

# *The Story of Social Economy in the Basque Country*

*Direction*

Marta Enciso Santocildes  
Aitor Bengoetxea Alkorta  
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*Publisher*

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DEPARTAMENTO DE TRABAJO  
Y EMPLEO

*Dykinson, S.L.*



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## ***Table of initials and acronyms***

<b>ACBC</b> .....	Autonomous Community of the Basque Country
<b>ACI</b> .....	International Cooperative Alliance
<b>AGAC</b> .....	Association of Large Freezer Tuna Fishers
<b>ANABAC</b> .....	National Association of Freezer Tuna Vessel Owners
<b>ASEMAS</b> .....	Premium Mutual Insurance and Reinsurance (with supplementary contribution)
<b>ASLE</b> .....	Business group of worker-owned companies in the Basque Country
<b>ATS</b> .....	Agricultural Transformation Societies
<b>CEE</b> .....	Special Employment Centres
<b>CEEis</b> .....	Special Social Initiative Employment Centres
<b>CEPES</b> .....	Spanish Business Confederation of Social Economy
<b>CERMI</b> .....	Spanish Committee of Representatives of Disabled Persons
<b>CIRIEC</b> .....	International Research and Information Centre on Public, Social, and Cooperative Economy
<b>COCETA</b> .....	Spanish Confederation of Associated Workers' Cooperatives
<b>CONFESAL</b> .....	Business Confederation of Worker-Owned Companies of Spain
<b>ECM</b> .....	Mondragon Cooperative Experience

<b>EHLABE</b> .....	<i>Euskal Herriko Lan Babestuaren Elkartea</i> . Basque association of not-for-profit entities who foment social-professional inclusion of disabled persons
<b>EPSV</b> .....	Voluntary Social Welfare Entities
<b>ERKIDE</b> .....	Federation of Workers', Teaching, Consumption, and Credit Cooperatives in the Basque Country
<b>FAEDEI</b> .....	Federation of Business Associations of Work Integration Social Enterprises
<b>FAO</b> .....	UN Food and Agriculture Organization
<b>FEACEM</b> .....	Spanish Federation of Special Employment Centre Associations
<b>FEMP</b> .....	European Maritime and Fisheries Fund
<b>FNPT</b> .....	National Job Protection Fund
<b>FUNKO</b> .....	Basque Confederation of Foundations
<b>GIZATEA</b> .....	Association of Work Integration Social Enterprises of the Basque Country
<b>INE</b> .....	National Statistics Institute
<b>ISR</b> .....	Socially Responsible Investment
<b>LFPV</b> .....	Law 9/2016 of Foundations of the Basque Country
<b>LGDPCD</b> .....	Royal Legislative Decree 1/2013, Restated Text of the General Law of Rights of Disabled Persons and their Social Inclusion
<b>MURIMAR</b> .....	Mutual Maritime Risk, Fixed Premium Insurance Company
<b>NGO</b> .....	Non-Governmental Organisation
<b>OVES/GEEB</b> .....	Basque Social Economy Observatory
<b>PAKEA</b> .....	Fixed-Premium Insurance Mutual Insurance
<b>RAIS</b> .....	Support Network for Social and Occupational Integration
<b>REAS</b> .....	Alternative & Solidarity-based Economy Network of the Basque Country (REAS-Euskadi)
<b>SA</b> .....	Public Limited Company
<b>SIEG</b> .....	General Economic Interest Services
<b>SL</b> .....	Limited Liability Company
<b>SURNE</b> .....	Fixed-Premium Insurance and Reinsurance Mutual
<b>WISE</b> .....	Work Integration Social Enterprise



## ***Prologue***



**Idoia Mendia Cueva**  
*Vice President and Minister  
of Labour and Employment  
Basque Government / Eusko Jaurlaritza*

All stories seek to encompass a social or economic reality and interpret it within the context where it was born and developed. Only in this way can one assess its magnitude and speak of it accurately. In short, the idea is that one must understand this reality to improve it. Because no matter how suitable it may seem at a given time, constant improvement is a requirement. This is the case of Social Economy in the Basque Country, a successful historical experience in creating deeply-rooted wealth and jobs that boast values, solidarity, and participation. With elements to steep our future economy, this is the economy we are designing at the time that this Story is born. In addition to other uses, this economy can be considered an effective work tool for those of us who are public actors, but also for private actors, in order to strengthen and foment the sector.

We must highlight several traits that characterise this project.

To begin with, it provides an integrated and global view of the Basque social economy, and not merely a summary of its different families. Indeed, four driving notions give shape to this depiction of the practical reality of social economy's different compositional elements. First, the most significant in this Autonomous Community is the robustness of its business and social dimension, and second, its effective commitment to its community.

Thus, from an institutional perspective, having enterprises that are both personalist and democratically managed and solidary and that are sustainable over time with long-term business projects, with a very high profit reinvestment quota, especially resilient in times of economic crisis (all these economic aspects derive from its differential nature), make for an extremely important asset, not only in terms of economic wealth, but also in terms of social cohesion and the development of a political community such as ours.

From this public perspective of social economy, of special significance are deep regional roots, thus pairing both realities through their interdependency. Along with this, we have the external dimension of corporate social responsibility. It is no surprise that public authorities take promoting, stimulating, and developing social economy as a duty of social interest.

This is why it is essential that said authorities have a vision of social economy's reality and potential, like the one that this Story provides. Rigorous preparation and content were necessary to complete this mission, which was guaranteed by the inter-university collaborative work that gave birth to it.

Another important virtuality in the design of this Story is that it does not merely settle for narrating and explaining the origin and reality of the Basque social economy in the aforementioned coherent and integrated fashion; rather, it distils future challenges from its evaluative analysis. These are challenges to be addressed by the public sphere in collaboration with the private sphere, and they point out the lines of action we must follow to foment the social economy. Indeed, one of the Story's immediate uses will be its consideration in the soon-to-be-written inter-ministerial social economy strategic plan.

This Story will need to be constantly updated to remain effective, but it (clearly) needed to be written to act as an instrument to foment the Basque Country's existing and future social economy. It was also a model for cooperation between universities, social economy companies, and public administrations.

This Story is therefore this Ministry of Labour and Employment's renewed devotion to a shared and complementary vision, along with all other economic and social agents and sectors, in a global strategy to create opportunities based on the firm foundation of what has worked in the past, (in this case, Social Economy), and which will require constant revision and fine-tuning in the future in an ever-changing context.

## ***Social economy in the Basque Country: a shared narrative***

Enekoitz Etxezarreta Etxarri

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### 1.1. SOCIAL ECONOMY IN HISTORICAL PERSPECTIVE

Although almost two centuries have passed since the first essay written by the Rochdale pioneers, Social Economy as a concept is scarcely 30 years old. In this period, it has emerged, matured, and strengthened all around the globe.

Monzón (2016) recently analysed the 30 years of the entity CIRIEC-Spain, taking balance of the notion of Social Economy's evolution at three levels: organisational, regulatory, and academic. Monzón indicates that, with these three levels, we must establish a before and after in the 90s, since up until then, even though this term was already used in different spheres, it was barely recognised around Europe.

Thus, we must go back to the early 80s to find the first joint statements between cooperatives, mutual insurance enterprises, associations, and foundations that used Social Economy as a shared designation in countries like France and Belgium. Throughout Spain, in the mid-80s, the first confederations of associated workers' cooperatives (COCETA) and worker-owned enterprises (CONFESAL) were taking shape. In the Basque Country, in 1986, the Office of Cooperatives and Social Economy, the main public body to foment and promote the sector, began taking its first steps.

However, doctrine had scarcely been developed in academic terms on this new concept, and the idea of Social Economy, even though set forth in different studies, referenced fairly different areas of study than what we understand social economy to be today.

### **The 90s: emergence of the term**

As we said, it was in the late 80s and early 90s, in a context of a serious industrial crisis, that the concept truly began to emerge with a bit more strength at different levels.

On an organisational plane, the degree of articulation of the different entities today considered to be members of the Social Economy was broadened and strengthened. Since the first Social Economy Charter approved by the Walloon Council in 1988, Monzón's (2016) analysis bears on two main milestones in this process of strengthening the socioeconomic scope of Social Economy: the emergence of CEPES-Spain, in 1992, as a representative entity of the sector and the main political interlocutor with public authorities, and the later creation in 2000 of *Social Economy Europe* by means of approval of a new Social Economy Charter that established minimum components shared by all entities belonging to the sector, now all throughout Europe.

This better organisation and greater visibility for the sector was reflected in law with the successive approval of laws to foment Social Economy in different European countries: Spain (2011), Portugal (2013), France (2014), Romania (2015), and Greece (2016), and in a few more countries where laws are currently being drafted. Lastly, at an academic level, CIRIEC has played an extremely important role, providing robustness and theoretical consistency to a concept which, as we can see, is just beginning to take its first steps.

### **Periods of crisis and conceptual emergence**

We shall close this first introductory section with one last historical comment: as CHAVES AND MONZÓN (2018) rightly indicate, the moments when social economy emerges as a concept always fall under moments of severe economic and social crisis. This occurred with the first wave of entities that emerged in the middle of the industrial revolution process in the mid-19<sup>th</sup> century. More recently, we observed this in the industrial and employment crisis of the eighties, and we are observing it again after the latest crisis, the Great Recession, that we have been dragging behind us since 2008. The current economic situation, scourged by the economic paralysis caused by 2020's worldwide pandemic, shall certainly create a new context of socioeconomic crisis, where different social economy experiences shall expand as valid tools for business resilience and entrepreneurship.

This circumstance, while positive in terms of greater social acceptance of the term, is accompanied by another that pushes in the opposite direction, since another series of concepts also blooms in each one of these

crises, closely linked to social economy but with important differences, that shall be broken down in the last section of this introductory chapter.

In short, each crisis creates new responses, and based on these new responses, new terms are coined (social enterprises, *B corps*, fourth sector, collaborative and circular economy, etc.). that create great conceptual confusion and the ongoing need to clarify the characteristic and differentiating points in social economy.

In short, social economy proposes a business alternative based on the central role and primacy of people over capital, through economic organisations that are collective in nature and managed democratically, and with a clear will to have a positive social impact on their immediate surroundings. We are speaking of economic experiences whose end goal lies in transforming current economic structures, so as to move toward other models that are socially fairer and more environmentally sustainable.

## 1.2. SOCIAL ECONOMY IN THE BASQUE COUNTRY

### **An eminently entrepreneurial experience**

In this regard, the current situation of Basque Social Economy is not far removed from the context we set forth in this initial historical recounting.

While a country with a deep cooperative and worker cooperative tradition, and also the first community in the country that had its own Office in the mid-80s to foment Social Economy, the degree of organisational structure, membership, and collective identification, and joint regulatory development, still has much ground to cover, as we will see over the course of this study.

In historical perspective, Social Economy in the Basque Country was a reality closely linked to the cooperative phenomenon, since this is the formula that, as of the 50s and mainly with the cooperative experience of Mondragón, most spread and became popular in the Basque Country (AZKARRAGA, 2007; SARASUA AND UDAONDO, 2004; ORTEGA AND URIARTE, 2015). This explains why, today, over half of the social economy entities are cooperative entities.

However, comparing the Basque economy with the cooperative experience would be a mistake in characterising all the experiences related to this sector. In the 70s, in a crisis of severe industrial crisis and restructuring of the production network, worker-owned enterprises emerged in the

Basque Country, as the self-organised response of workers who often found themselves in a compromised situation to recover their business activity.

At the same time, in the 70s, special employment centres emerged (MORATALLA, 2016; BENGOETXEA, 2014), and in the 90s, Work Integration Social Enterprises began to spread (RUIZ, RETOLAZA & MUGARRA, 2007), all of which arose under the logic of offering employment alternatives to collectives with special difficulties in joining the job market. These experiences complement the aforementioned worker cooperative experiences, with different structures but under one same *raison d'être*: to provide dignity to people and to place the economy at the service of people, and not the other way around.

Under this foundational drive, in the 90s, the alternative and solidarity-based economy movement REAS-Euskadi was organised, whose main objective was to articulate economic proposals throughout the entire chain of value (production, funding, commerce, consumption), that make economy the means (and not the end) at the service of the country's personal and community development (ASKUNZE, 2013).

All the experiences related to social economy were articulated through federations, representative entities, and networks over the past 40 years. However, sectorial articulation under the shared designation of social economy is fairly more recent. When the Basque Social Economy Observatory was created in 2008 by parliamentary mandate, it was an initial milestone in this process. While managed by the Cooperative Law and Social Economy Institute GEZKI (UPV-EHU), OVES/GEEB was organised with an Advisory Committee that brought all families in Basque social economy together for the first time. In this space of confluence in 2015, EGES, *Euskadiko Gizarte Ekonomia Sarea*, was born. This operates as a space to represent all families in the Basque social economy.

All these experiences, joined with others with a longer history (such as fishermen associations, agricultural transformation societies, associations, or foundations) make Basque social economy a reality that is both multifaceted and distinctive when compared internationally, because it is fundamentally business and economic in nature, and does not provide assistance. The central role of people is understood in social economy based on the logic of empowering people through work, more than the logic of providing assistance to give services to disadvantaged people and collectives.

This all means that the Basque social economy in the Basque Country is an eminently economic experience, with business and financial muscle, and with a strong industrial execution, unlike most experiences around the world that are more related to the associative movement or consumption cooperativism.

## **Recognisable and significant reality in the Basque Country**

Considering main figures in the Basque social economy<sup>1</sup> in comparison with the Basque economy as a whole, data from all the social economy families prove the fact that they are more resistant entities in periods of crisis and are more dynamic in periods of bonanza.

In general terms, the number of entities has not only remained the same but has increased during the last period of crisis (an 11% increase in 2019 compared to 2008). The evolution in employment has also shows an increased capability to adapt, given that the destruction of employment was less acute in the middle of the crisis, and the pace of recovery in creating new jobs was comparatively greater than the Basque economy as a whole in recent years. In terms of data, it should be noted that employment in social economy today is 9% greater than in 2008, while in the Autonomous Community of the Basque Country, employment today is 2.8% less than in 2008.

Regarding the relative weight of the social economy, the data prove that around 2% of entities, 5% of the added gross value, and 10% of compensated employment in the Basque Country, fall under social economy entities.

Another one of the Basque social economy's characteristics lies in its industrial nature. Although the reality by sectors bears differences, it is of note that four out of every ten cooperatives are industrial cooperatives, and more than half of the people employed at special employment centres operate in the industrial sector. By regions, this data becomes even more pronounced: in the case of industrial employment in Guipuzcoa, around 22% of employment resides in cooperatives (not including the construction sector).

