SOCIAL DIALOGUE TO ENHANCE ECONOMIC DEMOCRACY IN THE FRAME OF THE 2020 STRATEGY AND NEW SKILLS FOR NEW JOBS AGENDA

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BACKGROUND

According to the Europe 2020 Strategy, local entrepreneurship and the creation and growth of SMEs can be supported by broadening access to financial resources (venture capital, operating credit, etc.) and helping their internationalisation. Retaining well-skilled workers is essential to boost the competitiveness of SMEs as well.

All that requires, on the one hand, additional skills and competences for people and on the other hand, greater coordination and pooling of resources available to be given regional/local community.

In particular where SMEs are concerned, coordination and pooling of resources, mobilized around common goals and innovation capacities, enhance investment efficiency.

European regions should be encouraged, more than in the past, to tap their human and financial resources for the best and todo so in a single strategy if they want their local economies to thrive.

Exchanging practices would shorten the delay for such improvements to be made available to local enterprises or potential entrepreneurs. This report continues the PROEFP work of exchanging information at transnational level. The cases reported this year, thanks to the SDEED project, shows the role of social partners in planning and triggering local development within the context of economic democracy. It considers practices where, in recent years, (bipartite or tripartite) social dialogue has focused its action on a twofold aim:

i. to invest in human capital and to supply local businesses with fresh financial resources.

ii. Social dialogue has shown to be reactive against difficulties generated by the on-going crisis, particularly when economic constraints negatively effect job levels.

Economic democracy here means encouraging employee share ownership, start-ups or innovative projects with the direct involvement of employees. In this context, employee financial participation is supposed to help companies to internationalise or to overcome temporary difficultiesor financial shortages when they have chances of recovery.

Italy, Spain, France and the UK have progressed in this direction. It is interesting to see how social dialogue and economic democracy work together to promote a more sustainable economy, even in a time of economic crisis.

The S-DEED project was designed to enhance the adaptation of social dialogue to changes in employment and work and related challenges (namely modernising the labour market, quality of work, anticipation, preparation and management of change and restructuring, and skills).

It emerges that a combination of social dialogue and EFP can reinforce the two pillars of sustainable growth of local economies: human capital and investment capital. As two pillars of a single structure they have to find their place in a frame of actions addressed mainly to SMEs and employees.

National reports offer a specific path of action for social partners to pursue the objectives of sustainable and inclusive growth. In these countries social dialogue social partners at different levels have offered a contribution to the completion of the single market, by supporting SMEs and preserving social cohesion.

In greater detail, the S-DEED project has shown that an enhanced capacity of social partners to handle EFP tools results in innovative solutions. Successful (bipartite or tripartite)social dialogue practices that have contributed to concrete solutions being offered to employees and enterprises within the context of economic democracy, are at the core of this report. Social dialogue and public authorities have shown to be more dynamic in managing change in a globalised economy.

In this way, the concept of economic democracy becomes more tangible.

This report is a background document for the final conference of the S-DEED project. It will be integrated with the contribution coming from participants in the final event. Its dissemination will help to further the work done so far.

UNITED KINGDOM

MyCSP Ltd - a civil service mutual joint-venture

Example of the first mutual joint venture to be 'spun off' from the UK state civil service. As the crisis continues, EU member governments, whatever their political colour, are desperate to reduce the cost of state service provision. The UK Coalition government announced its public sector mutuals programme in 2010, giving public sector employees a new right to form employee-owned co-operatives.

MyCSP Ltd, the first John Lewis style business created from a central government service was launched on April 30, 2012, by Francis Maude, Minister for the Cabinet Office. The company title stands for: 'My Civil Service Pension Ltd'

MyCSP Ltd's innovative mutual joint venture model has given 500 ex-state (civil service) employees a 25 percent ownership stake, representation at board level and a share in profits for running the civil service pensions scheme on behalf of 1.5 million 'fonctionnaires.'

During the course of its seven-year contract, MyCSP aims to cut costs for taxpayers, realizing annual savings of 50 percent by 2022, while improving the service, according to ministers.

The Equiniti Group's 'Paymaster' business, which operates a secure global business payments network, was announced as the winner of the government's tender competition to join the venture as the private sector partner, with a 40 percent ownership stake. The Government retains a 35 percent ownership stake, in order that taxpayers can benefit as the business grows in value.

Employee participation & social dialogue

Employees receive a share on joining the company, but have to forfeit that share when they leave. As is the case at the London based John Lewis department store, employees at MyCSP cannot buy or sell their shares. Instead, their shares are held in trust collectively for them by the Employee Benefit Trust (EBT), which had to be set up when the company was launched. All permanent MyCSP employees receive dividends on their shares each year, but the value of those dividends will vary, according to the level of the company's performance.

The workforce has elected representatives to the Employee-Partnership Council within the company and two members of this council have joined the board of the EBT. The Trustee company, along with a director appointed by MyCSP Ltd, sets the profit share policy and exercises all shareholder voting rights on behalf of the employee partners. Mark Lund, the former chief executive office of St. James's Place Capital, chairs the MyCSP Ltd Employee Partnership Trust, charged with protecting the employees' interests.

On the main board of MyCSP Ltd is a non-executive director appointed by the employees as owners, alongside the chairman, ceo, chief financial and two non-executive directors appointed by the other partner organisations.

But MyCSP employees were not able to directly elect their own representative to the shareholder board, admits company ceo Phil Bartlett - mainly because there was not enough time in which to set up an election, he claimed.

Initial planning was not helped when some pensions service employees went on strike over the plan to turn their organisation into a joint venture. The Public and Commercial Services union, which represents civil service staff, said that its members' biggest concern had been over the prospective changes to staff benefits as MyCSP left government, but Mr Bartlett said that civil service regulations meant that employees would still had the same terms and conditions of employment, and they had been protected on transfer. The union said that despite government claims that it wanted to give employees more say over their work, the decision to move them out of the civil service had been imposed without consulting staff, most of whom – the union claimed - would have preferred to have maintained their civil service status.

MyCSP employees did lose their civil service status and access to the pension scheme that they administer. Nevertheless, senior managers claimed that the new pension scheme was "broadly comparable" to that which the same employees used to enjoy within the civil service.

A crucial difference between MyCSP's scheme and the kind of mutualisation project earlier envisaged by the Cabinet Office is that, while Mr Maude talked of mutualisation as a way to empower staff and let them take control, frontline MyCSP staff hadn't pushed for such objectives while their employment status was being transferred out of government service. Perhaps they had other priorities, as there was no two or three year run-up period before this innovative company was created.

Maude had earlier pledged to create "A genuinely from the ground-up movement where staff, who are the real experts, can come together to take over and deliver better services. I know that across the UK there are literally thousands of frontline employees who can see how things can be done better – but at the moment, with the existing constraints, they just can't get it done."

