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**Book title: A Sweden with employee ownership
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**Author: Global Challenge (Global Utmaning)
and Sophie Nachemson-Ekwall, Stockholm
School of Economics**

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Swedish needs to open up for employee ownership

Employee ownership and worker cooperatives must be seen as a desirable ownership category in the Swedish market economy. It would create a more inclusive society through bridging the gap between citizens in the urban area and rural countryside and enable a more dynamic labor market in a digitalized economy. A change requires new thinking among politicians, the parties on the labor market and the country's financial institutions.

This is the perspective presented in the book *A Sweden with employee ownership*, initiated by independent think tank Global Challenge and authored by Sophie Nachemson-Ekwall. The book, 200 pages, puts employee ownership in an historical context, makes a thorough international comparison, explains why it is absent in Sweden and elaborate on what could be done to change the course. The book is intended to form the basis for a broad discussion of the opportunities that could be opened up in Sweden if it becomes easier and financially possible for employees to become wholly or jointly-owner in the business community. These may involve employees who collectively take over family businesses in the situation where there are no natural heirs, in major restructurings or in order to prevent closures. This is made possible by employees being able to own through staff foundations or shares directly, conducting cooperatives, brewing outsiders by running social companies or starting platform co-operatives in the digitized economy.

The book is a follow-up of the 140 page-report *A sustainable ownership structure for Sweden* which recommends that Sweden opens up for more of long-term ownership and a multiple of different ownership models, including cooperatives and civil society. The Swedish focus on institutional ownership combined with a preference for either the with profit cooperation or public sphere has fostered polarization and short-termism, both detrimental for the citizen trust in society.

A focus on employee ownership is well overdue in Sweden. The 2018 Elections in early September shows a Sweden that more than ever needs to find new solutions to sustain an inclusive society, handle problems with growing economic inequality, regional imbalances, populism and a lack of innovation in large parts of the economy, not least in the highly regulated welfare sector and the effect the demands from digitalization has on employees and the organization of the labor market. Also, a larger presence of employee ownership will enhance the corporate long-term value creation.

The book argues that more of economic democracy should be part of the solution. It can be seen as a complementary ownership category to the public listed companies, family businesses, institutional investors, venture capitalists and the public sector. It fits well with Sweden's ambitions for Agenda 2030 and the UN's Global Sustainability Goals 16 and 17, which include, among other things, inclusive societies and local partnerships.

The potential is seen when Sweden is compared with other Western countries. 14 million Americans own shares in their companies through so-called ESOP-trusts. The US has just developed a program with loan guarantees of up to three million dollars for employee ownership, ESOP-trusts or workers co-operatives that wish to take over a family business. In France, cooperative business models, Scops, are used to protect jobs and companies that risk a downsizing and closure. French president Emanuel Macron supports legislation that support employee ownership up to 10 percent in all French companies. In Spain, the Mondragon-Federation, is one of the world's largest employee cooperatives with 85,000 employees and a number of high-tech operations. Italy's clusters of cooperatives and workers cooperatives inspires business collaboration programs across Europe. Italy is also at the forefront of democratically run social enterprises that employee disabled and other marginalized groups of citizens far from the labor market. The UK is at the forefront of working cooperatives in the digitalized economy.

A Sweden in which employees own highlights in particular four areas where the value for Sweden should be extraordinary:

- It concerns the silent mass death of family businesses outside the major cities. The Business Owners Association – *Företagarna* - and the Small Business Association – *Småföretagarnas Riksförbund* - warn about the risks that arise from the vast number of family companies that are soon to experience a generation shift in ownership, but which lack natural heirs and may find it difficult to find any buyer at all. Employees should be seen as an unused resource that can step in.
- This involves the closure of profitable factory sites in regions where employees are left without workplaces. Employees should be given the opportunity to bid for the business. This could have stopped the recent closure of Findus pea factory in Bjuv and Gothenburg's Cookie Factory in Kungälv, both profitable businesses that became victims of a Swedish approach to industrial restructuring and job reallocation programs (to the large cities) that has been

unprecedented in a Western context. Other countries have programs to save jobs in rural areas.

- Employee ownership can also be a way to adapt the labor market to new changes in employee relations. This include the growing market for temporary employment, short-term contracts, internet platforms but also demands from companies that need to be able to attract and hold on to talents. At one end of spectrum of this development, there are digital cooperative platforms managed by the members together instead of solely by capital owners. At the other end of the spectrum, there would emerge ownership models based on more of co-creation, where co-determination and employee ownership are merged to promote real workers participation in company governance and strategy formation.
- Swedish politicians today reveal strong support for the ability of the civil society to handle problems with citizens far away from the ordinary labour market. They talk about the need for the development of social enterprises and social innovation. A commonly used definition of social enterprises and social workers-enterprises, *arbetsintegrerande sociala företag*, the so-called ASF-companies, is that they have a social purpose, are run according to democratic principles with employees involved and who have sustainable entrepreneurial goals. Sweden should follow.

International research shows that it works with employees as owners. They exist in all industries, in all sizes of companies and in business' in different life cycles. These democratically managed companies are well-managed, profitable, innovative and end score high on lists of employee satisfaction as well as sustainability. They often protect the local community. Employees usually have a longer perspective on their involvement, consequently more employee-ownership could both have a dampened effect on the capital markets' inherent short-termism and strengthen employee co-determination.

The book draws on interviews with over 80 representatives for employers, business associations, the civil society, cooperatives, trade unions, financial actors, researchers as well as politicians. It is astonishing how deep the lack of knowledge is about employee ownership, an ignorance that is likely to be due to the fact that the 1970s and 80s wage-earners funds' dispute has acted as a wet blanket, silencing the Swedish debate. After almost fifty years, it's about time to rethink the role employees could play for the value creation of society and companies.

At the same time, the interviews with stakeholders also reveals energy, creativity and willingness to. It is clear that today's business owners see the value of collaborating with their employees and give them part of the company's value creation in a completely different way than before. Similarly, social entrepreneurs find that partnerships with workers in a social enterprise are more successful in including workers far away from the labour market than the programs offered by standard labor market initiatives.

The countries that take the lead in promoting employee ownership have developed supporting legislation, including corporate law, favorable tax rules, special associations, education as well as a financial infrastructure structured around both private and public capital. Sweden, in its side, instead lacks most of these credit guarantee funds, cooperative banks, education and support through employee benefits, and social security system.

The ambition is that book will engage politicians from various ideological camps, regional developers, the business community in general, the country's legal experts, the creative start-up sector, venture capital, civil society and citizens from several different occupational categories. We are aware that this work will take time. But Sweden needs a new view of the difference between capital and work, where both the social security system and income-taxes are adapted to the changing demands of a modern labor market. And all this, no matter what party or coalition of parties that govern Sweden.

For more information. Please contact:

Sophie Nachemson-Ekwall
PhD Stockholm School of Economics
Mobile: 46-730 703951
E-mail: Sophie.nachemson-ekwall@hhs.se
<http://www.sophienachemsonekwall.com>

or

Alexander Crawford acting CEO of Global Utmaning
Global Utmaning
info@globalutmaning.se
<http://www.globalutmaning.se>
+46-8787 2150