This circumstance partially explains the degree of internationalisation in the sector, since over half of the cooperatives' billing comes from international sales. This percentage is approximately 30% in worker-owned enterprises.

### **1.3. IS AN ECONOMIC AND SOCIAL BALANCE POSSIBLE?**

The main differentiating element for social economy entities is that, with all of them being business organisations, they emerge with a social purpose, which on many occasions comes before or is prioritised over the objective of economic profitability. This social purpose, however, has its

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<sup>1</sup> Data provided by the Basque Social Economy Observatory (GEZKI-UPV/EHU)

own characteristics in social economy entities: on one hand, because they attempt to fulfil social purposes through economic activities, and on the other, because “social” has a very particular or its own meaning within social economy entities.

### **What does social mean?**

If we choose a bit generalist, not strict definition of Social Economy, we might say that it is an ensemble of organisations with economic activity governed by a series of principles that display a clear social commitment. As such, these would be entities with these two sides: economic and social, which attempt to balance them in activities they conduct on a regular basis in their activity sector and region.

However, the definition grows a bit more precise and compliant when we attempt to define what this social commitment consists of with greater exactness. What social means, and the mechanisms this commitment uses to become an everyday attitude.

In this regard, we might affirm that “social”, in Social Economy, is understood at three levels, at least: micro, meso, and macro; meaning personal, organisation, and region/community. This commitment begins by treating people within organisations in a specific way, and by considering people and their organisations as integral parts of the region they live in, where they live their daily lives, and where they establish their bonds, relationships, and duties in terms of their host community.

“Social” is thus present at these three levels that are closely interrelated and associated with a scope of action that is particular to the case of Social Economy, which is the labour or organisational scope. It is therefore from the scope of economic organisations that we intend to bear on the idea that we believe to be the main source of inspiration for social economy: attempting to return to people the central role of their dignity, by means of mutual, self-managed structures.

We believe that it is necessary to insist on this two-fold idea, the individual and the collective, since providing dignity to people’s living conditions is just as inherent as doing so through collective appropriation mechanisms. The collective at the service of people and community development. This is an ongoing effort to reissue this ever-precarious balance between the individual and the community.

When we add these two ideas to the first one, we have a more precise understanding of social commitment: a commitment taken at an organisational and collective-structure level to prioritise the comprehensive development of people in their areas of work and spaces for community living.



## **Structural nature of social commitment**

Taking this vision as our own leads us to understand that this social commitment is intrinsic in these organisations. It is theirs. It responds to the very nature of these organisations, since it is clearly reflected in the three scopes that are fundamental to characterise economic organisations: the organisation's objective, how they make decisions, and how profits and surplus created by this entity are distributed.<sup>2</sup>

The central nature of people and their primacy over capital is integrated, as mentioned, into the framework of objectives. It would not be correct to establish one single shared objective for all entities in social economy since they have different organisational logics and greatly differing business realities. However, CHAVES & MONZÓN (2018) categorise the different types of Social Economy entities depending on the people who drive them. In short, they give five main types, depending on whether they are entities promoted by:

- Workers who seek to resolve labour problems through self-management systems.
- Citizens with demands for goods and services of general interest: housing, healthcare, education, social services, leisure, etc.
- Professionals to obtain different shared services, such as supplies, commercialisation, or operation.
- Citizens and professionals to obtain credit or coverage for certain risks.
- Social economy organisations to promote said organisations.

Of the five types mentioned, all of them share one of the maxims of Social Economy, set forth in *Social Economy Europe's* Social Economy Charter, with the first principle speaking of the primacy of people and the combination of interests of members with the general interest. As such, it is certainly inconceivable that a social economy entity would act against the interests of the people who are owners of it. The central nature of people is part of its very nature; this is its *raison d'être*, its theme par excellence.

This circumstance means that the two additional criteria we indicated, the decisional and distributive criteria, are always aligned with the former: decisions are made democratically, because this is how everyone acquires the same power within the organisation, and surplus, if any exists, or if there is no express impediment to doing so, is distributed based on the

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<sup>2</sup> These three criteria are established by the economic literature to distinguish between different economic agents (CHAVES & MONZÓN, 2018)

work contributed by each one of the people, and not the capital provided by each one of them.

As such, returning to the question we raised as to whether it is possible to balance the economic with the social aspect, we might say that social economy proposes a model with socially committed entities, from a specific philosophical position in terms of the definition of social, that translates to business criteria that makes them genuine proposals.

This way of understanding social commitment is especially different from other ways that are very well-known in the business world (we are referring to Corporate Social Responsibility, social enterprises, or B Corps) that only understand social contribution outside the organisation, and therefore disassociate the impacts generated on society from production processes and the organisational models that make them possible.

Social commitment in social economy entities is foundational and structural, it comes from their very bylaws, and does not depend on the more-or-less voluntary efforts of certain lines of action or management improvements with positive social impact; rather, it is steeped throughout all economic activity and executed under principles that we will define as follows.

#### 1.4. SOCIAL ECONOMY: BUILDING BASED ON DIVERSITY

##### **A diverse reality**

All Basque social economy organisations are entities that prove an important social commitment, since they are organisations with economic activity that prioritises people and the social purpose above capital, and that seek, more than anything else, the comprehensive development for people in their working environments and the communities where they interrelate.

However, the establishment of this shared foundation should not eclipse the fact that there is a differentiated reality between different social economy families, and that each one of them, based on their organisational specificity, obey their own particular action logics.

The Basque social economy is certainly composed of very differently-sized organisations that act in highly diverse activity sectors, from large agro-fish to financial, industrial, R+D+I, and formal education, to socio-occupational integration for excluded persons, etc., and therefore, have very different needs.

In the same fashion, the weight of the Mondragón cooperative movement means that the Basque social economy has a very cooperative

style. While its relevance in quantitative and qualitative terms is undeniable, it is also true that the cooperative model is not the only organisational model within the Basque social economy. There are other cooperative models, such as worker-owned enterprises which, while they do not have the same degree of collectivised ownership, operate under similar principles.

There is also a very rich cooperative network consisting of non-market entities who are governed by the same democratic and not-for-profit criteria, even without obtaining most of their revenue from commercial activities. Lastly, there are socio-occupational WISEs, special employment centres, and WISEs, for those who have the most difficulties in joining the job market, either because of their personal characteristics or their social situation.

The different logic in the aforementioned experiences means that the degree of adhesion or proximity of all these families to this shared foundation is not the same. The construction of this shared place called social economy therefore requires, at least, the three processes we indicated in the historical introduction: an ensemble of socioeconomic players aligned over a minimum shared element, a solvent academic framework, and legal and regulatory recognition and development in the different regions where it is located.

In the case of the Basque Government, this diversity of organisations and their institutional affiliation makes it complex to apply public development policies from a comprehensive standpoint, since social economy entities are spread out amongst 5 different offices: Public Governance and Self-Governance (associations and foundations), Economic Development, Sustainability, and the Environment (fishermen associations and agricultural transformation societies), Treasury and Economy (EPSV), Labour and Employment (cooperatives and worker-owned enterprises), and Equality, Justice, and Social Policies (special employment centres and WISEs). The relative presence and degree of knowledge and recognition is very unequal amongst the aforementioned offices, and this makes it difficult to lay out and implement development policies for all social economy families from a shared and comprehensive standpoint.

At a more academic level, in the Autonomous Community of the Basque Country, there are university institutes focused on studying social economy at the country's three universities, Mondragón Unibertsitatea, Deustuko Unibertsitatea, and Euskal Herriko Unibertsitatea (UPV/EHU). The endless projects, research works, dissemination workshops, and training spaces conducted in cooperation by the three universities, in collaboration with the Basque Government and the main entities in the sector, mean that

these diverse players can find a shared place to project and strengthen the identity elements they all share.

### **Three strategies to delimit the sector**

The objective of establishing a series of minimum shared elements is based on the overriding need to define or limit the scope of social economy, since without doing so, it is very difficult to have academic or public/regulatory development. As explained by CHAVES & MONZÓN (2018, p.12): “One of the greatest challenges was shaping a concept to integrate this entire space into a scientifically coherent ensemble that was politically accepted by this entire social sector.” Different strategies have arisen to delimit this scope. (ETXEZARRETA & PÉREZ DE MENDIGUREN, 2018).

The first, which is sectorial, consists of splitting all economic activities into three institutional sectors that fall under the ownership structure and surplus policy. Thus, the first sector would consist of private companies whose main logic lies in maximising profits, the second sector would consist of not-for-profit public entities, and the third sector would contain all private entities whose main logic is not for profit. This strategy, while fairly widespread due to the simplicity of its argument, makes each one of these three sectors a jumble with cohabiting entities who have totally different logics.

A second strategy, carried out on countless occasions throughout history, is based on agreeing on a list of principles to which all entities who could be considered social economy entities voluntarily ascribe. The declaration of principles, since the Rochdale cooperative, has been a constant until the first declarations in the early 80s in France and Belgium on the concept of social economy. The principles listed in the next section to articulate social economy are also the result of a similar process of proposing, contrasting, and agreement amongst all social economy families.

A third strategy, more statistical in nature, addressed delimitation of the sector based on criteria stemming from the National Accounting System, which are then developed by sector through “satellite accounts” of the different social economy entities. This criteria gives birth to a classification of social economy entities based on the legal form, and divided into two sub-sectors, market, and non-market, which in the Basque Country consists of the entities in the table below:

*Illustration 1. Social Economy Universe*

Social Economy Subsectors		
Subsector: Market producers	Non-financial companies	<ul style="list-style-type: none"> <li>➤ Cooperatives<sup>3</sup></li> <li>➤ Worker-Owned Companies<sup>4</sup></li> <li>➤ Special Employment Centres<sup>5</sup></li> <li>➤ Integration companies<sup>6</sup></li> <li>➤ Fishermen's Associations<sup>7</sup></li> <li>➤ Agricultural Transformation Societies<sup>8</sup></li> <li>➤ Other private market producers (Associations<sup>9</sup>, Foundations<sup>10</sup>, and Companies)</li> </ul>
	Financial companies	<ul style="list-style-type: none"> <li>➤ Credit cooperatives</li> <li>➤ Voluntary Social Welfare Entities (EPSV)<sup>11</sup></li> </ul>
Subsector: Non-market producers	<ul style="list-style-type: none"> <li>➤ Not-for-profit institutions at the service of homes</li> <li>➤ Social action associations</li> <li>➤ Social action foundations</li> </ul>	

Source: OVES/GEEB<sup>34567891011</sup>

As we will see below, the three strategies, or at least the last two, complement one another, such that opting for only one of the two creates authentication problems in the sector; a catalogue of certain legal figures requires certain shared operational principles, and at the same time, actual execution of these principles is, in principle, more feasible based on the legal figures we associate with the sector.

One last clarification on Law 5/2011 of 29 March on Social Economy should be made, which establishes the catalogue of entities belonging to Social Economy in article 5. The law is not substantially distanced from the proposal for delimitation according to national accounting, nor does it incorporate non-market entities as such, and regarding associations and foundations, it explicitly adds that they must prove economic activity (ETXEZARRETA & MORANDEIRA, 2012). This sector categorisation goes even

<sup>3</sup> Law 4/1993 of 24 June (ACBC)

<sup>4</sup> Law 44/2015 of 14 October (National)

<sup>5</sup> Royal Legislative Decree 1/2013 of 29 November (National)

<sup>6</sup> Law 44/2007 of 13 December (National)

<sup>7</sup> Law 16/1998 of 25 June (ACBC)

<sup>8</sup> Royal Decree 1776/1981 of 3 August (National)

<sup>9</sup> Law 7/2007 of 22 June (ACBC)

<sup>10</sup> Law 9/2016 of 2 June (ACBC)

<sup>11</sup> Law 5/2012 of 23 February (ACBC)

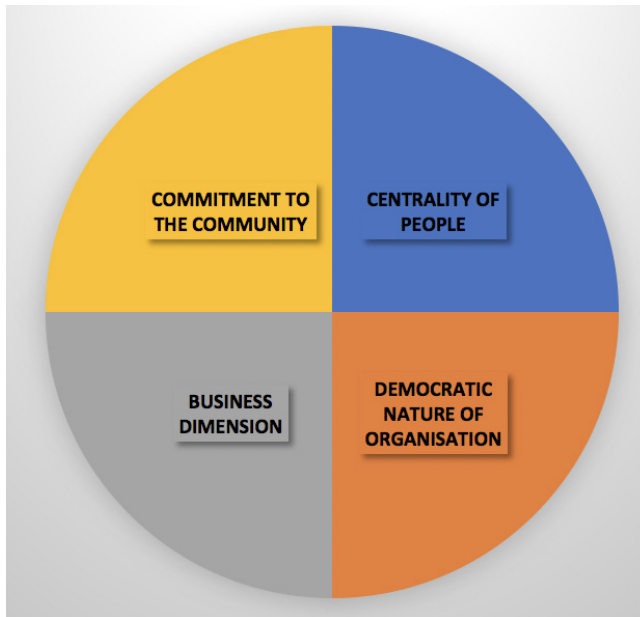
further into the economic/business nature of social economy entities, since it excludes entities that provide their services at non-significant prices.

### 1.5. SOCIAL ECONOMY: TOWARD A SHARED FOUNDATION. REFORMULATING PRINCIPLES FOR THE BASQUE CASE

The four principles or driving notions that we present and develop as follows, are actually a new “Basque-style” version or reformulation of the principles established as nuclear principles in successive declarations in Europe.

For the Basque Country, and as a result of a collective effort to reformulate the most significant principles using our own story, these principles revolve around four driving notions that were considered central to all social economy families in the Basque country:

*Illustration 2. Nuclear principles of Basque social economy*



Source: the authors

These four DRIVING NOTIONS then translate to a series of business practises that can, in turn, be measured through tangible measurement criteria.

## **Central role of people**

Beginning with the first, which sets forth the oft-mentioned central nature of people, this principle initially applies to the type of employment generated by these organisations. The objective is to generate quality, stable employment that provides for the most comprehensive development of people within organisations possible.

Achievement of this principle is not only conditioned by the desire expressed by the organisations. It is, as we said, the *raison d'être* of these organisations, to offer employment conditions that provide dignity to people through structures that: i) are based on the sovereignty of work, insofar as they are democratic entities, ii) or their exclusive purpose is focused on socio-occupational integration of people at risk of exclusion or disabled persons, or iii) they are mutual-interest associations, whose logic for existence lies in meeting the demands or needs of people who associate to this end.

We insist on the idea that the central role of people is the foundational purpose of the organisation, and therefore does not depend on the greater or lesser effort made based on organisational logics that are not its own.