Cross Political Party support

Former Labour cabinet minister, Lord Hutton of Furness, is the first chairman of MyCSP Ltd. He said: "Creating mutuals are a very exciting way for people on the front line of the public sector to take ownership and responsibility for the services they provide. They get a voice on the board and a share of any profits. I hope this model will lead to better performance and better value for the taxpayer" Lord Hutton has a leading role in the Government's plan to hand greater ownership, responsibility and power to the people running public services.

Mr Maude added: "We no longer face a choice between public services delivered by state monopoly and privatisation, which is why I am a passionate supporter of mutuals, which will help Britain grow a more diverse economy. As a mutual, MyCSP will deliver better services for its pension scheme members, major savings for the taxpayer and a real sense of ownership for employees over what they do.".

Childbase

An example of a formerly family-held UK private business, the ownership of which has been progressively transferred into the hands of employees

Childbase is the only employee-owned private nursery company in the United Kingdom after the founders established the 'Childbase All Employee Share Plan' almost 12 years ago when shares were valued at just 40 pence **(€0.48**) each. Today they are worth almost three times as much. The company started life more than 20 years ago with its first nursery in a village outside **Milton Keynes**, in central England. Childbase is committed to its ethos of: *"Putting people first to ensure they value the service provided to our parents and their children. "*

Childbase mission statement:

Following a set of principles linked to the Early Years Foundation Stage, our innovative learning through play programmes are designed to nurture each child's talents; support weaknesses and establish the path to formalised learning. A fully inclusive service, each nursery, and the company as a whole, is committed to respecting and celebrating ethnic heritage, social and economic backgrounds, gender and varying physical and learning abilities.

Childbase, which now has **1,304** employees, first declared its commitment to total employee ownership in 2001. This level of employee ownership in the company now stands at **64 per cent.** There have been some real changes recently with the previous owning family shareholders now committed to passing all their shares to a Trust, which is held for the benefit of current, and future, employees. Childbase will end up as a totally employee owned company – and the Articles (legal basis) of the company are being changed to accommodate that transition.

Childbase, which won the EducationInvestor ***'Nursery Group of the Year' 2011*** award, has 20 nurseries rated 'outstanding' and 18 rated 'good' - out of day 41 nurseries in total, which look after 4,500 children. The group took 13th place in the Sunday Times' '***100 best companies to work for'*** in the 2012 listings. More than 80 percent of staff are qualified for the care they provide, with programmes throughout the company from NVQ level II to Graduate Leaders and Early Years Professional Status. The opportunity for colleagues to experience care mechanisms in a wider field is also supported through trips abroad, including Sweden, Romania, Madrid, Italy and supporting 'Build Africa' through its charity work in Uganda.

Employee ownership in action:

The Childbase website says: "There are several reasons why shared ownership is good for everyone at Child Base. Firstly, a spread of ownership secures the company's long-term future. For instance, the company can only be sold to a third party if the majority of shareholders want it to be. Secondly, shared ownership is a great motivator to everyone to make the company a success – because that success is shared."

At Childbase the ethos is: '*We all contribute, we all benefit!*' Accordingly, Childbase provides a pay package aimed at rewarding committed staff. This includes employee share ownership on an optional basis.

Childbase 'Partnership Councillors' (senior employees) promote employee ownership at company and mursery level through regular meetings with staff. Councillors are expected to canvas views from their colleagues and to accurately represent staff views. Councillors make very important decisions on behalf of their colleagues which includes the staff bonus, reduction of hours strategy, come up with new policies and assist with their implementation - e.g. hardship fund

Employees are given the option of saving to purchase shares through a tax –advantaged ***Save As You Earn*** Sharesave Scheme (see e-references). From the outset, employee participants in the SAYE scheme are awarded share options in their company Childbase at a discount to their real value, but employees are not forced to join such schemes, as participation is *voluntary*. The options mature after three years, at which point the participating employees decide whether they want to turn these options into shares. If the market value of the options is by then higher than the price at which they were awarded, the employee option holders will convert them into shares, which they can either keep, or sell at a profit.

In addition, staff at each nursery have been encouraged to acquire shares in the venture, through another tax-advantaged employee share scheme, the ***Share Incentive Plan*** – (see e-references) initially on a 'buy one, get one free' basis, but most recently on a three-for-one basis. These BOGOF (Buy One and Get One Free) offers cover participating employees against loss, if the share price of the company goes down instead of up.

Childbase organises share dealing days twice a year, in May and November, when shares can be bought or sold at the value set by the company's accountants.

Childbase includes elected representatives of rank-and-file employees on the board of the company's Employee Benefit Trust (EBT). Employees can either hold their own shares or own them collectively within the Trust. As shareholders, employees can formally hold the management board to account annually and help shape the business at a strategic level.

In 2010 Childbase recorded pre-tax profits of £2.7m **(€3,24**m) on a turnover of £27.7m **(€ 33,24m**). Dividends have doubled in value over the past six years. The company claims that its pay rates are among the highest in the child care sector. Average staff pay at end 2010 was £17,151 **(€20,588**) per annum.

Childbase's profits have provided a mechanism for the company (via the Employee Benefit Trust) to buy out some of the existing shareholders, including part of the Thompson family's own holding, an arrangement which Mike says offers investors a fair and equitable exit route.

In addition to running bonus and share schemes, Childbase operates a number of internal awards that recognise outstanding employee achievers - like a nursery cook who received a cheque for £10,000 for his exemplary work attendance record.

Childbase claims that co-owned businesses are:

- more sustainable
- more accountable
- reduce absenteeism
- increase productivity.

- The guiding light (motive force):

Mike Thompson, chief executive (ceo) of the Childbase Partnership, chose the employee share ownership route partly because his father was Sir Peter Thompson - ex ceo of the former state-owned National Freight Corporation, which privatised itself many years ago. This is the psychological key to what happened at Childbase.

Mr Thompson said: 'Many of the most severe problems afflicting our economy today stem from failures of private sector ownership. When people receive the share certificate they think, well, OK, but when the dividend cheque arrives they love it. The educational process about employee ownership is tough, very hard work, but at the end of the process we'll get where we want to be."

He called for legislation to provide a single route to employee-ownership, improved tax treatment for employee shareholders and better access to bank lending for co-owned firms. The UK government has since announced legislative plans to help bring about more employee ownership.

Endorsements:

Carol Fisher, directors' support and partnership councillor, said: *"As an employee owner of Childbase, I thank you for recognising the fact that our company is extraordinary. We share everything from decision- making to profits so we really do deserve this award"* She was collecting the '***Employee Ownership Champion Award'***, which recognises the contribution that partnership councillors have made in supporting and promoting employee ownership. The conference, at which this award was made, attracted 300 delegates from UK businesses; some already employee owners and others thinking about the process. At a briefing following the awards ceremony, Herman Kok, finance director at construction company Lindum Group, praised the passion and enthusiasm of the Childbase delegation.

