

# Draft Speech on Industry & Services

In recent decades, industry has been on the decline in many European countries. Manufacturing jobs have been increasingly shifted abroad, or lost to automation, and at the same time, unnecessary closures, such as when no alternative buyer can be found for the departing owner of a company, has left workers needlessly redundant.

In recent years, we have seen the damage that this can bring to entire communities and regions, with areas that once possessed a strong industrial base now left struggling to find a path to prosperity in a globalised world. Employee Owned Business offers a potential tool to combat the problems of unemployment and lack of opportunity, not only through preserving jobs, but by making them meaningful and rewarding to those who perform them.

As their name suggests, they are owned and democratically controlled by those who work for them. This has several important consequences. Shared ownership places income, capital, and information, in the hands of the workforce, rather than shareholders, allowing wealth and power to be spread more equally. It also boosts productivity, since employees know that the performance of their company can have a direct positive impact on their own income. This enthusiasm is reflected in the notably low rates of absenteeism and labour turnover that exist within worker co-operatives, indicating high morale within these enterprises.

Employee owned business has also proven itself better positioned to weather economic downturns than its privately-owned counterparts, in many cases actually being net creators of jobs in times of crisis. This is partly explained by their flexibility, as they typically are more willing to adjust employees working hours or salaries, rather than laying them off altogether.

Furthermore, co-operatives have often stepped into save jobs when a company shuts down. A good example of this can be found in Italy, where a scheme known as the 'Marcora Law' allows employees to buy up their company when it is at risk of closure, using their redundancy payments, and an advance on their unemployment benefits from the state. This preserves jobs, and is estimated to have produced a return to the Italian taxpayer which is nearly seven times greater than the government's initial investment.

In addition to their resilience to economic turmoil, Employee Owned Businesses have a record of steady expansion during periods of growth. Policies that help co-operatives are therefore likely to boost national economies, and aid Europe in its drive for prosperity and sustainable growth.

They also offer the prospect of stable and fulfilling employment at a local or regional level through the establishment of strong industrial 'clusters'. This is the case in Italy's Emilio-Romagna region, and the Basque Country in Spain, home to the famous Mondragon Co-operatives, which employs 80,000 workers, and is the tenth largest business group in Spain. One of the hallmarks of Mondragon is its strong sense of solidarity, with prosperous companies helping to support the weaker units, and highest paid employees being required to make no more than 6.5 times the salary of the lowest paid. This shows the potential that the co-operative model has to instil a sense of community pride centred around work, something that is particularly relevant to the former industrial areas that have lost out from globalisation.

The expansion of the employee ownership model should be a key goal for progressives around Europe. Governments can take number of steps to foster this growth. These include promoting co-operative clusters, along the lines of Mondragon, instituting their own version of the Marcora Law which would allow companies faced with closure to be revived under employee ownership, and giving workers a greater opportunity to acquire a stake in the company they work for, thereby incentivising productivity gains.

Through the promotion of these policies, progressives can play a key role in expanding worker co-operatives, and shape a new consensus for fairer business, that shares wealth and opportunity throughout the economy.



## Questions

- What can be done to encourage private firms to give employees a larger role in the running of their company?
- What can be done to increase public awareness and enthusiasm for employee ownership?
- What action could local, national, and supranational governments take to encourage the growth of co-operative clusters such as Mondragon in other regions of Europe?