## **Democratic nature of organisations**

The primacy of these people over capital, in turn, is structured by means of organisational models based on the democracy and sovereignty of work, an essential element and the main hallmark of Social Economy entities. Raising democratic organisations empowers people; it grants the same decision-making capacity to all people equally, and from this same “entry position” come a series of decisions that influence or lead to fair or equalising measures (in aspects related to establishment of wage ranges, the same compensation for the same work, smoothing gender inequalities in income distribution, etc.).

This democratic or egalitarian culture translates to specific business practises that are founded on this same idea of “relation amongst equals:” inter-cooperation policies in second-degree networks, policies of worker ownership (or their representative associations), in capital, in profits, and in management, transparency and information policies, and internal compensation solidarity.

We wish to highlight the positive externalities generated by democratic organisations, not just for internal purposes in the organisation (better performance, greater satisfaction, and involvement of people in the organisation, etc.). The democratic model generates

clear externalities also beyond the organisation's doors. This, in new social policy focuses, has been called "pre-distributive social policy measures." These measures are not focused on resolving or compensating inequality situations in profit, but rather attempt to prevent these inequality situations from being caused, so as to thus cut out the social exclusion problem from the root.

Democratic organisations are more egalitarian organisations (at least, they generate less inequality) insofar as they distribute income, capital, and power in a fairer fashion amongst the people of an organisation and, consequently, in the regions in which they reside. And this is why, in a context of an in-depth review of public social protection models, democratic organisations (along with other instruments like basic universal income, educational investment, etc.) have become a pre-distributive tool of tremendous reach.

### **Business dimension**

The predominantly business nature of Social Economy means that these organisations have a significant economic impact. Thirdly, it is upon this same idea that a series of business practises lie, which constitute a business culture that stands out for prioritising the collective project's long-term sustainability over more short-term or situational interests.

This business vision understands competitiveness from the logic of survival and entities' capacity for resilience in times of crisis. It clearly banks on sustainability, in the sense of sustaining the project over time, thanks to a desire to reinvest profits in the organisation itself. And lastly, it displays an attitude that is always leaning toward technological, organisational, and social innovation.

### **Commitment to the community they live in**

Additionally, in closing, the belief that the lives of people occur in communities and regions beyond the organisations' doors, and that these regions are made up of networks of relationships, collective experiences, shared maps, cultural bonds, and different kinds of transformative projects, compels these organisations to integrate aspects with a clear social impact on regions into their economic activity.

There is a prior condition to influencing regions: the organisations must remain in the regions. Social economy entities are deeply rooted in the region, which continues to be the case with productive internationalisation, such that thanks to multi-location strategies, opening production or

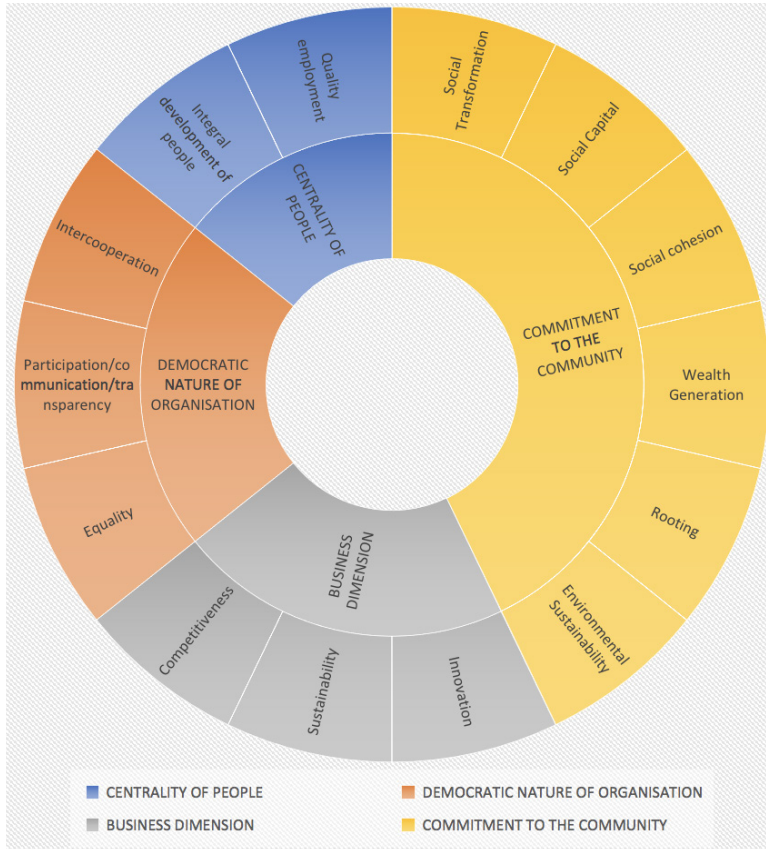


commercialisation plants abroad is always done on the foundation of maintaining local employment.

This rootedness in the region means that social economy entities are strategic players in regional sustainability, understood in its triple facet: economic, social, and environmental. These are entities that create local jobs and wealth, firstly, and distribute it in a fairer fashion. Secondly, these entities socially cohere with the region, insofar as they create more economic equality and also aid in the social inclusion of people with the greatest difficulties. Thirdly, they generate social capital, because they nurture an associative culture, they bring a participatory and collaborative culture, and they feed trust amongst people. Lastly, they are avant-garde in fields related to environmental sustainability, with a proven trajectory of social and organisational innovations promoted to this end by social economy entities.

In closing, and going further in depth in the exemplary role of these organisations, social economy has risen as a role model, exemplifying human values for the community of which it is a part, values related to the dignity of people, solidarity, cooperation, social justice, fairness, ecological awareness, etc. This is why, although they are specific microeconomic practises, they are also the seed for alternative models of society; they exemplify fairer, more human, and more egalitarian social relations, and, thus provide traction and attraction with greater social clout for the values they support.

Illustration 3. Nuclear principles of Basque social economy: Dimensions



Source: the authors

## 1.6. SOCIAL ECONOMY IN EMERGING ECONOMIC PARADIGMS

As we mentioned before, booms in social economy tend to coincide with periods of economic crisis (BRETOS & MORANDEIRA, 2016). When the capitalist development model goes into crisis, the capital company model that maximises profits is called into question, and new concepts proposing non-capitalist business models enjoy greater social legitimacy. One of them tended to be social economy or social and solidarity-based economy (PÉREZ DE MENDIGUREN, ETXEZARRETA & GURIDI, 2009; PÉREZ DE MENDIGUREN & ETXEZARRETA, 2015). But these are not the only ones.

According to CHAVES & MONZÓN (2018), two of them were “conceptual waves” that accompanied the resurgence of the concept of social economy in the last half of the century: the first, in the 70s, in a context of severe industrial and welfare state crisis, where the concept questioning the central role of the social economy was *Non-for-profit Organisations*; and the second, in the 21st century, and especially after the 2008 crisis, where many diverse and plural concepts arose, with proposals related to social innovation, corporate social responsibility, corporate citizenship, the fourth sector, *B Corps*, the economy of shared assets, collaborative economy, the circular economy, the social company, and social business, to name a few of the main ones.

The proposal to categorise said concepts by CHAVES & MONZÓN (2018) helps to organise and understand to which extent whether all these concepts are similar to the concept of social economy. Per their understanding, all the aforementioned concepts may be grouped into three large blocks:

- Notions related to central areas of crisis and transformation in the system.
- Notions related to reorienting objectives and how economies operate, both at a micro and at a macroeconomic level, with assessment and incentive mechanisms.
- Notions related to new ways of understanding economic practise and how to do business.

The first block, the notions most distanced from the concept of social economy, include proposals which, without referring to a specific business model, provide responses to main systemic challenges (innovation, the digital revolution, the environment, etc.). This is where we would find social innovation, collaborative economy, and circular economy concepts which, while not rivals, could be considered, according to these authors, as complementary to social economy, since they indicate new scopes of activity where social economy could play a vitally important role by contributing based on its own logic.

The second block includes concepts which, again, regardless of the institutional model, refer to the need to establish mechanisms to assess economic performance (under social, ethical, or environmental criteria) and mechanisms to provide incentive. In this group, corporate social responsibility and shared goods are concepts that would stand out. The positioning of the social economy in terms of these notions is referential, insofar as the organisational models of social economy are what, a priori, display the best results and guarantees in achieving the assessment objectives set forth in these proposals.

MONZÓN (2016) also insists on this idea, affirming that social economy enterprises would be more representative of applying the corporate social

responsibility principle, both internally and externally. Internally, aspects related to stable employment, democratic operation, fair distribution, etc., would be central elements of social responsibility. Externally, free membership, commitment to the surrounding environment, and social-action activities would be clear examples of said social commitment.

As we have previously argued, social commitment is consubstantial for social economy entities, something inherent from the moment it is associated with the organisational model of entities and, therefore, provides greater guarantees than proposals that disassociate company behaviour (voluntary) from the organisational model. However, at the European Commission, none of the successive communications and plans for the European Union<sup>12</sup> on corporate social responsibility make special reference to social economy enterprises.

Lastly, returning to the proposal for categorisation by CHAVES & MONZÓN (2018), there is a third block of proposals that would be the closest to social economy, because they explicitly reference institutional shapes, proposing other company organisational shapes. Here, the notions of a social company and a solidarity-based economy are of note.

The social company notion burst into the community with the European Commission's *Social Business Initiative*. Social enterprises are defined as enterprises whose main objective is to create a social impact, this coming ahead of generating profits for its owners or shareholders. Based on such a lax definition, there were later developments that aimed to specify this social impact, in order to measure and assess said impact. The surprising thing is that, in specifying this social impact, the variables that were established are variables that are closely related to the principles of social economy, since aspects such as the social objective of benefiting the community emerge, or decision-making processes that are mainly democratic (not linked to capital ownership), or limited profit distribution.

One might state that this social company concept rivals social economy and, in a certain way, has managed to push it toward the bottom of the community agenda. However, just as occurred with corporate social responsibility, it is true that all social economy entities could be considered social enterprises, given that their social impact is obvious and clearly measurable in regions. As such, we would be speaking of a neo-concept which, since more generic and unrelated to legal figures, has greater potential to be generalised and accepted in Europe, but when specified, mainly refers to entities already defined as belonging to social economy.

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<sup>12</sup> The European Union Green Paper (2001): Renewed strategy for the European Union for 2011-2014 on corporate social responsibility (2011); etc.

Lastly, this third block would include the proposal for a solidarity-based economy which, in addition to being the closest to social economy, has permeated in a certain way therein, since both internationally and within the Basque Country, use of the social and solidarity-based economy notion is increasingly accepted as a space for conjoint construction of these two fields.

A solidarity-based economy steps up as a proposal to revitalise certain elements for which, in different social economy experiences, there is a belief that they have degenerated. In a certain way, this could be understood as a way to re-politicise social economy and “bring it back” to its founding principles, since its promoters believe that, in the maturation process for different social economy experiences internationally, this evolution has leaned toward standardisation with capital companies, to the detriment of its differentiating characteristics. One of the most noteworthy characteristics is the need to revitalise participatory, democratic, and fair distribution practises internally. More externally, there is talk of the need to reposition the social economy in terms of the community and the region, since besides being more democratic and building fairer business realities, social economy should play a more driving role in social transformation processes, proposing development models that are alternative to the capitalist model, in concordance with its values, such as cooperation, solidarity, participation, social justice, etc.

As such, and to conclude this last section, one might say that the concept of social economy, while still a widely solidified concept at different levels (sectorial, institutional, and academic), is in permanent danger of displacement or assimilation by neo-concepts that satisfy other interests and which, in the worst of cases, weaken actual achievement of the social objectives sought by social economy.

## 1.7. CONCLUSIONS

Finally, in this conclusion section, we summarise the main ideas developed up until this point:

— **The concept of social economy is a solidified concept, but in permanent tension due to the rivalry of new “neo-concepts”**

While still a relatively new concept, social economy is fully recognised and solidified at a sectorial, institutional, and academic level. However, while gaining a central role in times of crisis under the capitalist model, it is also in constant rivalry with other concepts which, in reference to activities,

ways of operation, and more social business models, compete with social economy to condition public policy agendas.

— **Basque social economy stands out internationally for having a significant economic impact**

Basque social economy entities are mainly enterprises with notable economic activity. This fact is an element that clearly sets it apart from an international perspective, since this sector in many countries tends to be related to social or assistance concepts, understood as providers of services to more disadvantaged collectives. On the contrary, Basque social economy is mainly enterprises with financial muscle and unmatched internationalisation in our area, since many of them are activities that are industrial in nature.

— **Besides being enterprises, they are entities with a specific social contribution that sets them apart**

Unlike other models that disassociate achievement of social objectives from ownership and business decision-making models, social economy stands out for providing its own content to this social commitment and proposing structural mechanisms to achieve these social objectives. Thus, the social element is seen in structures that return the central role of people through self-managed and democratic organisations. And these social objectives are achieved at all levels: individual, collective, community, and regional.

— **In the process of solidifying the concept, today, the sector is perfectly defined and delimited according to legal figures**

While social economy still shares all these social and economic characteristics, it is also true that this is a field with great internal diversity and a great plurality of organisational logics and entities. Beyond this diversity, and to meet the overarching need to articulate as a sector and stand out from other models, social economy decided to delimit the sector based on legal figures. This criteria is compatible with the system of national accounts and has great academic and institutional support.

— **Beyond legal figures, in establishing common principles, broadly shared elements are identified**

As such, social economy is today defined based on legal criteria, which draw from a series of behavioural principles that are shared by all entities that belong to it (guiding principles from art. 4 of the Social Economy Law). For the Autonomous Community of the Basque Country, these shared principles were identified based on four main ideas, which act as the heart of social economy's identity: the central role of people, through democratic

organisations, with a business aspect, and committed to the community where they operate. With these elements that established a shared, common foundation, the challenge to continue articulating a diverse sector, still in a collective construction phase, remains valid in the Basque Country.

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## ***Cooperatives in the Basque Country: narrative***

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### 2.1. INTRODUCTION

Cooperatives are the greatest family within social economy in the Autonomous Community of the Basque Country (hereinafter, ACBC). According to statistical sources from the Basque Government (data from the year 2018), cooperatives account for 88.1% of social economy's total employment in the ACBC, employing 53,390 people. Basque cooperatives invoiced 7,756,000,000 euros in 2018, contributed around 6% to the GDP, and account for 5.7% of the ACBC'S total employment (almost 11% of employment in the industry). We therefore have a cooperative movement that is very significant in quantitative terms.

But also, the Basque cooperative sector has features that set it apart from other cooperative realities, both nationally and internationally. Cooperative diversity, the density of workers' enterprises, the business nature, the specific weight of the industry in the cooperative sector, and development of inter-cooperation are some of the differential elements that characterise Basque cooperatives.