Mike Thompson added: "At the core of the business are the people with whom we work and the values they bring to the organisation. Our commitment to our colleagues is hopefully endorsed by our national achievements through the Times top 100 Companies to work for and our four National Training Awards." The approach to care within the nurseries, and the focus on individuals through training, has helped the company to achieve the highest 'Outstanding' outcomes awarded by the government educational standards agency, OFSTED (Office For Standards in Education)

Employee owner Miranda Oliver, of Mulberry Day Nursery in Maidenhead, Berkshire, said, 'It is times like this when you realise Childbase has a very different approach. Working together and listening to each other makes sense, so it is difficult to understand why people think this is a new idea.'

Childbase launched a report at the House of Commons (Parliament) in March 2012 entitled: *'All of Our Business: Why Britain needs more private sector employee ownership'*. Deputy Prime Minister, Nick Clegg, endorsed this report and gave his support to Childbase's call for action. The then Employment Minister, Norman Lamb, described the economic case for employee ownership as *"Overwhelming."*

Lessons learned:

The Childbase experience demonstrates the key role played by an individual small or medium size company (SME) owner, or a group of individual owners, in organising the transition of a privately-owned company into an employee-owned company. In short, the process depends upon the **goodwill** of SME owners. Therefore, it is crucial that more small business owners are made aware of the employee ownership and employee share ownership concepts and processes, particularly in the context of business succession. The Esop Centre calls for an EU budget line to be opened in order that a major EFP promotional '***Hearts & Minds'*** campaign can be launched in member states at ground level in the workplace. Thousands of SMEs in the EU could be saved from liquidation if the employee ownership and employee financial participation processes were introduced to permit reluctant or retiring owners to sell their long-term equity stakes to their employees in a dignified exit. Furthermore, the use of EFP plans in business succession events helps keep businesses in their regional bases and stops jobs from being de-localised.

E- references

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Present & Future prospects

In its business remit, MyCSP Ltd also estimates, calculates and pays compensation for redundancy programmes, and administers, pay and validates occupational injury benefit schemes for Government employers.

Seven weeks after being spun out of central Government, Leeds based MyCSP Ltd took on 15 new contracts, ceo Mr Bartlett announced. A range of public service providers, including the House of Lords, the Food Standards Agency, and the Electoral Commission, had all chosen this new mutual – MyCSP - to administer their employees' pension schemes.

A gradual fall in staff numbers at My CSP looks inevitable. At a recent Whitehall conference, 84 percent of the senior civil servants present said that they supported the concept of creating mutual businesses from state provided services. However, 82 percent of the same civil servants said that they feared that the creation of mutuals would involve job losses.

A London Pensions Fund Authority report suggested that an approach similar to MyCSP's shared administration services should be mirrored across the local government pension scheme, which suggests that MyCSP may pick up a lot of new business in the years ahead.

Equiniti's managing director Paul Bingham acknowledged that the decision to pitch for the partnership was not an easy one, particularly as his company would not own a controlling share: "There is a risk that we could be shooting ourselves in the foot by creating a new competitor in the pensions marketplace," he said, adding that the mutual model was a trail-blazing idea.

Development of the mutual and co-operative models

Coalition ministers want to turn libraries, nurseries, adult social care services and other parts of the UK public sector into co-operatives, similar to buildings societies and the John Lewis Partnership, the iconic retailer where all staff own a stake in the business.

Lord Hutton said the mutualisation was an important enhancement of public services."With the launch of MyCSP, we have the opportunity to begin the development of a new approach to delivering services, which can bring together the very best of the private and the public sector. Such innovations are vital to protecting frontline services while helping to bring public spending back under control. Research shows that competitively tendering public services typically produces between ten and 30 percent savings, while maintaining or improving standards. Pioneering better business models, such as the mutual joint venture, are critical to keeping the UK's public service industry ahead of global competition."

He forecast that growing demand for public services in economies such as China, India and Brazil, would create significant new opportunities in this new market for consultancies.

MyCSP Ltd is the first UK central government mutual but many already operate successfully in the wider public sector. More than £1bn per year worth of health *services (see CHS case study)* is already provided by mutuals, typically local health trusts, each year in the UK.

Evidence suggests that employee ownership can boost productivity by up to 19 percent. John Lewis, one of Britain's best-known mutuals, continually tops customer satisfaction polls and suffers only half the level of average staff turnover and sickness absence generally found in the retail sector.

Lessons learned

In commercial terms**,** the MyCSP spin-off from the government owned civil service is already a success. It has been a liberating experience for the new mutually-owned entity. MyCSP's tripartite ownership - government, employees and private sector – is a useful model for managing a system of checks and balances in power-sharing. From the government's perspective, the spin-off is a success because the civil service pensions department has been removed from the state's books, reducing the burden on taxpayers.

However, the social dialogue process during the transition was not as extensive, nor as profound as it should have been. Future spin-offs from the UK state sector must carry the overwhelming majority of employees and their representatives with them – both in spirit and in reality – for example, through the creation of durable democratic internal decision-making structures.

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SPAIN

Social dialogue in the context of worker-owned enterprises

EFP Single Model: worker-owned enterprise

Currently in Spain, the company owned by the workers is basically regulated by means of the Worker-owned Enterprise Act, along with the different Cooperative Acts.

Specifically, the worker-owned enterprise [Sociedad Laboral], which initially dates back to the oil crisis at the end of the 1970s and the early 1980s, is a legal status unparalleled in other countries of the European Union, which has proven to be an economically and socially successful business model and a fundamental tool to create employment in the long run.

The worker-owned enterprise is a company mainly owned by its workers which, unlike cooperative companies, is based on the capital distributed in shares or shareholding stakes; and therefore, as the majority of the equity capital is held by the people who work in the company, the worker-owned enterprise is presented as the optimum of the EFP, comprehensively putting into practice the merits of participation.

As part of the "Social Economy", the worker-owned enterprises share with their counterparts characteristics such as the search for the balance between people and capital, promoting internal solidarity and with the company, distribution of the profits among the worker partners, along with a democratic organisation. Those characteristics directly impact the individual and foster among the workforce values such as transparency, commitment, cooperation, trust, social cohesion or participation.

However, the worker-owned enterprise, as people companies for people, compete on the market on an equal footing with conventional companies, and despite aiming to maximise profit, they use capital as a means and not as an end in itself.

Social dialogue in the context of worker-owned enterprise

The worker-owned enterprise, a working-life project

The worker-owned enterprise is a working-life project open to society so that the people who believe in and accept their principles can fulfil themselves by means of working based on cooperation. Its main objective is to establish itself as a means to enable the greatest number of people to have a different working life project, which is not speculative but based on co-operation

In this context, as the Worker-owned project is not speculative, the agreements the partners may agree and regulate that, regardless of what the worker-owned enterprise Act lays down, to guarantee the sustainability and the smooth running of the worker-owned enterprise are of vital importance.

One of the great problems that the partners of the worker-owned enterprises usually come up across consists of valuing the share/shareholding stake and its place in the generational handover within the organisation. If the value is high, it is difficult to bring new worker partners into the company as the purchase of the shares/shareholding stakes is not affordable; and the partners who stop working for the company for different reasons do not find a purchaser for their stake in the capital.

