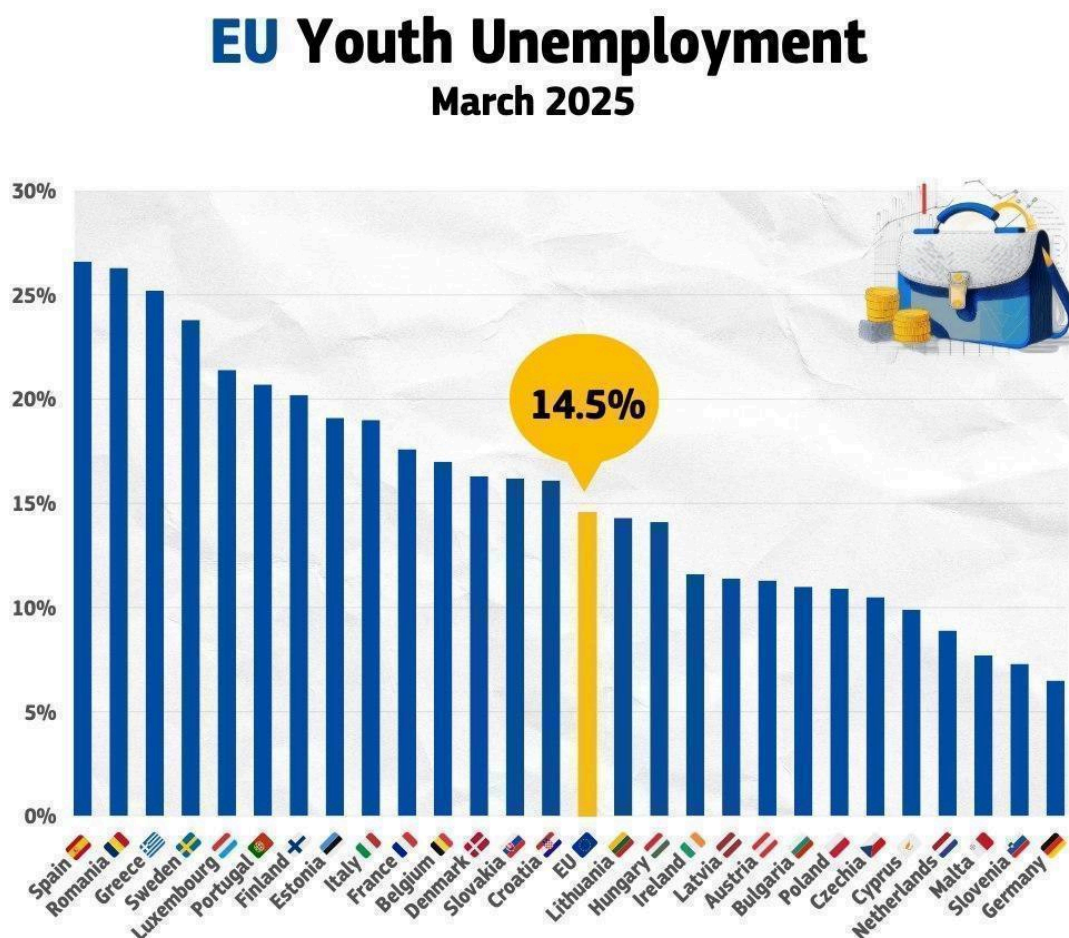
Source: World Bank (2025) based upon Spain Labour Force Statistics database (LFS), International Labour Organization (ILO), uri: ilostat.ilo.org/data/bulk, publisher: ILOSTAT, type: external database, data accessed: January 07, 2025¹⁸¹

Looking more closely at these figures, we see that the situation of **Spain's youth remains particularly challenging, with an unemployment rate that hit 26.6% in March 2025**, compared to 14.5% across the EU (see Figure 2). At the time of this report's writing, Spain had the highest youth unemployment rate of anywhere in the EU. Around **477,000 young Spaniards are unemployed, leaving them without access to certain rights affirmed in their Constitution, including the right to employment (Article 35) and the to participate in firms (Article 129.2).**