In this text, we will shine the spotlight on the characteristics inherent to the Basque cooperative movement, providing, to the extent possible, quantitative proof to uphold this singularity. To this end, we will mainly draw from data provided by *Estadística de la Economía Social* (Social Economy Statistics), published by the Basque Government's Office of Labour and Justice. These data are completed by data offered by the Confederation of Cooperatives of the Basque Country, and numbers on the Basque economy in general by the Basque Institute of Statistics (EUSTAT). Additionally,

for nation-wide comparisons, data provided by CEPES (Spanish Business Confederation of the Social Economy) are used. We believe that, while they may lead to some sort of discordance, these diverse sources are interesting to discover general trends.

The document is divided into three parts: first, we will briefly report on articulation of the cooperative movement and the legal framework upon which it sits. Next, we will explain the driving ideas that characterise the Basque cooperative movement, providing data related to said driving ideas. Third, we will specifically mention agro-food, housing, teaching, and transport cooperatives. Finally, we will list the most relevant challenges and conclusions.

This work was conducted by the Faculty of Enpresagintza and the Faculty of Humanities and Education Science of Mondragon Unibertsitatea in close collaboration with the Basque Government's Office of Social Economy and actors who represent the Basque cooperative movement.

## 2.2. COOPERATIVE ARTICULATION AND LEGISLATION

### **Articulation of the Basque cooperative movement**

We cannot understand development of the Basque cooperative movement without understanding how it is articulated. Over the course of several decades, different institutions have been created that allowed the Basque cooperative movement to organise.

Illustration 4. Main milestones in articulating the Basque Cooperative Movement



Source: The authors.

As a result of the Basque Cooperatives Law in 1982, in 1983, the **Higher Council of Cooperatives of the Basque Country (CSCE-EKKG)** was established. This singular structure is specific to the ACBC and was created to act as the “highest body of promotion and dissemination of cooperativism, configured as a public entity to advise the Basque Public

Administration, with its own legal personality and full authorisation to act in fulfilling its duties.” The CSCE-EKGK provided for establishment of direct, fluid communication between the Administration and the cooperative movement. In addition to the great work conducted in the field of promotion and dissemination, of note is the BITARTU arbitration service that it has for out-of-court resolution of conflicts in Basque cooperatives.

The CSCE-EKGK currently consists of 13 members, of which 7 belong to cooperative federations, 3 to the Basque Government, and one representative from each one of the three Basque universities: University of the Basque Country (UPV/EHU), Deusto University, and Mondragon Unibertsitatea.

In later years, the cooperatives, present in different activity sectors, were structured into sectorial Federations for representation and to defend their interests. In 1988, the Federation of Consumption Cooperatives of the Basque Country was created, and in 1989, the Federation of Agrarian Cooperatives of the Basque Country, the Federation of Credit Cooperatives of the Basque Country, and the Federation of Workers’ Cooperatives of the Basque Country. The following year, in 1990, the Federation of Education Cooperatives of the Basque Country was founded and, lastly, in 1992, the Federation of Transporter Cooperatives of the Basque Country.

In 1996, as a result of the revised Cooperatives Law of the Basque Country of 1993, a unitary organisation was created to represent and develop the Basque cooperative movement, including the six aforementioned cooperative federations: The Cooperatives Federation of the Basque Country (Konfekoop). Konfekoop was created to meet the need to strengthen the Basque cooperative movement, given its economic and social importance, in addition to the interest in using the synergies and unifying services between the different federations comprising it.

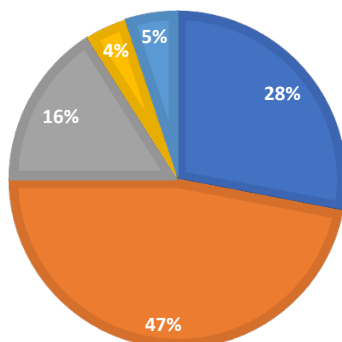
Later, in 2006, a merger process began between the Workers’ Cooperatives, Education, Consumption, and Credit federations, under the umbrella of Erkide. As a result of this merger, Konfekoop was left with three federations: The Federation of Agro-Food Cooperatives of the Basque Country, the Federation of Transporter Cooperatives of the Basque Country, and Erkide itself. The last milestone in this convergence process is the merger between Erkide and the Federation of Agrarian Cooperatives of the Basque Country in 2019, leading to the new Konfekoop, which includes all federations except for transporters.

Currently, 1,233 federated cooperatives are in practically all activity sectors, as shown in the illustration below:

*Illustration 5. Distribution in the ACBC by sectors, based on the number of cooperatives. (2018)*

### SECTORIAL DISTRIBUTION BY EMPLOYMENT

■ Industry ■ Services ■ Construction ■ Transportation ■ Agri-food



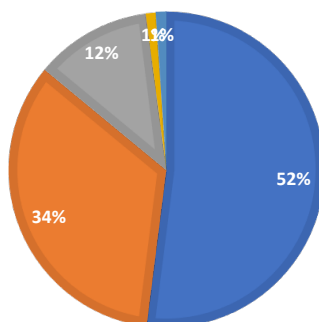
Source: Confederation of Cooperatives of the Basque Country

The greatest percentage in terms of the number of enterprises is in the services sector. However, in terms of the number of employees, the industrial sector stands out, accounting for 52% of total cooperative employment.

*Illustration 6. Distribution in the ACBC by sectors, based on cooperative employment (2018)*

### EMPLOYMENT DISTRIBUTION BY SECTOR

■ Industry ■ Services ■ Construction ■ Transportation ■ Agri-food



Source: Confederation of Cooperatives of the Basque Country

Throughout its history, Konfekoop has created and developed different initiatives to better articulate the cooperative movement. There are currently three initiatives that this entity calls entities for inter-cooperation:

- **ELKARGI S.G.R.:** this is the reciprocal guarantee company of the Basque Country. It has a section specialised in Social Economy enterprises called *Oinarri*. Its activity is focused on two fields of action: the first consists of providing adequate funding to enterprises, and the second of improving their financial management. It provides both financial and technical guarantees that enterprises may need, and with them, although to a lesser degree, cooperatives can finance their investments under the best conditions on the market.
- **ELKARLAN S.COOP.:** this is a second-degree cooperative whose objective and ultimate purpose is to promote cooperative enterprises, and consequently, to create cooperative employment and economic and social development. The services that it offers are for orientation and consulting on business projects under a cooperative configuration (e.g., viability analysis for projects, cooperative training, consulting on starting up cooperatives, information on grants and subsidies, establishing cooperatives, etc.).
- **ASOCIACIÓN ASESORES SENIOR:** At the CSCE-EKKG's initiative, a group consisting of retired cooperativists was formed to promote and support cooperative social-entrepreneurial development voluntarily and altruistically. In 2018, this was formally established as the cooperatives' *Asociación de Asesores Senior Asekoop*, which especially provides service to small or incipient cooperatives. This support means close accompaniment of the Governing Council based on experience gleaned in leadership positions at cooperatives throughout their professional life. This association seeks to be the instrument to channel the know-how, experience, and values of these volunteers, and to thus strengthen inter-generational solidarity.

Lastly, it should be noted that, while articulation of the Basque Cooperative Movement bears certain parallels with national, European, and even international cooperative articulation as we can see in the table below, the Higher Council of Cooperatives of the Basque Country is a singular, unique body in the world.

*Illustration 7. Articulation of the cooperative movement in the ACBC, nationwide, in Europe, and internationally*

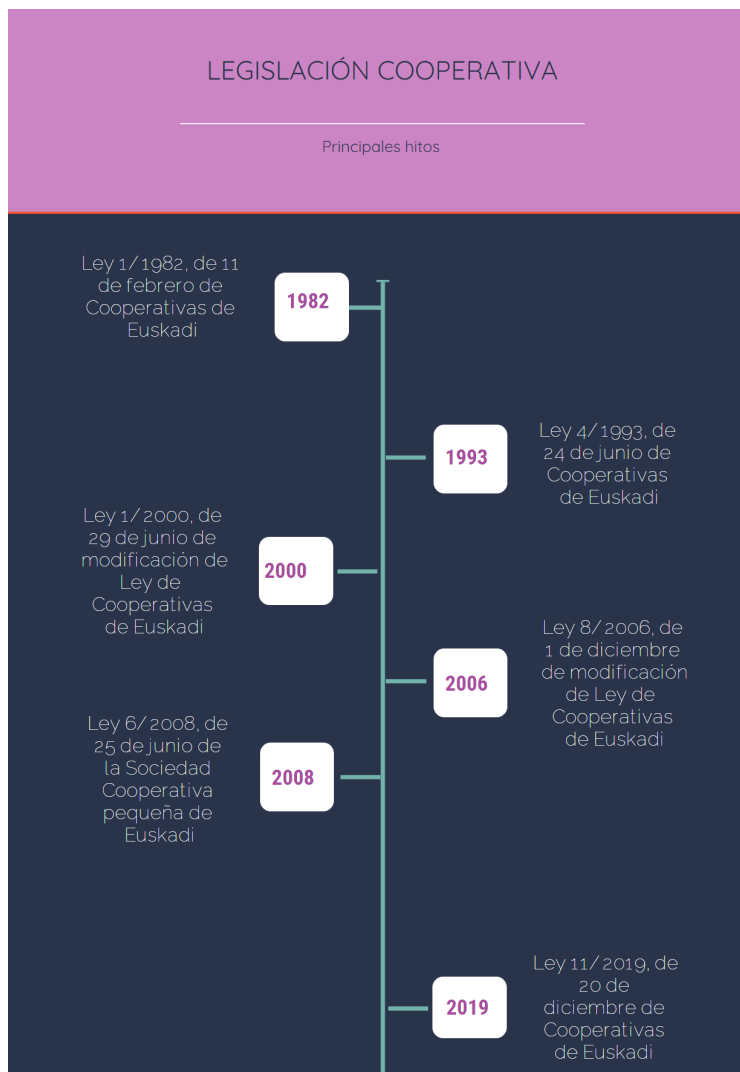
BASQUE ENTITY	SPANISH ENTITY	EUROPEAN ENTITY	GLOBAL ENTITY
KONFEKOOP	CEPES	COOPERATIVES EUROPE / SOCIAL ECONOMY EUROPE (SEE)	INTERNATIONAL COOPERATIVE ALIANCE (ACI)
ASOCIACIÓN TRABAJO ASOCIADO	COCETA	CECOP	CICOPA
ASOCIACIÓN ENSEÑANZA	UECoE		
ASOCIACIÓN CONSUMO	HispaCoop	EuroCoop	CCVV
ASOCIACIÓN CRÉDITO	UNaCC	EACB	ICBA
FCAE	CCAE	COGEGA	ICAO
FCTE	UCoTrans		

Source: the authors

### Evolution of cooperative law in the Basque Country

The ACBC was a nationwide pioneer in developing the cooperative legal framework. Proof of this is that the first cooperative law approved in Spain was the Cooperatives Law of the Basque Country of 1982. **Law 1/1982 of 11 February** was one of the first results of the then-recent legal competency of the Basque Autonomous Community and met the needs which, at the time, were being urgently raised by the Basque cooperative movement. It set out to act as legislation to meet the challenges of cooperatives at the time, in full harmony with the cooperative principles proclaimed by the International Cooperative Alliance and promotion and defence of the Basque cooperative movement. All with a regulation to boost cooperative autonomy and that attempted to not close doors to the development of formulas, even experimental ones, that the increasing complexity of cooperative life would foreseeably require.

Illustration 8. Important milestones in cooperative legislation in the ACBC



Source: the authors

### Law 4/1993

Economic, social, and legal changes in the following decade required reconsideration of the law approved in 1982. As a result, 24 June 1993, the **Law 4/1993 on Cooperatives in the Basque Country** was approved, which



remained in force until 2019. This law sought to cover the shortcomings of the legal framework for Basque cooperativism at the time. At the same time, it sought to bring the new regulation closer to European Economic Community guidelines, also introducing progress and legal instruments that had been developed in previous lustra, both in domestic and in comparative law. In summary, this law sought to eliminate pre-existing hurdles for suitable development of cooperatives in the new European context, with the end goal that they could find their place on the market with the same possibilities as other companies with whom they had to compete. In addition, we must acknowledge that this was a clear point of reference for other cooperative laws nationwide later on.

Law 4/1993 on Cooperatives in the Basque Country was a decisive step toward modern cooperativism and both economic and social progress. It joined the principles of cooperativism together with effective execution of company activity.

#### **Amendment Law 4/1993: Law 1/2000**

After several years applying the Law, it was observed that it needed to be adapted to new challenges faced by cooperative business organisations. Thus, in the year 2000, **the first partial amendment** to the Law 4/1993 was approved, which took shape in **Law 1/2000 of 29 June**.

The values and principles inspired by the Cooperatives Law of the Basque Country were the same values and principles defined and contained in the Statement on the Co-operative Identity, approved by the International Co-operative Alliance at the Manchester General Assembly in 1995.

The thriving Basque cooperativism and its huge influence on the economy meant that competent public authorities had to develop principles contained in the Law, in order to make progress for cooperatives as differentiated enterprises possible. Recommendations for international entities like the United Nations, the International Co-operative Alliance, and the International Labour Organisation bore on the importance of appropriate public power action in terms of regulations to facilitate development of the cooperative movement while providing legal safety.

In order to provide a satisfactory response to the previous matters, regulatory development could not be put off. This found legal protection for preparation and promulgation in the Fifth Final Provision of Law 4/1993, as well as singular precepts in Law 1/2000 that explicitly set forth and demand this development.

Mandatory reference had to be made to the scope of the exclusive competency which, in terms of cooperatives, was attributed by article 10.23 of the Autonomy Statute to the Autonomous Community of the Basque Country. Within this framework, Decree 58/2005 of 29 March was approved, which approved the Regulation on the Cooperatives Law of the Basque Country. This Decree attempted to facilitate specific application both for the interpreter and the recipient, which in some cases was dispersed in different applicable legal regulations, and thus endow the regulation with a pedagogical nature.

### **Amendment Law 4/1993: Law 8/2006**

Shortly after the Regulation on the Cooperatives Law of the Basque Country came into force, specifically in 2006, a second amendment was approved to the Law 4/1993 which was published in Law 8/2006 of 1 December. This amendment met the need to harmonise applicable legislation with new international accounting regulations. And international accounting regulations prevented considering cooperatives' corporate capital contributions, both mandatory and voluntary, as their own resource, due to the unconditional law on members and reimbursement.

Therefore, in this regard, international accounting regulations were directly at odds with the configuration of article 63 of the Cooperatives Law of the Basque Country at the time, which regulated the unquestionable right of members to reimbursement of their contribution. If the current wording were maintained, this would lead to serious consequences on the cooperatives' image of solvency with third parties, with consequences for development of their economic activity.