In order to be able meet both the interests of the people who wish to join the business project and those of the partners who end their employment relationship, along with those of the company that seeks to achieve perpetuity by means of internal generational handover processes, a mercantile document known as the "Deed of Partnership" [Contrato de Sociedad] has been prepared and based on consensus among the partners regulates aspects such as:

The objective criteria to facilitate the incorporation of new worker partners.

Formalities involving the shares/shareholding stakes at the time of terminating the employment relationship of the worker partner.

In this context, a serious and sustained policy regarding the distribution of profits among the partners lined to the value given to the share/shareholding stake becomes even more important. This aspect is also regulated in the Deed of Partnership.

Obviously, the value of the share/shareholding stake is not generally linked to the book value. However, it is fundamental to facilitate the worker-owned enterprise as a working-life project.

Therefore, the Deed of Partnership of the worker-owned enterprise is the result of a collective agreement among its workers, that basically seeks to ensure the company survives for the following generations, far from speculative criteria and where the company equity is for the future and current partners that join as new ones or to replace the old ones, thus guaranteeing the continuity of the company as a worker-owned enterprise.

Representatives of the workers in the worker-owned enterprises

The worker-owned enterprise is a paradigmatic model of EFP. It is a company managed by the people who work in them. The stake in the ownership and therefore in the management could undermine the function of the bodies representing the workers in worker-owned enterprises.

The traditional clash between owner and worker does not exist and therefore the paradigm in the worker-owned enterprises on which trade union rights are based, which is none other than defending the workers, the weak party, against the employer-owners, the strong party, has to adapt to this scenario by searching for different areas of collaboration and consensus.

And that is the case because, despite what the current Worker-owned Enterprise Act states, the worker-partner is not a "standard" worker or a "standard" entrepreneur. The current legislation creates two parallel status, worker on the one hand, partner on the other hand and, sometimes, what hinders the worker benefits the company and vice versa.

That is why it is of vital importance in worker-owned enterprises to search for meeting points, which are different and complementary to those of conventional companies, which enable the representatives of the workers to dialogue with the representatives of the companies and establish the foundations for joint growth of the workers and of the companies.

The management board in worker-owned enterprises

One of the virtues of the worker-owned enterprises lies in that its own workers make up the decision-making bodies of the companies and that results differentiating characteristics for this company model that are presented as keys for success, as:

It consolidates the degree of commitment of the workers to the business project.

It generates trust between the decision-making bodies and management.

It allows the directors to acquire greater business knowledge and to make better-informed decisions.

They will weigh up the different options to put collective interests before individual ones.

It is used to classify the duties of the directors and their role as such.

In those companies where the decision-taking bodies function correctly, the agreements adopted within that body will only help to strengthen the company as a sustainable and profitable business unit and as a life project through a worker-owned enterprise.

The decision-taking body in this type of company frequently grants broad powers to one or several people so that it can carry out its functions. Furthermore, it is fundamental that there is mutual trust and a relationship of permanent cooperation between these two figures. Given that interferences occur between both figures, Internal Regulations should be produced that, among other issues, clarify and specify the functions and competences of each body and regulates the relations between them.

ASLE - CONFESAL

There is no question regarding the key work over the last decades by the different support entities for the Spanish worker-owned enterprises to promote, develop and consolidate the worker-owned enterprises, by acting as representatives of the companies and establishing communication , consultation and negotiation relations with the Government, different Public

Institutions, Employers' Organisations and Trade Unions on matters of common interest. In short, fostering true "Social Dialogue".

The Spanish Business Confederation of Worker-owned Enterprises (CONFESAL) is a non-profit organisation that represents all the worker-owned enterprises for the Spanish State as a whole. It is made up of 17 members (which represent their respective Autonomous Regions).

Its fundamental mission is to foster the creation of worker-owned enterprises and act as an intermediary between the Government, socio-economic stakeholders and private and public entities. CONFESAL is a founding member of the Spanish Business Confederation for the Social Economy (CEPES), which represents the interests of all the legal statuses that make up the Social Economy, including the Worker-owned Enterprises.

It should be pointed out that CONFESAL, as the result of its commitment to social dialogue and the impetus given to its institutional relations with the social and economic stakeholders, has signed cooperation agreements with the main Spanish trade unions, UGT and CC.OO. These agreements seek to disseminate the self-management business model that includes the worker-owned companies, better training for the workers, compliance of the prevention of occupational risks and international cooperation. Clauses have also been added to foster equality values in the company, to promote the women belonging to worker-owned enterprises, along with unemployed women with entrepreneurial drive, and cooperation in the application of Corporate Social Responsibility criteria.

Apart from this umbrella entity, there are other territorial organisations that apart from supporting the Worker-owned Enterprises and encouraging their setting up, contribute services with high value added. Specifically, the Association of Worker-owned Enterprises of the Basque Country (ASLE), in addition to driving the setting up of companies with the legal status of Worker-owned Enterprises and providing them with integral advisory services, offers services such as management support, training, strategic, management or feasibility plans, accounting advisory services, information on subsidy programmes, etc.

The activities run from CONFESAL, and from the territorial associations such as ASLE, have played a key role in the consolidation of a single company model and which is capable of responding to the generational handover, restructuring or entrepreneurial processes

Special case study of support to participatory culture: Gipuzkoa provincial council.

When developing policies that foster the financial participation of the workers in the companies, CONFESAL-ASLE have found a great ally in the Department for Innovation, Rural Development and Tourism of Gipuzkoa Provincial Council. Apart from working together to develop tools to enable participation and guarantee their success, ASLE and the Provincial Council have worked together on different initiatives, as well as on different participatory projects.

Based on European reflections, along with those shared ones (public-private, and inter-institutional and social) in the Basque Autonomous Community itself regarding those major approaches to ensure great social-economic feasibility in the so-called knowledge economy, the Department for Innovation, Rural Development and Tourism of Gipuzkoa Provincial Council embarked on a strategic reflection process that became known as GIPUZKOA 2020, and which turns Gipuzkoa into a European project, in other words, into a territory that seeks to develop a society with a knowledge-based economy that is more competitive and dynamic, capable of growing economically in a sustainable way with more and better jobs and with greater social cohesion.

All these concepts are aimed at a new form of public intervention aimed at broadly fostering the participation and the co-responsibility of all the stakeholders that are affected by the public intervention/own action.

This all means that this Public Institution is committed to a territory that seeks to include environmental and social consideration in its economic decisions. A territory that aims to share a value model and participatory method in the decision-taking process along with encouraging good practices and permanent interaction among the interested parties, in order to foster innovation, competitiveness, sustainability and social cohesion.

A Territory that is committed to sustainability by proactively addressing its environmental, social and economic challenges, by means of collaborative strategies and multilateral commitment, with efficient solutions that create value for all the parties, by managing their own intangible and tangible assets and aligning them towards a sustainable vision of the territory.

Therefore, Gipuzkoa Provincial Council is implementing an active policy to support the setting up of business experiences based on worker participation in the areas of management, decision-taking, capital and the results. It is also driving the development of pilot experiences that focus on new people-based organisation forms.

