7a. Fact Sheet – Spanish Sociedades Laborales

Employee financial participation (EFP) in Spain largely takes the form of Sociedades Laborales (Worker-Owned Companies). This concept is probably the only EFP scheme existing across the EU applying to **small and smallest companies**.

Legal form – Prerequisites to qualify as a SL

A Sociedad Laboral (SL) is a specific form of corporation in Spain, with no parallel in other EU countries. It is an inexpensive form of incorporation, majority-owned by its permanent employees:

- An SL may take the form of *Sociedades Anónimas Laborales* or SALs (Public SL) or *Sociedad Limitada Laboral* or SLL (Limited Liability SL);
- Permanent workers must own more than 50 per cent of company shares;
- The minimum number of working partners is two, but no partner may own more than 33 per cent of the company's stock (public organisations may own up to 49 per cent);
- Unlike co-operatives, it is based on share ownership and may to utilise non-employee capital;

Providing stable employment for their worker-owners, who control the company's directive bodies, they may be founded as SLs, or conventional companies may convert to this form.

Incidence of Sociedades Laborales in 2012

In 2012, there were a total of 13,465 worker-owned companies providing 74,438 jobs and representing 3.8 per cent of Spain's private sector firms with more than two employees.

- The preferred legal form is the SLL (Limited Liability SL), employing an average of 4.6 workers. During the past 12 years (1999-2011), the number of workers in SLLs increased by 161 per cent.
- The general trend followed by SLs mimics that of conventional firms. They face the same problems as other SMEs, mainly to become sufficiently competitive.

Economic Policy: Comparison with conventional firms

Despite the lack of sound fiscal incentives, SLs have flourished over the past 15 years.

- Compared to conventional firms, SLs have grown in greater numbers, yet recently their number has decreased though (as has the number of their conventional competitors).
- However, in many cases, they have converted to conventional firms (either by choice or by disqualification) often becoming „victims of their success“: They continue to exist with substantial employee ownership but do no longer qualify as SL, e.g., because the employee ownership rate drops below 50%. Between 1 January 2010 and 31 December 2012 in the Basque Registrar of SLs of 110 disqualifications 51 became conventional companies, i.e., 46.36% of which only 8 have closed down.
- SLs have demonstrated their ability to generate stable employment and endure over time. The survival rates are slightly higher than those of conventional companies: More than 50 per cent of SLs survive the first five years.
- SL must set up a *Special Reserve Fund* into which 10 per cent of their annual net profits are allocated. If tax benefits are being applied for, they must allocate 25 per cent of their annual net profits to this Fund.

Labour Market Policy: Reactivating the unemployed

The key reason for the success of SLL is that since 1985, unemployed persons can capitalise their unemployment benefits as a lump sum instead of monthly payments in order to start a new SL or to recapitalise an existing SL by joining.

- If one decides to create a new co-operative or worker-owned company by capitalising unemployment compensation, a viable business plan must be presented.
- The plan is then screened by a SL development program and scrutinised by the unemployment compensation system.
- The new business continues to be monitored for three years after its founding.

Organisations such as ASLE and CONFESAL have played a key role in the support and promotion of worker-owned companies in Spain.

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