Thus, the law on reimbursing members with new accounting criteria was necessary, such that mandatory and voluntary corporate capital contributions in Basque cooperatives could be effectively accounted for as their own resource, without affecting the values and principles of cooperatives, nor the spirit of the applicable Cooperatives Law of the Basque Country.

Amongst others, the legal modification bore on the free decision of each cooperative for their corporate bylaws to set forth the existence of corporate capital contributions that are not mandatory but may be reimbursed by decision of the cooperative. This provided for putting shareholder contributions on the books as their own resource.

### **Law 6/2008, Small Cooperative Company**

Another one of the important milestones in Basque cooperative legislation was approval in 2008 of the Small Cooperative Company Law. **Law 6/2008 of 25 June, on the Small Cooperative Company**, was pioneer nationwide and opened up the possibility of creating workers' enterprises and community-operated enterprises with a minimum of 2 members and a maximum of 10. This law was in response to the gradual awareness of European institutions of adoption of different initiatives to encourage simplification of the specific conditions to start up new company initiatives. The cooperative movement, aware that it could not live outside this reality, and aware that it needed to encourage the creation of a dynamic to favour entrepreneurship of small cooperatives, decided to change its regulation as had been done previously in the general commercial scope. The small cooperative company meets this need for entrepreneurship under a different seal, creating quality employment under self-management formulas.

### **Law 11/2019**

The latest amendment to the Law took place in 2019, through approval of the **Law 11/2019 of 20 December, on Cooperatives in the Basque Country**.

This reform was widely requested by different organisations related to Basque cooperativism and approved with their full consent. This law seeks a balance between operational flexibility and cooperative identity so that cooperatives may operate on the global market and have instruments to compete under equal operational conditions as other organisations.

Moreover, on one hand, this law seeks to restate in one single text the different amendments added to the previous legal provision, Law 4/1993, since its entry in force and other complementary provisions, to resolve obsolete elements in certain elements, to reinforce regulatory autonomy adapted to each cooperative project and, on the other, to incorporate a degree of legal security into the interpretation and application of the cooperative regulation.

Thus, this new regulation, in an attempt to meet the needs of a competitive and complex world, amongst others:

\* Clarifies the *liability of the cooperative and of members*, providing greater precision on the liability system for cooperative members. As such, the law sets forth that the cooperative is liable for corporate debts with all its present

and future equity, and that the liability of members in the cooperative is limited to the subscribed capital contribution.

\* Within the scope of *governance*, this entailed greater transparency, both for cooperatives and for members. The Law guaranteed democratic, participatory operation for cooperatives, along with effective management and control, focusing amendments mainly on the administrative body, the Governing Council.

Thus, regarding the duties of administrators, the Law broadly and less generically than in the previous regulation develops diligence and loyalty duties. Additionally, the duty to abstain from conducting activities as self-employed or employed by others that entail competition with the cooperative or a conflict of interest is expressly regulated. Lastly, it is regulated (and this was not regulated in the previous regulation) that, with strategic and business decisions subject to business discretion, the diligence standard of a respectable businessperson shall be deemed fulfilled when the administrator has acted in good faith, with no personal interest, with sufficient information and under the framework of proper function (art.49).

Regarding the liabilities of administrators (art. 50), misconduct or fault is included under this liability, the extension of liability to de facto administrators is regulated, and in terms of liability, whether a position is remunerated is no longer considered.

Moreover, it should be noted that, in terms of remunerating an administrator position, while in general it is set forth that this shall be free, the new regulation sets forth the possibility of remunerating these positions, with the General Assembly setting the annual amount (art. 45).

Lastly, it should be indicated that professionalisation of the administrative body was increased, permitting up to one-third of the administrators to not be members, barring express prohibition in the Bylaws (art.43.2).

\* Regarding *restructuring operations* and, specifically, in terms of the transformation: (a) the requirement for approval from the Higher Council of Cooperatives of the Basque Country (CSCE) for the Governing Council report was eliminated, and this requirement was replaced in the new Law with the obligation to send the Governing Council report to the CSCE before the Assembly's agreement, (b) the requirement for a Surveillance Commission therein was eliminated, and (c) the type and amount of equity that must be accredited to the CSCE as accounts in shareholding in the entity coming from the transformation was reviewed. As such, if applicable law requires an independent expert report and an underestimation in

assets on the entity's balance sheet as a result of said transformation to be recorded, the law indicates that said underestimation shall be applied to the value of the funds made available to the CSCE.

On the other hand, the possibility of a total or partial demerger of a cooperative for a non-cooperative entity is expressly regulated, and the possibility of segregating one or several parts of the cooperative's equity, without ceasing to exist, transferring the segregated portion as a block to one or several newly-created or already-existing cooperatives or non-cooperative entities, was expressly regulated.

Moreover, the Law indicates that in cases of: (a) merger due to a takeover of the cooperative by an entity of another kind, (b) transformation, (c) segregation of one or several parts of the equity to one or several non-cooperative entities, or (d) total or partial demerger of a cooperative for a non-cooperative entity, voluntary reserve funds that cannot be distributed shall be made available to the CSCE.

\* Regarding *classes of cooperatives*, the cooperative classifying typology where most innovation occurred was with cooperatives called junior cooperatives, housing cooperatives, and transport.

Thus, it was considered necessary to regulate in this very law, for legal security, two new classes of cooperatives: a) the "junior cooperatives," that are fundamentally educational in nature, and b) the transport cooperatives, identifying therein two sub-types, workers' enterprises and transporter services.

Regarding housing cooperatives, they were reconfigured following the fundamental structure explained above.

It should also be noted that, in workers' cooperatives, the limit on non-cooperative work provided in cooperatives increased by five percentage points, from 25% to 30%, in response to practical needs that were observed.

\* Management of the cooperative is facilitated through the *use of technology*. Thus, amongst others, the law sets forth the use of electronic, IT, and telematic media to facilitate processes such as announcing and holding assemblies.

\* From the member perspective, the new law promotes measures in favour of *gender equality* and the use of inclusive language. Moreover, it proposes a balance in members in bodies, considering equality and work-life balance measures.

\* It modernises the *relationship with the Administration*, recognising as a specific "social agent" for representative interlocution for all of Basque cooperativism, the entity that associates more than 60% of the

cooperatives registered in the Cooperatives Registry of the Basque Country with accredited activity therein, or when the number of members in said cooperatives is greater than 60% of the total number of members in active cooperatives registered in this Registry.

\* Regarding the *infraction and sanction system*, maintaining the basic structure and system of the cooperative sanctioning system, the law made an adjustment to the list of infractions (art. 148) and their corresponding sanctions (art. 149).

\* On the other hand, the ministry of the Basque Government competent for labour issues is reserved *inspecting authority* (art. 147.1), as well as sanctioning ability (art. 149.6), although the Higher Council of Cooperatives of the Basque Country is given the power to ensure compliance with cooperative principles.

\* Certain amendments regarding *cooperative associationism* are included.

As far as Cooperative Federations are concerned, the law adapts the minimum limit of associated entities so that the pertinent federation is representative of the Basque Country, from 40% to 50%.

Regarding the Higher Council of Cooperatives of the Basque Country, at the legal seat, it is clarified that it is necessary to draw up annual accounts pursuant to the applicable financial information regulatory framework.

Additionally, regarding duties, this Law adds, in terms of the arbitration role, the obligation to exhaust the internal cooperative challenge channel before moving to arbitration or the courts, as applicable. Additionally, the obligation to audit annual accounts is set forth, pursuant to the applicable financial information regulatory framework.

\* Cooperatives are granted greater flexibility and agility in *decision-making*, providing for more recruitment by employers. Also, in the event of economic crisis, it allows for much faster and agile decision-making, as long as this is provided for by the Governing Council.

In short, this law allows the cooperative to take a series of decisions that can facilitate its economic activity. And the cooperative, internally, is the entity that must conduct serious reflection in its decision-making bodies to decide to which extent it implements these relaxation measures.

## Cooperative Taxation

Under article 129.2 of the Constitution, which grants public authorities development and special protection of and over cooperatives, cooperatives

fall under a singular system as a formula to acknowledge their social role. Their characteristics require a specific tax regulation that the Historical Regions of the Basque Country have developed in use of their powers. Thus, the following are currently in force: Provincial Regulation 16/1997 on the Tax System for Cooperatives, of the Historic Region of Araba, Provincial Regulation 2/1997 on the Tax System for Cooperatives, of the Historic Region of Gipuzkoa, and Provincial Regulation 6/2018, on the Tax System for Cooperatives, of the Historic Region of Biscay.

These regulations include certain adaptation rules applicable to all enterprises that are cooperative, in addition to certain tax benefits for cooperatives which, complying with certain requirements, are considered as protected cooperatives or, if applicable, especially protected cooperatives.

In this regard, these provincial regulations set forth rules and benefits that are specific for protected cooperatives in terms of taxation on their profits with the Corporate Tax, and certain exemptions and tax rebates on the Property Transfer and Certified Legal Documents Tax and other local taxes, as well as the Economic Activity Tax and Real Estate Tax, if competent entities establish this. On the other hand, they also contain certain obligations regarding the income that members receive and must be taxed by the Personal Income Tax.

### 2.3. DRIVING NOTIONS: CHARACTERISATION OF THE BASQUE COOPERATIVE MOVEMENT

#### **Cooperative Density and Diversity**

As such, the Basque cooperative movement stands out both because of the density of existing cooperatives (number of cooperatives and jobs created), and the cooperative diversity it houses (sectors in which the cooperative formula operates and type of cooperatives in existence).

#### **Specific weight of cooperatives in the Basque economy (main variables: employment, num. of establishments, sectorial distribution)**

##### *Jobs created by cooperatives*

Within the Basque Country's Social Economy, cooperatives are the family with the greatest weight in terms of the number of establishments

and jobs. As we can see on the table below, cooperatives generate 53,390 jobs, which was 88.1% of the jobs generated by the social economy in 2018. Moreover, cooperative employment reached 5.7% of total employment in the Basque Country in 2018.

*Illustration 9. Distribution of establishments and remunerated jobs (ACBC, 2018)*

	2018	
	Establishments	Jobs
<b>FECES</b>	3.337	60.609
<b>Cooperatives</b>	2.590	53.390
<b>S.L.es</b>	747	7219
<b>OFES</b>	1.623	28.251
<b>Foundations</b>	762	13045
<b>Special Employment Centres</b>	106	9.986
<b>Public Utility Associations</b>	418	4.013
<b>Reintegration enterprises</b>	70	719
<b>ATS</b>	85	233
<b>Fishermen's Associations</b>	17	91
<b>EPSV</b>	165	74
<b>TOTAL</b>	4.937	87.693

Source: Social Economy Statistics 2018 and advance report 2019

Considering the evolutionary dynamic of jobs created by cooperatives, as we can see on the table below, they have constantly increased, except for the loss of approximately 3,000 jobs between 2008 and 2014, which have been recovered as of today.



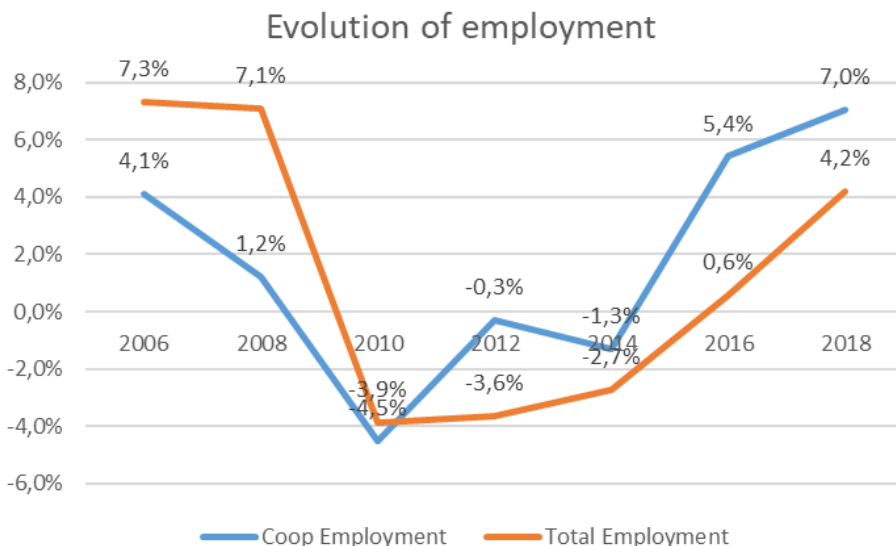
*Illustration 10. Cooperative employment in the period 1996-2018 (ACBC)*

	<b>Cooperative Jobs</b>
<b>1996</b>	32.574
<b>1998</b>	41.698
<b>2000</b>	36.825
<b>2002</b>	47.531
<b>2004</b>	47.797
<b>2006</b>	49.760
<b>2008</b>	50.359
<b>2010</b>	48.092
<b>2012</b>	47.944
<b>2014</b>	47.322
<b>2016</b>	49.883
<b>2018</b>	53.390

Source: Social Economy Statistics, Basque Government

Continuing with the evolution of cooperative employment, the graph below shows the different evolution in cooperative employment (data from the Social Economy survey of the Basque Government Office of Labour and Justice) when compared with total employment in the Basque Country (Eustat data). Thus, while the drop in employment in cooperatives during the crisis (2008 through 2010) was similar to the general drop in employment, in recent years, employment was mainly recovered in the cooperative scope, with biannual growth rates every year that were greater than the general total in the economy. During the last period analysed, Basque cooperativism employment grew sharply, at 7% of biannual growth, as opposed to the approximately 4.2% of the Basque job market (according to employment data from the Directory on Economic Activities, DIRAE).

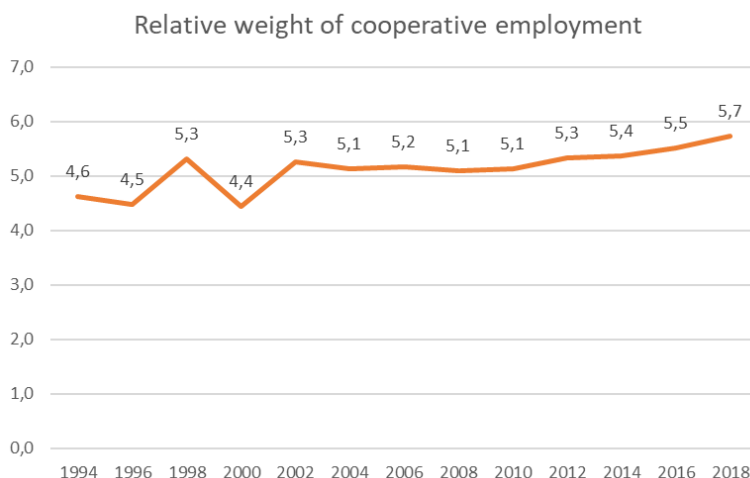
*Illustration 11. Biannual growth rates for cooperative employment and total employment in the ACBC (2006-2018)*



Source: Cooperative data: Office of Labour and Justice. Social Economy Statistics. Data on total establishments. Eustat Economic Activity Directory. Biannual growth rate data

It should also be mentioned that the weight of cooperative employment out of total employment in the ACBC has maintained a slight but upward trend since 2008, as we can see in the illustration below, which provides a view of Basque cooperativism’s good health, with cooperative employment accounting for 5.7% of total employment in the Basque Country in 2018.