And it should here be stressed that all the measures that they implement are only possible thanks to a participatory process involving the commitment of business association, including ASLE-CONFESAL, Universities, Technology Centres, Regional Development Agencies, Innovation Agencies; Social Initiative and nearly 100 companies. Along with other departments such as the Treasury and Finances within Gipuzkoa Provincial Department itself.

Driven by its total conviction, this public entity continues to focus on fostering innovation in the organisational models of the companies. By fostering participation and co-responsibility of people in their running. In other words, by fostering and driving the internal talent of the organisations, their creativity. And, on the other hand, by fostering innovation.

ITALY

Lights and shadows in recent developments of Employee Financial Participation in Italy

1. Lights….

Recent developments in the implementation of EFP in Italy reflect the main features of the Italian industrial relation system.

If EFP is a large suitcase with several instruments therein, such instruments can be of use for helping employees and companies in identifying mutual interests. Collective bargaining can transform these mutual interests into long-standing agreements. That is why EFP tools are generally framed in collective agreements and why the lawmakers tend to create conditions for collective bargaining to make greater use of EFP but not imposing it. However, EFP has progressed in Italy in recent years yet in a stop-and-go process that has hampered the setting up of a comprehensive legal and policy framework.

In Italy, gain and profit-sharing has featured in collective bargaining platforms for three decades. However, it has only become central in pinpointing a new system of labour relations during the economic crisis. Collective bargaining reforms, dated 2008 and 2011, are radically changing the wage formation system. Trade unions and employers have accepted a further decentralisation of collective bargaining aimed at better suiting the specific needs of individual companies. Productivity gains are now largely settled in company-based collective agreements. But we all know that unions have a major interest in ensuring equality among workers, thus pursuing a more balanced distribution of wealth. So, at the peak of the Italian recession, when agreeing to collective bargaining being decentralised, they demanded and won counterbalance factors: one is a favourable tax system for the amounts paid under profit/gain sharing schemes (fairer distribution of wealth). A second factor is greater involvement of employees in company management and particularly as regards obtaining information, and being consulted on strategic corporate decisions and to ensure transparency of strategic decisions.

The aforementioned reforms have also encouraged trade unions to review their strategies and structures. Trade unions have first shifted power and resources to the periphery. They believe this will offer a greater likelihood of governing processes within the company or in smaller territories. The central offices will negotiate the sector national agreement and will coordinate decentralised negotiations.

In CISL, the coordination of collective bargaining includes a larger and more sophisticated monitoring of negotiations. The OCSEL database currently contains 2,360 thousand agreements signed in the framework of the national sector agreements (second level negotiations) between 2009 and 2011. Half of the censused agreements add a variable component on top of the salary paid to the employee in framework of the sector national collective agreement.

Around1600 agreements implement a diversified range of gain/profit sharing schemes. In these agreements, the parties have decided to opt for labour performance-based incentives in 48% of the cases and company-performance targets in 28% of the cases. In 8% of the cases, the awarding schemes refer to both performance of labour and business profitability. The amount paid under the scheme is distributed in equal parts among all employees in half of the cases. It happens more frequently in operations with a less specialised workforce. In the remaining cases, the schemes award groups or workers, teams or individuals on the basis of their performances or professional skills.

Observance shows that social partners are able to elaborate sophisticated indexes to calculate their performance-related remuneration schemes. It also implies a greater capacity to master the business. The search for competitiveness remains a top priority while granting employees their share of 'success' normally measured in gains in productivity and profitability of the business.

The number of agreements dealing with EFP is lower in companies with less than 250 employees. But it is physiological. Nonetheless SMEs represent 99% of the Italian companies and half of the employed population. When company-based bargaining is not possible or not efficient, the new collective bargaining structure gives a greater role to multiemployer negotiations (in a given area, industrial district or territory) to achieve a greater coverage of SMEs. About 100 agreements concluded at territorial level introduce profit and gain sharing schemes for all SMEs of the region. Most of them cover the SMEs of a specific sector in a given territory.

These agreements are too recent to allow a reliable assessment of how many SMEs actually apply the territorial agreement and how many employees in SMEs actually benefit from a surplus of salary coming from the application of a profit-gain sharing schemes. Anecdotic evidences show that, thanks to the reforms introduced in 2008 and 2011, this number is increasing. It is also thanks to the fact that the Italian Government has complied with its undertaking to ensure tax breaks for amounts paid under an award scheme agreed in company/territorial collective agreements. In 2013, the Government has allocated 950 million euro to apply a flat rate of 10% on remuneration received under a profit/gain sharing scheme for employees whose global gross income does not exceed 40,000 euro. It should be noted that the benefit is accessible to the largest part of employees even though it taps some few hundred euros per year. It is not a great deal but it reverses a trend of tough austerity and soaring fiscal pressure on all labour income sources.

The entire collective bargaining reform has been a reaction to the disruptive impact of the financial crisis on the Italian economy. The first years of the reform have taken place during a pronounced fall in the GDP and with a persistent negative economic outlook for the Country.

It is easy to predict that the first aggregate figures on payments delivered under such schemes, when available, will show limited benefit gains for employees. During the last three years, the second-level collective bargaining was mostly driven by crisis restructuring, retraining the workforce, increased work mobility and flexibilisation of the labour market. Nonetheless, the focus on flexible components of remuneration has pushed social partners to enrich the analysis and quantify the economic and social effects of the company strategies. It is assumed that EFP schemes will survive the contingencies and will trigger a stronger distributive impact when the economy recovers.

This approach has been confirmed in the recent interprofessional agreement setting Guidelines to Enhance Productivity and Competitiveness in Italy, signed by all social partners (except CGIL) on the 16 November 2012. In Chapter 4 on Employee participation, parties undertake to start talks to encourage employee share ownership.

This measure deserves a few words of explanation. In June 2012, the Italian Parliament, when adopting a controversial reform of the labour market, decided that it was time to introduce a legal framework to encourage employee participation in company governance, including forms of employee involvement in equity capital of companies. The Parliament therefore gave a mandate and a 9-month period to the Government to issue a Governmental Decree.

The requirements which the Government had to put into law included a balanced mix of measures enhancing information for and consultation of employees, employee involvement in corporate governance including the presence of employee representatives on the supervisory board, when existing and employee share ownership. Collective aspects of employee share ownership had to be privileged with the specific aim of providing employees with greater chances of influencing the General Assembly or of achieving the appointment of a representative of employee-shareholder representatives on the company boards.

The parliamentary legislation would have been worthy of further analysis if a deadlock had not been reached due to the premature end of the Government at the very beginning of this year (2013) (to the great joy of some of the social partners which considered the Parliament's initiative as interfering with the autonomy of the social partners).

The above-mentioned interprofessional agreement signed in June 2012 confirmed that the way opened up by the Italian Parliament was now going nowhere and put the ball back in the hands of the social partners. The future of the agreement - and the undertaking to start talks on employee share ownership - relies on the results of the forthcoming national elections and the coalition that will rule the Country for the following 5 years.