¹⁸⁰ BENTOLILA, S, JIMENO, SAMUEL (2003) Spanish unemployment: the end of the world ride? CESIFO Working Paper No. 940, MAY 2003 https://www.ifo.de/DocDL/cesifo_wp940.pdf

¹⁸¹ <https://data.worldbank.org/indicator/SL.UEM.TOTL.NE.ZS?view=chart&locations=ES>

Figure CCL.2.: Seasonally Adjusted Youth (Under 25s) Unemployment.



Source: EU-Social, Directorate-General for Employment, Social Affairs and Inclusion, European Commission¹⁸²

Article 35 of the Spanish Constitution affirms that “1. All Spaniards have the duty to work and the right to employment, to free choice of profession or trade, to advancement through their work, and to sufficient remuneration for the satisfaction of their needs and those of their families; moreover, under no circumstances may they be discriminated against on account of their sex.” **Given the country’s constitutional commitment to the right to work, the Committee notes that one further application of Article 129.2 should be investigated: expansion of the right to participation and ownership to unemployed workers (jobless workers), and particularly to young people actively seeking to find their place in, and make a contribution to the Spanish society and its economy.**

Since the 1980s, the neoliberal, market-oriented approach to questions of employment has led many mainstream economic thinkers to promote the view that the market takes care of job creation. However, decades of market-oriented policies have proven unable to solve the problem of mass unemployment on the European continent. Given the data and research reviewed in this Report, it seems clear that policymakers would do well to look in another direction, starting with

¹⁸² <https://ec.europa.eu/eurostat/en/web/products-euro-indicators/w/3-02052025-BP#estat-inpage-nav-heading-1>

the needs of communities and territories. Expanding a view of firms beyond the narrow understanding of them as vehicles for shareholder profit is one way through which public authorities will find concrete policy solutions that lead to job creation.

The Committee hopes that the research, data, and ideas provided in this Report will help Spain to draw concrete ideas from experiments in other countries, and from broader public policy perspectives, first to improve the working lives of those employed in firms and beyond, and then to enrich the national debate on how to implement Article 129.2 for the benefit of its 2.5 million unemployed citizens. **Among the policy options to consider, the "Job guarantee" stands out as closely aligned with Article 129.2's goal of promoting worker participation.** Job guarantee policies establish, by law, a centrally funded and locally administered permanent program designed to offer voluntary employment at a living wage to anyone ready and willing to work and care for the people, the community or the planet.¹⁸³

This model has already been piloted by other countries, most notably in Europe; for example, in France and Austria. More than eighty 'Zero Long-Term Unemployment Zones' (*Territoires Zéro Chômeur de Longue Durée*) programs have been running in France since 2016. In Austria, a three-year 'Modellprojekt Arbeitsplatzgarantie Marienthal' (MAGMA) job guarantee pilot project was launched in 2020. Participation levels have been high in both countries. In these programs, workers are involved in identifying new potential **economic demands in their communities that have not been met by the market.** They also take part in governing their firms, and the program at the sub-municipal level. **The access to voice is strong, and a critical reason for the success of these initiatives.**

These experiments have led to significant improvements in economic outcomes such as continuous employment, income, and financial security, as well as non-economic dimensions related to wellbeing, including social status, self-esteem, structured time, improved health, community interaction, and a shared sense of purpose.¹⁸⁴ Official and independent evaluations, along with forward-looking feasibility studies—such as those conducted in Belgium¹⁸⁵—have also confirmed the fiscal viability of job guarantee policy, which is **funded by leveraging unemployment benefits, making the need for public funding almost net zero.**

¹⁸³ Tcherneva, P.R. (2020) *The Case for a Job Guarantee*. Cambridge: Polity Press, 140 pp. ; (2020) *El Favor Del Trabajo Garantizado*. Madrid: Lola Books ; (2022) "Decommodifying Work. The Power of a Job Guarantee" in Ferreras I., J. Battilana and D. Méda (2022), *Democratize Work. The Case for Reorganizing the Economy*. Chicago: Chicago University Press, pp. 85-89.