*Illustration 12. Evolution of the relative weight of cooperative employment out of total employment in the ACBC (2006-2018)*



Source: Office of Labour and Justice. Social Economy Statistics. Relative weight of cooperative employment out of total employment in the ACBC

Although the statistical data come from different sources, and it is therefore not possible to conduct an exhaustive comparison, it is interesting to discover the weight of Basque cooperativism in comparison with nationwide cooperativism. The data is provided by CEPES (Spanish Business Confederation of the Social Economy), according to which, out of 314,381 workers at cooperatives nationwide, 60,066 are from the ACBC. This means that around 19% of total state cooperative employment is in the Basque Country<sup>1</sup>, which proves the great importance of Basque cooperativism within the country.

### Number of establishments and cooperative enterprises

Another variable to consider when assessing the weight of cooperativism is the **existing number of establishments and enterprises**. In this regard, we must highlight the growth in the number of establishments in the ACBC in recent years for cooperatives, as opposed to the generalised downturn in the total number of establishments in this region.

<sup>1</sup> Although CEPES' data do not match data provided by the Basque Government, since they come from different sources, they provide a vision of the great importance of Basque cooperativism within the country as a whole.

*Illustration 13. Number of cooperative and total establishments (ACBC, 2008-2018)*

	<b>Cooperative Establ.</b>	<b>Biannual variation</b>	<b>Total CA establ.in the Basque Country</b>	<b>Biannual variation</b>
<b>2008</b>	1.937		203.911	
<b>2010</b>	2.071	6,9%	191.057	-6,3%
<b>2012</b>	2.236	8,0%	184.471	-3,4%
<b>2014</b>	2.275	1,7%	176.879	-4,1%
<b>2016</b>	2.420	6,4%	175.674	-0,7%
<b>2018</b>	2.590	7,0%	173.849	-1,0%

Source: Cooperative data: Office of Labour and Justice. Social Economy Statistics. Data on total establishments in the ACBC: Eustat Economic Activity Directory

It is also interesting to analyse the evolution of cooperative establishments by company size.

*Illustration 14. Evolution of the number of cooperative establishments by size (2016-2018)*

	<b>Establishments 2016</b>	<b>Establishments 2018</b>	<b>Evolution 2016 - 2018</b>
<b>Up to 5 jobs</b>	1.080	1.225	13,4%
<b>From 6 to 15</b>	303	312	2,9%
<b>From 16 to 50</b>	172	174	1,2%
<b>From 51 to 100</b>	107	106	-0,9%
<b>From 101 to 200</b>	197	204	3,6%
<b>From 201 to 500</b>	137	124	-9,5%
<b>Over 500 jobs</b>	424	445	5,0%
<b>TOTAL</b>	<b>2.420<sup>2</sup></b>	<b>2.590</b>	<b>7,0%</b>

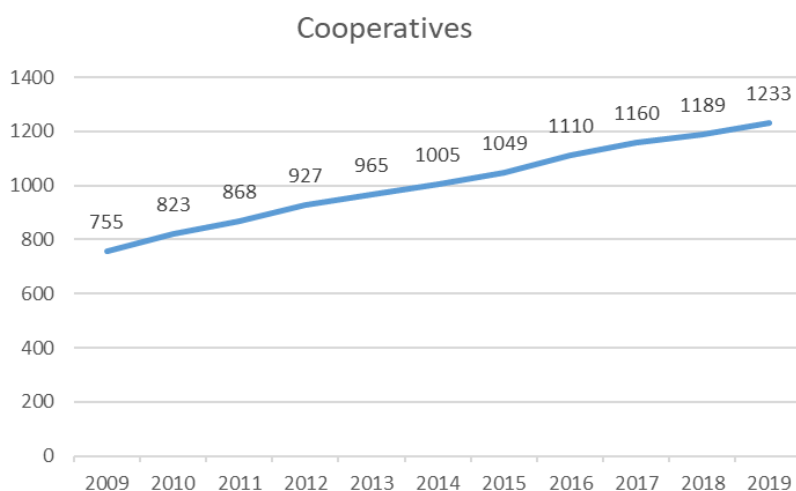
Source: Office of Labour and Justice. Social Economy Statistics<sup>2</sup>

<sup>2</sup> In this edition of Social Economy Statistics 2018, a double adjustment has been made to the quantification of the number of cooperative establishments: on one hand, for enterprises with over 500 jobs, 86 fewer establishments were counted, associated with departmental units of the company's central headquarters that do not strictly fall under business or commercial establishments, and on the other, for academies or euskaltegis with 101-200 jobs, the total of establishments associated with teaching in-person classes were counted, which leads to a count for this strata of employment of 128 establishments. Globally, a correction of +42 cooperative establishments is counted.

Of note is the 13.4% growth in establishments with fewer than 5 jobs and more than 500 jobs, at 5%.

This increase is also mirrored in the data provided by the Confederation of Cooperatives of the Basque Country (Konfekoop). The following illustration shows how the number of cooperatives has continuously increased in the past years.

*Illustration 15. Evolution of the number of cooperative enterprises in the ACBC (2009-2019)*



Source: Confederation of Cooperatives of the Basque Country

Regarding the nationwide total, the data offered by CEPES provide a view of the evolution in the number of enterprises, both in the ACBC and in the country. The table below offers data that show the total number of cooperatives in Spain (data from CEPES) and in the ACBC (data from Konfekoop). The data provided by both entities are not comparable since the data's original sources are different. However, this gives us, once again, a view of how much Basque cooperativism has grown.

*Illustration 16. Evolution of the number of cooperative enterprises in the ACBC (2009-2018)*

	Spain	Inter-annual Variation	ACBC	Inter-annual Variation	Weight of Basque cooperativism in comparison with the nationwide total
<b>2009</b>	23.219				
<b>2010</b>	22.595	-2,7%	823		3,6%
<b>2011</b>	22.022	-2,5%	868	5,5%	3,9%
<b>2012</b>	21.499	-2,4%	927	6,8%	4,3%
<b>2013</b>	21.499	0,0%	965	4,1%	4,5%
<b>2014</b>	21.412	-0,4%	1005	4,1%	4,7%
<b>2015</b>	20.258	-5,4%	1049	4,4%	5,2%
<b>2016</b>	20.792	2,6%	1110	5,8%	5,3%
<b>2017</b>	20.958	0,8%	1160	4,5%	5,5%
<b>2018</b>	19.954	-4,8%	1189	2,5%	6,0%

Source: CEPES and the Higher Council of Cooperatives of the Basque Country

Additionally, while nationwide evolution was erratic, with ups and downs in recent years, in the ACBC, as we also saw in the previous illustration, there has been a constant and stable upward trend.

#### Distribution of cooperative employment by sectors

In terms of **distribution of employment by sectors**, if we consider evolution of the sectorial distribution of employment in cooperatives, the data show an increase in the specific weight of the services sector, which was 55.8% in 2018 in detriment to the industrial sector, which lost 5 points between 2008 and 2018. The lowest value of the relative weight of the industrial sector occurred in 2014, which meant a slight recovery in industrial employment in recent years. In other words, while we observe a tendency toward tertiarization in the cooperative sector, the weight of the industrial sector is still very relevant: 41.3% in 2018. This is another of the most noteworthy characteristics in Basque cooperativism.

In line with the European Union's policy, which banks on the solidity of its industrial foundation as a strategy for development, the ACBC makes it one of the groups of countries that maintain a relatively strong

manufacturing industry, despite losing importance in comparison with the services sector, just as occurs in the cooperative sub-sector. The strength of the Basque economy cannot be disassociated from the relative industrial specialisation of its productive network, as well as the technological development of its products and improved quality and efficiency in manufacturing processes conducted by its main enterprises (ORTEGA, 2018:9). In this regard, the data show that Basque cooperativism's relative contribution to the region's economy is highlighted when the spotlight shines on the industrial sector.

*Illustration 17. Sectorial distribution of cooperative employment (2008-2018)*

	2018	2016	2014	2012	2010	2008
<b>Primary</b>	0,3%	0,3%	0,3%	0,2%	0,3%	0,4%
<b>Industrial</b>	41,3%	41,4%	40,7%	43,6%	43,4%	46,3%
<b>Construction</b>	2,6%	2,2%	2,1%	2,7%	2,6%	2,2%
<b>Services</b>	55,8%	56,1%	56,9%	53,5%	53,7%	51,1%

Source: Social Economy Statistics, Basque Government

As such, we can state that this evolution highlights the industrial specialisation that characterises the Basque cooperative movement, and its specific contribution to the Basque industry, since industrial cooperativism in the ACBC accounts for more than 40% of total cooperative employment.

This contribution grows more evident in the region's driving enterprises. When observing driving enterprises (manufacturing industry companies with more than 500 employees), we find that 31% of these 29 driving enterprises are cooperatives. And if we count all social economy enterprises, this number reaches 37% (ORTEGA, 2018).

According to the Basque Government<sup>3</sup>, large cooperative enterprises (with more than 500 employees), with growth nearing 14%, were the ones who drove employment growth in Basque social economy as a whole; those with fewer than 5 employees, 4.7%, and those with 6 to 15 employees: -5.8%”.

Globally in the ACBC, as we can see in the table below, employment in the industrial sector accounted for approximately 25.6% in 2008 and decreased

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<sup>3</sup> Presentation on Social Economy Statistics 2018 and 2019 Advance Report conducted 2 July 2020.

to 22% in 2018, so we might say that the decrease in terms of relative weight is similar to the decrease in cooperative employment. This drop was also offset by an uptick in the services sector, with 6.7 points' growth, greater than the growth in cooperative employment. Also of note is the fact that, while in the general economy employment in construction decreased by nearly three points, it remained practically constant in cooperatives, and in the last year available, it even slightly increased, proving the great efforts made by Basque cooperatives that work in construction to seek out alternatives.

*Illustration 18. Sectorial distribution of total employment in the ACBC (2008-2018)*

	2018	2016	2014	2012	2010	2008
<b>Primary</b>	1,2%	1,1%	1,0%	0,9%	0,9%	1,2%
<b>Indus</b>	22,0%	20,9%	21,5%	23,6%	23,7%	25,6%
<b>Construction</b>	5,3%	5,2%	5,3%	6,4%	7,6%	8,4%
<b>Services</b>	71,5%	72,8%	72,2%	69,1%	67,8%	64,8%
<b>TOTAL</b>	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%

Source: Eustat. PRA data. Annual averages

Regarding the weight of cooperative employment out of the total, at sectorial level, the data on the table below show high stability, with an increase at more than one point both in Industry and in Construction.

*Illustration 19. Weight of cooperative employment out of total employment in the ACBC, distributed by sectors*

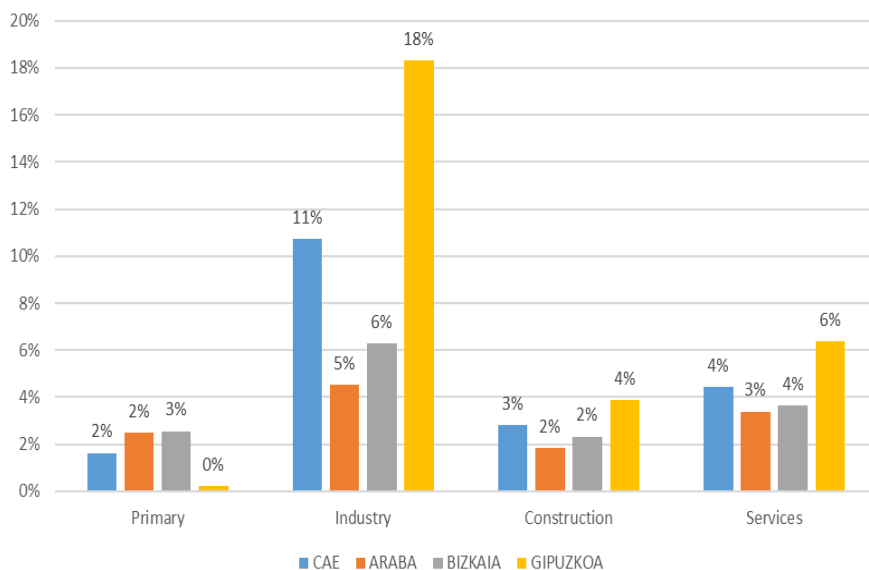
	2018	2016	2014	2012	2010	2008
<b>Primary</b>	1,6%	1,8%	1,8%	1,2%	1,8%	1,6%
<b>Industry</b>	10,7%	10,9%	10,2%	9,9%	9,4%	9,3%
<b>Construction</b>	2,8%	2,3%	2,2%	2,3%	1,7%	1,3%
<b>Services</b>	4,5%	4,3%	4,2%	4,1%	4,1%	4,0%
<b>TOTAL</b>	5,7%	5,5%	5,4%	5,3%	5,1%	5,1%

Source: Cooperative data: Office of Labour and Justice. Social Economy Statistics. ACBC data: Eustat. PRA survey. Annual averages



If we consider the weight of cooperative employment out of total employment in the ACBC in the different sectors and in the three historical regions, we have the following illustration for the year 2018:

*Illustration 20. Relative weight of cooperative employment out of total employment in the ACBC, by sector and historical region (2018)*



Source: Cooperative data: Office of Labour and Justice. Social Economy Statistics. ACBC data: Eustat. PRA survey. Annual averages.

This illustration highlights the heavy weight of cooperative employment in industry in Gipuzkoa, making clear the importance of the MONDRAGON group within the industrial context of this historic region, with employment created in cooperatives accounting for 18% of total industry employment.

Lastly, although data offered by the Basque Government and by CEPES are not in principle comparable, we can see the importance of Basque cooperative employment in the industrial sector in comparison with nationwide cooperativism. While Basque cooperative employment is approximately 19% of total nationwide cooperative employment, in the industry sector, this percentage is higher than 30%, as we can see on the table below, showing the great weight of Basque industrial cooperatives, especially in terms of employment within the cooperative movement.