A few words must also be dedicated to the SMEs. Around 360,000 companies closed down in 2012 (as many as have been created). In the last two years, SMEs have been hit by the credit crunch and the drop in internal demand. Employment in SMEs has declined fast and the outlook is negative.

The optimistic view goes that the crisis should have imposed a natural selection creating conditions for the survival of more competitive companies. This selective process should lead to greater sustainable growth once the economy recovers.

Support for SMEs is thus at the core of the recent Decree for Economic Development issued by the Italian Government in the autumn of 2012.

The Government Decree entitled Growth 2.0 introduces the legal entity known as the Innovative Start-Up. It seeks to apply the undertakings in the EU2020 Strategy. The legal features of the Innovative Start-up entity reflects the recurrent features of the economic concept of a start-up where innovation is linked to certain criteria including that at least a third of the workforce is composed of highly qualified employees with a doctorate, a PHD or university degree with at least three years of experience in the field of advanced scientific research.

Some derogations in company law make it easier for Innovative Start-Ups to transmit rates of the equity capital to their employees.

Any type of security issued by the Innovative Start-Ups used to remunerate employees are exempt from taxation and any other social contributions linked to taxable income. The capacity of the employees to be involved in their own company is also encouraged by a provision ensuring tax benefits for three consecutive years for those who invest in an innovative start up.

In a nut shell, the Italian legislator combines three key words that stand as three strategic factors for economic strength: innovation, human capital and employee participation.

2. …Shadows

The economic crisis has amplified some structural weakness of the Italian economy. The Italian giants are being handed over to foreign hands without a clear-cut strategy in place to preserve the industrial fabric of the Country. It would be enough to mention the recent acquisitions of Bulgari by LVHM, Parmalat by Lactalis, the Alitalia/Airfrance affair, Fiat Industrial who transferred its head office to the Netherlands merging with Cnh, Fiat Automotive with the fate of its "Italianism" being uncertain once the merger with Chrysler is complete, and the disposal of higher technological branches of Finmeccanica to foreigners, just to mention few.

In many of these cases, EFP instruments would have helped to keep (part of) the control of these important global players in Italy in a social economy logic but well anchored to market dynamics.

However, Italy still needs to progress in term of industrial policy and corporate governance transparency. Let us start with the latter. Scandals that are genuinely due to poor governance rules and a guilty connivance of the political and financial *elites* are routine in detriment to the prerogatives of savers and to the great outrage of the public opinion. Only in 2012, financial scandals (such as FonSai, Banca Popolare di Milano and Monte deiPaschi di Siena) dramatically hit the credibility of the Italian financial institutions and yet employees, minority shareholders and other stakeholders are paying the bill.

Industrial policies cannot be credible if a fair balance of powers in corporations is not correctly restored. Recent events make short-comings company law and corporate governance rules evident. In the Parmalat case, politicians manipulated the basic market rules in an awkward attempt to take the right stance regarding the abundant cash reserves stored in the dairy company. The Alitalia affair shows the intricate knots entangling the business elite with the political world, which borders on blackmail.

The MPS case, the oldest bank player of the Country, has followed on the Italian bank system being devastated only a few years ago by a large scandal involving the head of the Italian national bank, Bancad'Italia.

It is well known that a well-regulated and largely applied employee share ownership can mitigate the effects of these disruptions or prevent them from happening. It should also be pointed out that employee share ownership may be ineffective or highly risky for employees if the corporate governance environment in Italy remains weak. An employee-owned bank, BPM, has not been saved from the effects of the connivance between financial institutions and political parties.

An Italian TV programme, recently presented three cases of companies at risk of closure. Politicians were there called upon to give solutions to the employees keen to save their jobs.

The first one was a US based multinational company producing high-tech IT communication devices and which wanted to delocalised its Italian branch. The employees boasted a highly professional workforce and considered the closure unjustified because of the profitability of the Italian operations. The second case concerned a company whose troubles were due to bad financial management of the business as the brand was well known and appreciated worldwide. The third case was of a company producing buses for local transport, whose problem was a lack of competitiveness on the international market and an excessive dependence on public tendering (in time of austerity).

Thanks to these cases, candidates standing at the forthcoming elections were confronted with three of the most recurrent dysfunctions of the Italian economy: little negotiation power with multinationals, lack of global competitiveness, poor corporate governance and the impact of the austerity measures on internal demand. Except for the bus-manufacturer, there was general consensus regarding the fact that two companies had their business potential untouched. It is significant that employee-buy-out or other forms of employee involvement were not even considered as an option to safeguard both businesses and jobs.

On the contrary, politicians invited employees to hope for the intervention of a 'serious' new investor. No hints of policies for development, pooling resources or for safeguarding the workforce. Why should they long for a 'business angel' or the 'white night'? Why not try to help employees to become holders of their own destiny?

In Italy, cases like these are routine. EFP is strongly featured on the agenda of political and economic players but barely considered as strategic option for companies. It also happens when strategic assets of the Italian economy are at stake. The cases of Alitalia and Parmalat are overwhelming.

In the Parmalat case, the company was retaining a large amount of liquidity. Threaten by a hostile takeover bid from a French company (Lactalis), a misplaced intervention of politicians paved the way for the controversial offer of the French-owned company Lactalis to be successful. In that case, politicians also showed greater interest in the liquidity embodied in Parmalat rather than in the future of the company itself. On the contrary, the available liquidity and the cash-flow potentials were ideal for a defensive strategy involving employees in the company equity.

When the state-owned Alitalia was on the edge of bankruptcy, AirFrance was ready to take over the business with all its debts. Yet the electoral interest of some political forces, that would have won the approaching election, was to keep Alitalia 'Italian' at all costs. The Government decided to discharge liabilities on the State budget (at the expense of taxpayers) and to offer a group of Italian investors a new-co clean up of structural liabilities. After a few months, it emerged that Italian investors had been more or less blackmailed (all of them had a stake in retaining the good will of the Government to protect their actual businesses) and did not hold a real interest in the carrier and its business. Today, the Italian carrier suffers from evident problems of profitability and its future is uncertain again. AirFrance controls one third of the capital without having paid any extra price for its influential position in Alitalia and is now in the position to extract its own profits having a privileged position in providing Alitalia with different kind of services.

Why has this operation, paid for by all citizens, not involved employees in the ownership? AirFrance was familiar with its schemes and the employees would have represented a counterbalance in the company governance and a link with the Italian territory. A lost opportunity again.

We could carry on raising many other cases. In Italy hundred thousand companies die every year. A wave of privatisation will bring a wide range of fundamental services in the private market area. But EFP is largely debated but not sufficiently mainstreamed to make it a permanent policy option.

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<u>FRANCE</u>

The Interprofessional Agreement for Competitiveness and Employment in France

In 2013, France has adopted a union agreement for a new social and economic model to enhance the competitiveness of companies and safeguard employment and the professional careers of the workers.