¹⁸⁴ For France, see : Expérimentation Territoriale contre le Chômage Longue Durée (2025) *Bilan final de l'expérimentation*. <https://s3.bilan.etclid.fr/bilans/documents/bilan-2eme-experimentation.pdf> ; Cour des comptes (2025) *L'expérimentation « Territoire Zéro Chômeur de Longue Durée » 2016-2024 Rapport public thématique*, Synthèse Juin 2025. <https://www.ccomptes.fr/sites/default/files/2025-06/20250620-synthese-Experimentation-territoire-zero-ch%C3%B4meur-de-longue-duree.pdf> and. For Austria, see : Kasy M. And L. Lehner (2022) *Employing the unemployed of Marienthal: Evaluation of a guaranteed job program*. Oxford Department of Economics, Working Paper Number 989 <https://ora.ox.ac.uk/objects/uuid:0536b2df-1a80-448e-8db0-08fbc58dca7e/files/s2r36tz78s>.

¹⁸⁵ For Belgium, see : Fontaine, M.; Rennoir, M. et Tojerow, I. (2020) *Étude des conditions budgétaires liées à la mise en place d'un dispositif 'Territoires Zéro Chômeur de longue durée' (TZCLD) en Région de Bruxelles-Capitale*, Rapport final, Centre de recherche d'économie appliquée de la Solvay Brussels School of Economics and Management et de l'Université Libre de Bruxelles (DULBEA), 58 pp. ; De Smedt, L., Chomé, F. and Nicaise, I. (2021) *Territoires zéro chômeur de longue durée: analyse ex ante des coûts et bénéfices sociaux*, Rapport de recherche KU Leuven (HIVA).

What Shall We Tell the Youth of Spain?

The European Commission had begun to compile the wealth of knowledge and experience generated by countries that have experimented with different job guarantee models.¹⁸⁶ Through accessing voice, jobless workers spark a virtuous circle, revitalizing a sense of usefulness to others, rekindling meaningful community connections by offering products and performing services needed but not offered by the market, caring for people and the planet, rebuilding trust at the local level. The structures and models used in these innovative programs would be inconceivable according to older, more traditional understandings of the market and the firm, narrowly focused on capital growth and driven uniquely by shareholder interests. The success of these programs is a valuable reminder of the power of looking beyond what *has* been done, and onward toward what *can* be done. **The Spanish Constitution, by mandating worker access to voice and ownership, suggests a promising path toward an economy where people thrive in service to their communities and the planet. This Report has taken up its vision in order to outline new policy possibilities for building a sustainable and innovative economy that respects planetary boundaries and revitalizes democracy—a program that provides hope for Spain, the European Union, and we dare say, the world.**

The Spanish Constitution is clear; so, too, are citizens' expectations. They are waiting for programs such as these, as recent polls continue to indicate.¹⁸⁷ What is missing is a common will to act. We submit this Report in the hopes that it offers, not only reasons to act, not only the means to proceed, but the clarity to do so. Our futures depend on our collective willingness to take action in ways that build trust, goodwill, and confidence in our democracies, our communities, and our fellow citizens.

As you close this Report, what shall *you* say to your fellow citizens? In particular, what shall you say to the Spanish youth who long for a thriving path forward – innovative, sustainable, and democratic?

¹⁸⁶ European Commission (2024) *Towards zero long-term unemployment in the EU: Job guarantees and other innovative approaches*. ESF+ Community of Practice on Employment, Education and Skills <https://www.esf.lt/data/public/uploads/2024/03/study-on-job-guarantees-initiatives-in-europe-2024-03-06.pdf>

¹⁸⁷ See survey data (Earth4All 2024), viz. Introduction.