*Illustration 21. Weight of Basque cooperative employment in comparison with nationwide employment by sectors (2018)*

SECTOR	Weight of Basque cooperativism in comparison with the nationwide total
Primary	0.5%
Industry	32.6%
Construction	13.8%
Services	14.2%

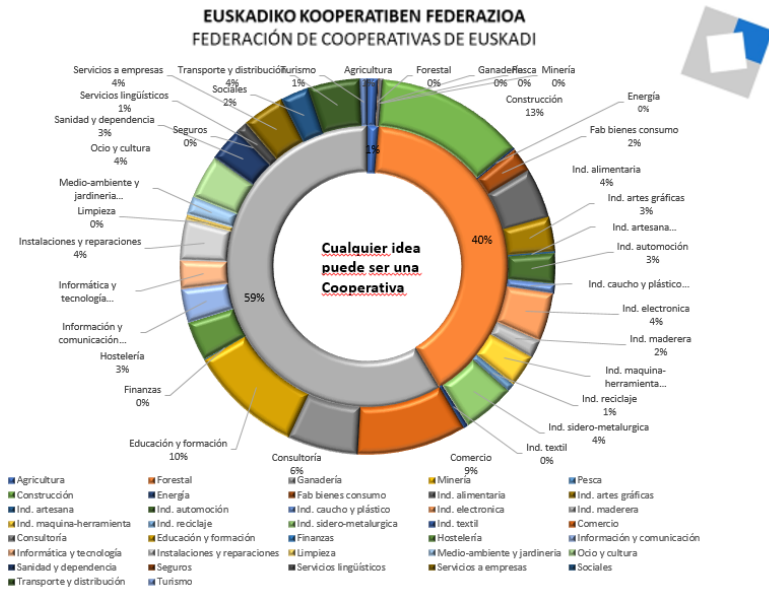
Source: Basque cooperative data: Office of Labour and Justice. Social Economy Statistics.  
Nationwide data: CEPES

### *Cooperative diversity*

As we already analysed, Basque cooperativism is characterised by the weight it bears in social economy as a whole, in the Basque economy in general, and in the industrial sector in particular. But the Basque cooperative movement also stands out for cooperativising key sectors of the economy and society: from industrial sectors with high technological content to sectors like finance, consumption, agriculture, research, and education. There is great diversity from the perspective of the type of cooperative, as well as from the perspective of the sector in which they are found. This is an unusual characteristic that makes the Basque cooperative model especially unique around the world from a qualitative perspective. There are few regions in the world with a cooperative-format economy able to tackle key driving sectors of the country's economy.

This illustration depicts cooperative diversity in terms of the sector wherein the cooperatives operate.

Illustration 22. Diversity of Basque cooperativism



Source: Federation of cooperatives of the Basque Country

Cooperatives can be classified based on the sector wherein they conduct their activity or based on the cooperativised activity. The Cooperatives Law 11/2019 sets forth the following classes of cooperatives:

- Workers' company cooperatives
- Consumption cooperatives
- Educational cooperatives: these can be comprehensive when both users and workers are members
- Agrarian and food cooperatives
- Community exploitation cooperatives
- Housing cooperatives
- Financial cooperatives
- Healthcare cooperatives
- Services cooperatives (cooperatives for professional and business services and transport and institutional-service cooperatives)
- Junior cooperatives
- Social integration cooperatives
- Business development cooperatives

From a conceptual perspective, we might group cooperatives into two large cooperative groups:

- Workers' cooperatives: where members provide their work to produce goods and services for third parties together.
- User cooperatives: where goods and services are procured from members, meaning that members are the activity's recipients. In these cooperatives, consumption is cooperativised.


One of the most singular characteristics of Basque cooperativism is the size and weight of **workers' cooperatives, especially in the industrial sector.**

Regarding user cooperatives, these are highly varied, and consumption, housing, education, credit, agro-food, and other cooperatives could fall under this category.

There is a third cooperative category, blended or comprehensive, which integrate several kinds of members: worker members and user members. Cooperatives may be classified as blended if regulated by the Cooperatives Law 11/2019.

The relevance and weight of workers' cooperatives in the cooperative movement as a whole is frankly noteworthy. Pursuant to data provided by the Confederation of Cooperatives of the Basque Country from 2019, there are 3,195 cooperatives in the Basque Country, of which 2,359 are workers' cooperatives. This density in workers' cooperatives is a distinctive characteristic of the Basque cooperative movement.

Illustration 23. Cooperative census in the ACBC

2019 COOPERATIVE CENSUS / KOOPERATIBEN ERROLDA 2019							
	TOTAL COOPS	 <b>KONFEKOOP</b> Euskadiko Kooperatiben Konfederazioa Confederación de Cooperativas de Euskadi					
		Coops	Total Members	Total Workers	Worker-Members	Outside Worker-Members	Billing (millions of euros)
Workers' cooperatives	2.359	1.074	22.457	35.709	22.457	13.252	8.541
Education	100	88	57.024	6.819	2.599	4.220	-
Credit	1	1	11.588	1.888	1.743	145	-
Agro-food	116	60	6.115	595	52	543	292
Consumption	40	10	1.128.715	11.351	8.075	3.276	
Transporters	41						
Housing	446						
Other	92						
<b>TOTAL</b>	3.195	1.233	1.225.899	56.362	34.926	21.436	-

Source: Confederation of Cooperatives of the Basque Country

In workers' cooperatives, the double role as “member” and “worker” entails that they must participate in management, ownership, and profits of the cooperative. Basque cooperatives are singular in how they integrate this figure of the worker-member not only in industrial or goods-and-services production cooperatives, but also in educational, consumption, agrarian, and credit cooperatives. Blended or comprehensive cooperatives, unusual in other cooperative movements, provide for greater involvement and integration of different kinds of members or players that form part of the cooperative project. Within education, there are multiple examples of comprehensive cooperatives where, on one hand, the members are users or recipients of the activity (parents and/or students), and on the other, are the workers at said cooperative educational centre.

## **Creating and maintaining dignified and quality employment**

One of the most important contributions of cooperatives is the creation of dignified, quality employment, as well as their proven ability to maintain said employment.

### *Resilience of cooperatives: maintaining employment in times of crisis*

Cooperatives, with their achievements and their limitations, are a true testimony to efficient and sustainable enterprises over time that view business activity with a long-term perspective. Cooperatives have proven their ability to remain and maintain employment in times of crisis.

Academic literature and different pieces of research tend to confirm greater resistance in terms of maintaining activity and employment seen in cooperatives during times of economic recession. The evolution of the Basque reality confirms this characteristic of cooperatives.

Resilience is closely related to the co-responsibility and self-commitment found in cooperatives. On one hand, a significant part of cooperatives has mechanisms which, in times of crisis, make it possible to make an effort to keep jobs and the company's sustainability, such as reducing advance payments, relocating partners in other cooperatives, establishing flexible job schedules, and economic aids provided between cooperatives.

On the other hand, and beyond these reactive measures, the resilient capacity of cooperatives is more than anything the result of business policies orientated toward future sustainability, such as banking on capitalising profits, a commitment to training, and systematic investment in R+D+i.

In this regard, data from the last economic crisis (2008-14) is significant: while the number of cooperatives grew during years of crisis, globally in the ACBC, 13.72% of Basque companies disappeared. In turn, the positive evolution of cooperatives is of note in comparison with the negative evolution of limited companies (which lost 9.21% of their network), and especially public limited companies, with more than one-fourth of them disappearing with the crisis (ORTEGA & LOYOLA, 2018).

*Illustration 24. Evolution in the number of enterprises by legal personality  
(ACBC, 2008-2014)*

	<b>2008</b>	<b>2010</b>	<b>2012</b>	<b>2014</b>	<b>Variation 2014/2008</b>
<b>Total Enterprises</b>	184.290	171.345	165.517	159.001	-13,72%
<b>Public Limited Company</b>	8.964	8.194	7.215	6.453	-28,01%
<b>Limited Company</b>	46.534	47.349	44.189	42.246	-9,21%
<b>Cooperative Enterprise</b>	1.895	2.029	2.194	2.233	17,83%

Source: Economic Activity Directory (DIRAE). Eustat. Cooperative Enterprises Data: ORTEGA & LOYOLA (2018)

We find similar results when we compare the number of establishments. Of note is the positive evolution in the number of Cooperative Company establishments in comparison with other companies.

*Illustration 25. Evolution in the number of establishments by legal personality  
(ACBC, 2008-2014)*

	<b>2008</b>	<b>2010</b>	<b>2012</b>	<b>2014</b>	<b>Variation 2014/2008</b>
<b>Total establishments</b>	203.911	191.057	184.471	176.879	-13,26%
<b>Public Limited Company</b>	13.580	12.630	11.552	11.047	-18,65%
<b>Limited Company</b>	52.242	53.463	50.115	48.084	-7,96%
<b>Cooperative Company</b>	1.937	2.071	2.236	2.275	17,45%

Source: Total data, on Public Limited and Limited Companies: Economic Activity Directory (DIRAE), Eustat. Cooperative Data: Social Economy Statistics, Office of Labour and Justice, Basque Government.

Regarding employment, according to EUSTAT data, the evolution of cooperatives (with a decrease of 6.03% between 2008 and 2014) during the crisis period was clearly more positive than in all the autonomous community as a whole, where in general terms it went down 9.88%. Limited Liability Companies lost 9.62% and Public Limited Companies over 20% (ORTEGA, 2018).

*Illustration 26. Evolution of employment by legal form (ACBC, 2008-2014)*

	2008	2010	2012	2014	Variation 2014/2008
<b>Total</b>	942479	906044	873121	849335	-9,88%
<b>Public Limited Company</b>	271213	251214	231907	215541	-20,53%
<b>Limited Liability Company</b>	279755	277586	262059	252845	-9,62%
<b>Cooperative Company</b>	50.359	48.092	47.944	47.322	-6,03%

Source: Total data, on Public Limited and Limited Companies: Economic Activity Directory (DIRAE), Eustat. Cooperative Data: Social Economy Statistics, Office of Labour and Justice, Basque Government.

The relative weight of cooperative employment within the ACBC'S economy as a whole increased from 2008 to 2014. While in 2008 cooperative employment was 5.1% of the ACBC'S employment, in 2014, it increased to 5.3%, reaching 5.7% in 2018.

*Illustration 27. Relative weight of cooperative employment in the ACBC'S economy*

	Relative weight of cooperative employment
<b>2008</b>	5,1
<b>2010</b>	5,1
<b>2012</b>	5,3
<b>2014</b>	5,4
<b>2016</b>	5,5
<b>2018</b>	5,7

Source: Social Economy Statistics, Office of Labour and Justice, Basque Government.

Moreover, during the 2008-2014 period, the behaviour of employment in cooperatives was more positive in all sectors when compared with the evolution of the sector as a whole in the ACBC and in comparison with Public Limited Companies, where employment is more vulnerable, regardless of the sector of reference. Of note is the better evolution of cooperatives in construction (-8.55%) as opposed to the negative evolution of employment in the ACBC as a whole (-45.5%) and in Public Limited Companies (-45.9%). Regarding industry, employment at cooperatives (-17.5%) evolved markedly better than industrial employment in the ACBC (where 22% of employment was lost during the crisis), and ostensibly



better in comparison with Public Limited Companies, where 28.8% of employment since 2008 had been destroyed (ORTEGA, 2018:14).

### *Quality and dignified employment*

The central role that cooperatives give to people is visible in the type of employment that these organisations create. The objective is to create quality, dignified, and stable employment that provides for comprehensive development of people within organisations. Improved socio-occupational conditions and the creation and maintenance of quality jobs is one of cooperatives' main objectives, mainly of workers' cooperatives.

Workers' cooperatives, as we mentioned, are the majority kind of cooperative in the Basque autonomous community. According to the Cooperatives Census drawn up by the Confederation of Cooperatives of the Basque Country, of the 3,195 cooperatives in existence in 2019, 2,359 were workers' cooperatives, meaning that 73.8% of cooperatives were created under this formula. Additionally, of a total of 1,233 cooperatives associated with Konfekoop in 2019, 87.1% were workers' cooperatives.

Basque cooperatives are singular in how they integrate this figure of the worker-member not only into industrial or goods-and-services production cooperatives, but also into educational, consumption, agrarian, and credit cooperatives. This characteristic, unusual in other cooperative movements, provides for greater involvement and integration of different kinds of members or players forming part of the cooperative project.

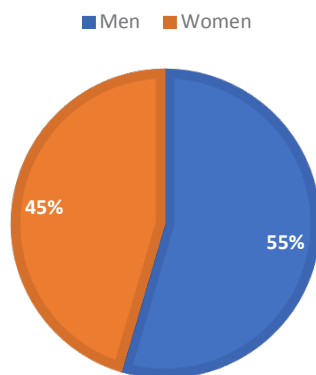
Going back to the Cooperative Census conducted by Konfekoop, in 2019, 38.1% of total workers at educational cooperatives, 92.3% of credit cooperative workers (Laboral Kutxa), and 71.1% of consumption cooperative workers were worker-members. This is one of the most unique differentiating features of Basque cooperativism.

### Employment by gender

Regarding employment distribution by gender, the data show that Basque cooperatives are fairly egalitarian companies, with women accounting for 45.7% of total workers, although this aspect has slightly worsened in comparison with 2016.

Illustration 29. Employment distribution by gender (ACBC, 2018)

### DISTRIBUTION OF EMPLOYMENT BY GENDER



Source: Social Economy Statistics, Basque Government

With cooperatives, the participation of women in decision-making bodies is not insignificant, although there is still much to do and improve. Thus, in total, in 2018, almost 37% of positions on Governing and Administrative Councils were held by women, and this number is improved in the services sector, which is normally more feminised than the rest. However, this number is far from the 45.7% of women workers who are employed in total, which would be an accurate depiction of a fair reality. It is important to mention that this percentage has improved substantially in comparison with the previous measurement in 2016, which was less than 32%.