The negotiation has been instigated by the French Government with the promise of bringing into law those parts required to make the agreement operational.

Essentially, the agreement featured here has been signed by three trade union organisations: CFDT, CFTC, CFE-CGC. The two organisations that have not signed are the CGT and FO-CGT (in particular, CGT together with CFDT, is considered to be the most representative)

Pursuant to current regulations, the agreement is valid if it is signed by at least three representative organisations.

The contents of the agreement

The agreement is divided into five parts:

The first part refers to the creating of new rights for the workers in order to ensure their professional careers. The second part refers to the involvement of the workers in the prospects and strategies of the company in order to consolidate management of job forecasts and competences. The third refers to the resources granted to the companies to overcome short-term economic problems to preserve the levels of obligation. The fourth refers to promoting employment levels by adapting the type of work contract to the economic activity of the company. The fifth part rationalises judicial and litigation proceedings.

The order of the 5 headings adds a systematic value added to understanding the text and the willingness of the signing parties. For example, it is significant that the consolidating of the participation rights includes the instruments for anticipating change and proceeds to individualise the innovative instruments to overcome business crises. Our attention is focused on the aforementioned points.

THE NEW RIGHTS

As regards the new rights, the agreement is based on mutualist instruments and individual rights aimed at integrating the welfare state into a logical division of the objectives and co-management of the instruments.

This is the case of the funds for the complementary and universal coverage of health costs up to 100% of the costs. Unemployment benefit is then reinforced and the worker is offered resources not taken during a period not in work for a possible subsequent period of unemployment (known as rechargeable rights for unemployment insurance).

The institution of the personal training account is of interest for the purposes of the SDEED project. This account envisages accumulating 20 training hours per year to thus increase the workers' professionalism or job capacity. This is added to the individual training leave that, on the other hand, is mainly available for workers under 30 years old on a temporary contract.

The right of the worker is also introduced to exercise voluntary mobility to increase their professional skills or to change jobs, this right, that the worker can execute, envisages the possibility of working with another employer, on the basis of the employment relationship with the original employer being suspended. The agreement seeks to protect the choice of the worker to return to the original employer at the end of the period or to continue with the new employer.

Provided that it is in the sphere of training or job seeking, the parties agree on individual measures to incentivise

- access to professional retraining contracts (*contrat de sécurisation professionelle*), aimed at involving workers potentially made redundant in training plans to find a new job or to start a business as entrepreneurs.

- Or to consolidate the role of the bilateral entities for training, laid down by preceding confederate agreements, by fostering the supply-demand encounter with operational preparation schemes for employment.

The capital on the rights also considers social construction, envisaging public investments to the tune of 500 million euros, during the 2013-2015 three-year period, with the emphasis on the most underprivileged sectors of the work market.

Participation

The Second Heading refers to the involvement of the workers in the decision-taking processes of the company. These measures precede the innovations in managing the restructurings as they are based on the premise that the companies must not hide any of the problems that may emerge from the workforce as a result of the strategic decisions of the company. On the other hand, the involvement of the workers consists of having the necessary time to individualise solutions to guarantee job monitoring itineraries or job opportunities for the workers involved.

Then a rationalisation is envisaged of the documents that have to be facilitated to the different workers representatives that are entitled to information and consultation. It is therefore envisaged to prepare a document covering three years regarding the prospects of the company and the decisions to be adopted. The agreements individualises the minimum contents that can be expanded by means of business negotiation.

The agreement envisages a journey in four stages where **a)** the information is clear and exhaustive (it refers to a pedagogic presentation of the information) in order to enable **b)** a debate that results in **c)** the workers issuing an opinion which must be followed by a **d)** grounded response by the employer. The opinion of the workers will be notified to the board of directors which has to adopt a position in that respect. The position of the board of directors will be notified to the representatives of the workers.

The measure will be applied to all the companies, with the sole proviso that the coming into force for companies with less than 300 workers will be delayed by one year with respect to companies with more than 300 workers.

Furthermore, during 26 months, the agreement will extend the right of the workers to be represented on the supervisory or board of directors to all companies with over 5000 workers in France or 10,000 in the world. The workers' representatives will be: 1 in the centres with less than 12 directors and 2 in the centres with more than 12 directors

The directors chosen by the workers will have the same standing as the other directors, including the conditions of discretion, and their position will be incompatible with being a member of the workers' committee, of the health and safety committee and with being a worker and trade union delegate. The appointment methods will be ratified by the general assembly.

Consolidating the involvement of the workers should, according to the intentions of the parties, foster the activation of an instrument that is barely used by the companies, the framework agreement to manage the provision regarding employment, competences and the training plans introduced by recent legislation. These programmatic agreements should also consider the position of the economically dependent companies (e.g. the sub-suppliers). In those cases, the economically dependent companies shall be involved in defining the framework agreement in order to anticipate the effects of the choices of the purchaser itself.

For the SMEs (Small and Medium-sized Companies), social dialogue creating information and consultations is positioned in regard to formulating business development strategies that will be related to the training and professional development of the workers.

The parties will consider that the reinforced transparency of the social dialogue and decision-taking processes should facilitate agreement for the geographical and internal mobility of the workforce. That mobility, which is voluntary and guided by trade union agreement should combine efficient organisation with the professional improvement of the workers. Non-adherence to a mobility programme, which is voluntary for the worker, can never justify redundancy for economic reasons.

The participatory measures are rounded off for small and medium-sized companies by territorial action that involve bilateral subjects and competent public authorities in order to offer services that enable the rights, referred to in Heading I of the agreement, and in particular, the rights relating to the vocational training and the career path, to be really enjoyed.

Managing business crises

Furthermore, in Heading II, participation and anticipating change go hand in hand. This should guarantee the sustainability of the business, employment and professional development. In any event, there remains the need to provide the companies with the necessary means to adapt to the short-term problems and uphold employment rates (Heading III) where there are crises or difficult situations.

It should be stressed here that maximum transparency in the information provided to the workers is needed to ensure a responsible transition in periods of economic difficulties. It is only thus possible to negotiate efficiently temporary measures that lead to global means of compensation of the work time, salary and employment in order to guarantee the job levels.

In these agreements, the entrepreneur undertakes to maintain the job levels in exchange for time concessions (up to a maximum of two years) that under no circumstances can derogate any of the measures considered to be of public order and which refer to the minimum salary (SMIC), the maximum length of the daily and weekly working schedule and compulsory rest periods, to the holidays laid down by law and to some collective contract that the Labour Code deems cannot be derogated by the company.

The inter-confederal agreements speaks of symmetry foreseeing that the administrators take part, as regards the agreement, proportionally to the sacrifice required from the workers to overcome the difficult moment. The reference obviously refers to the remuneration and profits of the directors.

The workers are entitled not to sign up to the agreement, but rejecting it does not protect them from possibly being made redundant. Furthermore, the company that has entered into the agreement is exempt from the contractual and legal obligations resulting from a mass lay-off on economic grounds.

Moreover, the parties undertake to negotiate a simplification of the instruments of the partial activity and of the salary integrations of the workers involved in a reduced schedule as the result of the business operations shrinking

Likewise, the procedure for the collective dismissal is reviewed in the sense of attributing the power to derogate current legislation to the business negotiation. The business contracts, entered into by organisations that represent at least 50% of the workers (proof of which is the most recent ballot for the elections of the workers' council) can reform the collective dismissal procedures in the sphere of the objectives set by this agreement, even the procedures by means of which the workers can challenge their own dismissal if that occurs by means of breach of the business contract.

CONCLUSIONS AND FOLLOW-UP

The S-DEED project shows that employee financial participation in many EU Countries plays a significant role. EFP is a toolbox in which different instruments can be chosen to address concrete socio-economic challenges. This report has the merit of bringing together experiences from different countries. Practices and political choices go together to create conditions for social and economic progress.

In UK, the ESOP model and mutuals intervene to privatise public services preserving the mission related to the general interest of such services.

In one of the above cases a quotation refers to Lord Hutton who considers certain forms of EFP as a new approach for delivering services, which can bring together the very best of the private and the public sector. It finds direct benefits in protecting frontline services while helping to bring public spending back under control.

It also proposes a far-seeing strategy for that kind business which can find chances for success in globalised economy. The growing demand for public services in economies such as China, India and Brazil, would create significant new opportunities in this new market for consultancies.

However, in the UK case, it is also possible to recognise that social dialogue must be extensive and profound. Future spin-offs from the UK state sector must carry the overwhelming majority of employees and their representatives with them – both in spirit and in reality – for example, through the creation of durable democratic internal decision-making structures.

In Spain, CONFESAL shows that the associationism of worker-owned enterprises encourages social dialogue and cooperation with local institutions. This is occurring while social dialogue is undergoing a sharp decline.

A Sociedad Laboral or worker-owned enterprise is a kind of company in which the employees own the majority of the equity capital. It emerged in periods of economic downturn, but it has soon evolved into a business model for entrepreneurship, change and generational handover.

However, enhanced social dialogue may drive a larger presence of employee-owned companies in the Spanish economy. It should engage public and private stakeholders with the aim to promote participation and to share responsibilities on a larger scale.

For that reason, the initiative of the Department for Innovation, Rural and Tourism Development of Gipuzkoa, to encourage employee involvement in their own company remains a good practice. Employee involvement has a wide meaning which implies forms of cooperation between all the different socio and economic entities operating in a given territory. This practice innovates the way public authorities intervene to boost involvement of and share responsibilities among the different stakeholders. In particular it establishes common intents among people who work in the public authorities and provide services to private companies.

The Italian approach to Employee financial participation consists lights and shadows. A general ideological resistance hinders open dialogue among social partners, institutions and other stakeholders. However, EFP is establishing itself as a flexible way to address challenges driven by the crisis. Several EFP instruments as profit and gain sharing schemes and employee share ownership (although limited to the specific category of Innovative Start-Up) have been introduced or reviewed.

On the contrary the attempt for a more extensive legislation on EFP were stopped by sudden backlashes from well-defined groups of interests (including some trade unions, business associations, financial institutions and politics).

Yet looking at the expansion of EFP practices, a legal framework should be desirable. EFP with all its instruments is not a panacea and it delivers its positive effects on the whole economy if framed in clear political objectives, if regulated in clear rules. Risks must be managed in a way to balance interests of those who take part in the game.

The debate remains alive and the small progress outlined above can pave the way towards a more organic intervention from the law and likely collective agreements according to the eradicated tradition of industrial relations in Italy.

In France, the aforementioned interprofessional agreement is part of a government programme that is in line with the determination of the new president, François Hollande, to give shape to "social democracy". This means that each labour-related act must be proceeded by social dialogue to bring everyone on board.

Apart from individualising the commitments sought by the parties, these agreements are the basis for legislative measures. It is a form of horizontal subsidiarity (the decisions are adopted at as close a level as possible to the stakeholders) that Hollande seeks to implement pending its being formalised by means of legislative or even constitutional measures.

Therefore, such a social base clashes with the clear opposition of two trade union organisations that, along with the CFDT that is a signatory to the agreement, are surely the most representative in France. In any event, given the current rules, the agreement is valid and has been submitted to the Government, which must transform it into a bill to be put to Parliament.

The negotiation table is the result of a government initiative that has called on the social partners, by promising them that any possible agreement would follow it to the letter once it became law.

This promise must now face up to the majority internal opposition. In fact, the refusal of the

CGT and FO to sign the agreement has open up the path to an internal debate in the French Socialist Party (PS). Some PS MPs have already announced that that intend to propose amendments to the agreement to cover the requirements of the two unhappy trade unions. A component closer to the Government plans to support it in its commitment to follow the text prepared by the social partners to the letter.

All these cases show the link between social dialogue and EFP. In the specific case of EFP social dialogue must include public authorities at different levels. This is because the objective is to bring entrepreneurship, worker protection and development of human resources in a single frame of action.

At European level, EFP appears in different policy programmes. Some of them have been mentioned at the start of this report. The EU2020 strategy, the Single Market Act, the Small Business Initiative, the Social Business Initiative and other programmes look at EFP through the social economy lens.

Nevertheless, a strategic plan for a common policy on employee financial is still missing. The policy document that establish an action programme to develop EFP is the Action Plan on European Company Law and Corporate Governance published in 2012. The European Commission declares that employees' involvement can increase the proportion of long-term oriented shareholders and thus contributes to a well-functioning governance. Such involvement can also relate to forms of financial involvement, particularly to employees becoming shareholders.

Even though the European Commission recognizes EFP as a multidimensional topic (including taxation, social security, labour law, etc.), its approach remains rather narrow and limited to corporate governance issues. It implies that the EU action will be limited to identification and investigation of potential obstacles to trans-national employee share ownership schemes, and will subsequently take appropriate action to encourage employee share ownership throughout Europe.

Nothing new in reality.

What is new is the new institutional setting of the EU economic governance. The European Semester creates a well-identified institutional framework in which the EU policies will be implemented. Member States will show their engagement in the EU2020 strategy within the

EU Semester. The output of the Semester is the Country Specific Recommendations package. In a nutshell, these Recommendations are binding plans for reforms and economic stability of single member states, edited by national governments and agreed in the European Council in a logic of multilateral surveillance.

Thanks to this system of economic governance, the key priorities of the EU2020 strategy should finally become part of national reform programmes. And with them, member states should plan actions to pursue the objectives of these strategies related to social economy and employee financial participation.

Starting from the outcomes of the S-DEED project, the PROEFP partners can engage themselves in a closer monitoring of the country specific recommendations. For the first time, it will be possible to detect how European Policies impact the decision of Member states in implementing forms of employee financial participation.

The PROEFP network has the potential to carry out the analysis of the country specific recommendations issued in the last three years. It envisages a field of work for the PROEFP network for the coming months and structured proposal can be discussed and agreed in the follow-up meeting of the S-DEED project.