Illustration 30. Presence on Governing and Administrative Councils ACBC 2018 (%)

	Men	Women
<b>Total</b>	63,1	36,9
<b>Primary</b>	88,0	12,0
<b>Industry</b>	73,5	26,5
<b>Construction</b>	90,0	10,0
<b>Services</b>	55,7	44,3

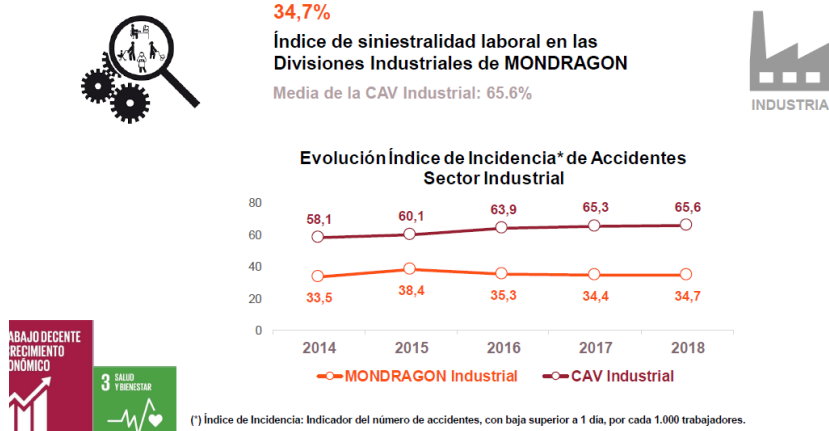
Source: Social Economy Statistics, Basque Government

## Accident rate

Although we do not have data on cooperatives as a whole, data on workers from Mondragon's cooperatives are interesting in this regard. In the annual MONDRAGON report for fiscal year 2017, the indicator for the number of accidents per 1,000 operators was 27.15. More specifically, with companies in the industrial sector of this cooperative group, the accident rate is 34.38, significantly less than the equivalent number at industrial companies in the ACBC, which is 64.76 per one thousand workers. According to Osalan data from 2017, the highest accident rate with leave was in construction, with 85.73 per one thousand workers; secondly, in the primary sector, with 75.36, according to the accident rate. In industry, as mentioned, 64.76 accidents were recorded for every one thousand workers, and lastly, 27.37 in the services sector.

Illustration 31. Mondragon work accident rate vs industrial ACBC

## Siniestralidad Laboral



Source: Mondragón: 2017 annual report

## Business nature

Cooperatives are organisations characterised by their two-fold nature (worker-owned and business), and therefore bring together two rationalities: economic-business, and social.

In cooperatives, economic-business rationality is conjugated with the difficult task of putting values such as solidarity, democracy, and commitment to the environment in practise. This search for balance between business efficacy and cooperative values is one of Basque cooperativism's key contributions.

In the Basque cooperative model, business efficacy is considered a *sine qua non* condition for the development of solid social-business projects to make progress in humanising the company and the economy. In the same fashion, the cooperative nature of the organisation redounds in the promotion of more solid enterprises, where associates feel a part of a collective project. In this regard, once again we might mention the high presence of worker-members and work members in Basque cooperatives, whose appropriation of the project constitutes a de facto substantial factor in business success.

In this regard, we might affirm that one of the keys to the Basque cooperative model's success lies in development of its business dimension. Unlike other cooperative experiences which, due to underestimating or neglecting their business nature, suffered an important loss in competitiveness to the extent that the success of the social-business project was at risk, Basque cooperatives understand that it is necessary to be efficient and competitive to reach social objectives. The search for competitiveness is not purely based on economic reasoning; rather, it is a necessary condition to meet the social and environmental challenges of our surroundings. In fact, the recognised value of managing this business dimension is a feature that characterises and sets Basque cooperativism apart from other cooperative movements.

This statement is confirmed by the vast business development in the cooperative format. Basque cooperatives are cutting-edge enterprises in the Basque production network and are an important driving force in tackling future challenges of the Basque economy. The special attention that Basque cooperatives have paid to the business dimension made it possible for them to significantly contribute to the development of a technologically solvent Basque industrial sector. It is precisely in strategic and driving segments of the economy where the Basque Country's cooperatives take on the greatest relevance (ORTEGA & LOYOLA, 2018).

Pursuant to data for the year 2014, of the 27 companies that formed the group of manufacturing industries greater than 500 employees in the Basque Country, 10 (37%) were cooperatives (ORTEGA, 2018:98).

Due to all the aforementioned, comparatively, the specific weight of Basque cooperatives in the economy is greater than their specific weight

in other economies. Basque cooperatives invoiced 7,756,000,000 euros in 2018 (according to data from the Office of Labour and Justice of the Basque Government), their contribution to the GDP was approximately 6%, and they accounted for 5.7% of employment in the ACBC (11% of employment in industry).

Here are certain numbers that corroborate the business development of Basque cooperatives:

*Illustration 32. Economic data on Basque cooperatives (2002-2018)*

	<b>GAV</b>	<b>Profits</b>	<b>Cash Flow</b>
<b>2002</b>	2.027.100	-	-
<b>2004</b>	2.076.225	364.725	778.609
<b>2006</b>	2.519.945	501.807	920.619
<b>2008*</b>	2.507.603	341.452	991.192
<b>2010*</b>	2.476.439	212.820	933.202
<b>2012*</b>	2.394.313	85.049	912.685
<b>2014</b>	2.358.885	80.734	853.623
<b>2016</b>	2.636.355	476.585	905.136
<b>2018</b>	2.704.134	360.889	939.300

Source: Social Economy Statistics, Basque Government

### *Gross Added Value*

We can compare the Gross Added Value of cooperatives with the Gross Added Value of the entire Basque economy. Thus, in 2018, approximately 4% of the gross added value in the ACBC was generated at cooperative enterprises.

We do not have data on the value added by cooperatives in the different productive sectors; however, in observing the table below for social economy as a whole, the data for cooperatives also bear a weight greater than that 4% in the industrial sector, just as observed when analysing employment.

*Illustration 33. Social Economy Participation in the Sectorial GDP (2016 vs 2018)*

	<b>2016</b>	<b>2018</b>
Industry	9,7	9,5
Construction	1,8	1,9
Services	3,1	2,8
TOTAL	4,6	4,4

Source: 2018 Economic Accounts Eustat

### *Profits*

In order to compare cooperative with non-cooperative data, data for both types of companies for the Basque Country were obtained from SABI<sup>4</sup>.

*Illustration 34. Comparison of average economic profits between cooperatives and non-cooperatives in the ACBC (2010-2018)*

<b>Year</b>	<b>Company groups</b>	<b>Average added value</b>	<b>Average fiscal year profit</b>	<b>Average cash flow</b>
<b>2018</b>	Coops	20.305	3.696	6.177
	Non-coops	1.128	377	499
<b>2016</b>	Coops	7.469	1.123	1.848
	Non-coops	960	300	407
<b>2014</b>	Coops	6.441	61	834
	Non-coops	770	105	208
<b>2012</b>	Coops	11.813	649	2.079
	Non-coops	796	91	201
<b>2010</b>	Coops	9.663	996	2.343
	Non-coops	831	131	239
<b>2008</b>	Coops	13.429	2.553	4.859
	Non-coops	1.023	248	366

Source: SABI

<sup>4</sup> SABI is the acronym in Spanish for the Iberian Balance Analysis System, a tool to obtain all kinds of financial and Business Intelligence information on the annual balance sheets of over 2 million Spanish companies.

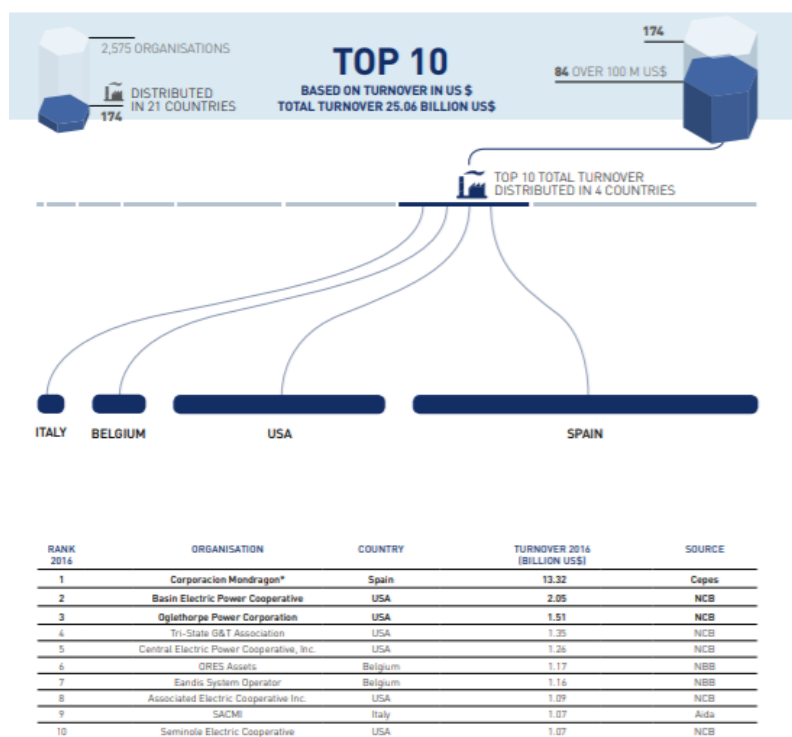
We can see that, on average, cooperative enterprises are in a dimension above non-cooperative companies, in all variables analysed. This is why this sort of organisation is so important in the region.

### Billing

Regarding the cooperatives' billing, it should be noted that of the 598 cooperatives with the highest billing in Spain, 71 are in the Basque Country (11.87%), 8 of which are on the list of the 20 with the highest billing (40%).

We can also see the weight of Basque cooperatives internationally through the World Cooperative Monitor (2018).

Illustration 35. Top 10 organisations in the world in terms of billing according to the World Cooperative Monitor

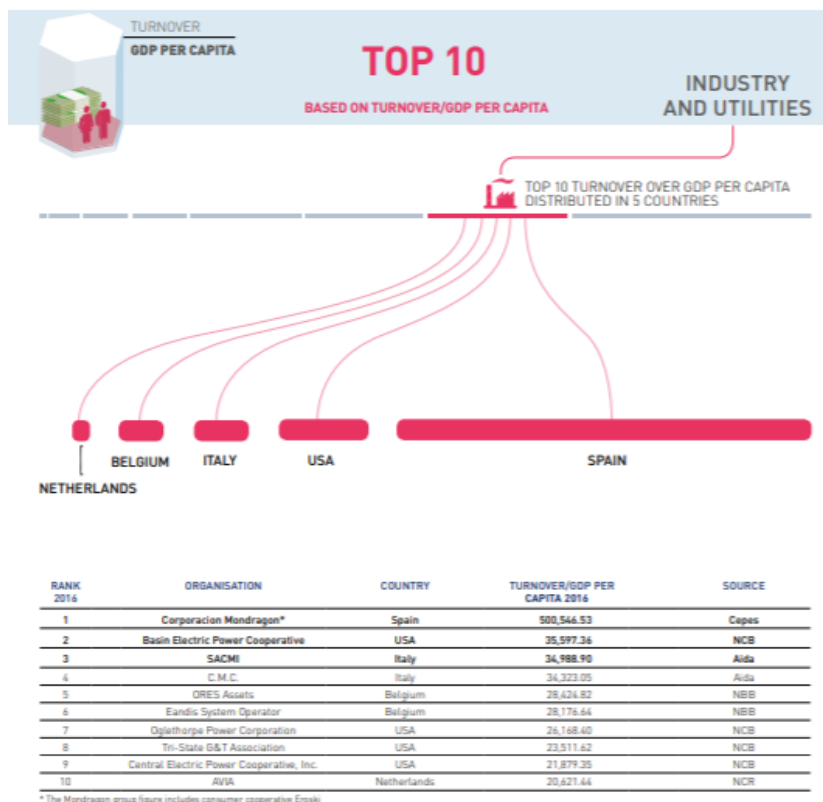


\* The Mondragon group figure includes consumer cooperative Enxaki

Source: World Economic Forum (2018)

Once again, we must highlight the special relevance of MONDRAGON’S cooperatives in terms of total billing, and also in billing as percentage of the GDP per capita, holding first place in the world.

Illustration 36. Top 10 organisations in the world in terms of billing out of GDP per capita according to the World Cooperative Monitor



Source: World Economic Forum (2018)

### Exportations

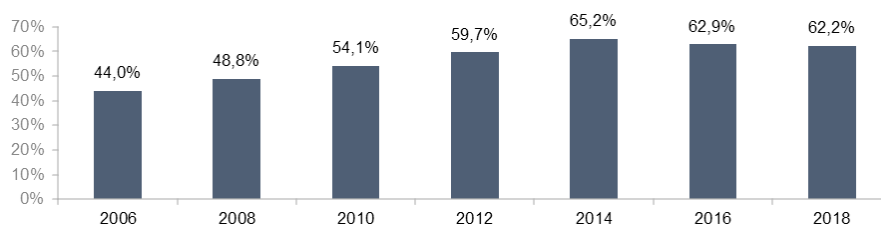
The relevance of cooperatives in the economy’s strategic aspects is also endorsed by the huge effort they make to reinforce their position on international markets.



One of the most important economic items in cooperativism are exportations. The proportion of exportations within total billing has increased.

Moreover, on the table below, we can see that 62.2% of the business volume of social economy exportation enterprises in 2018 fell under exportations. This figure is not available for cooperatives, but considering that they conduct 93.6% of exportations, this percentage cannot be very significantly different.

*Illustration 37. Evolution of the relative weight of exportations out of total billing in exportation companies (2006-2018)*



Source: Social Economy Statistics, Basque Government

*Illustration 38. Sectorial distribution of Social Economy exportations based on legal form (2018, absolute figures in millions of euros and horizontal %)*

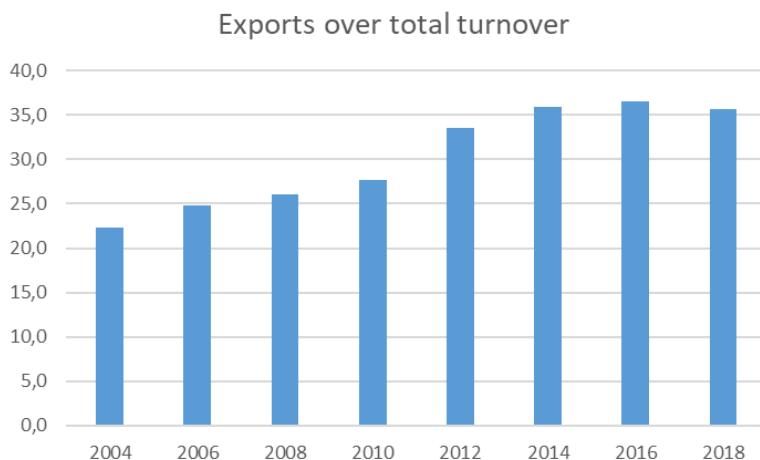
	TOTAL		Coop.		Public Limited Company		Limited Company	
	Abs.	hor. %	Abs.	hor. %	Abs.	hor. %	Abs.	hor. %
<b>Industry</b>	2.993.886.155	100,0	2.811.730.443	93,9	149.046.666	5,0	33.109.045	1,1
<b>Services</b>	42.544.460	100,0	30.701.693	72,2	160.727	0,4	11.682.040	27,5
<b>TOTAL (*)</b>	3.036.430.615	100,0	2.842.432.136	93,6	149.207.393	4,9	44.791.085	1,5

(\*) Does not include Construction.

Source: Social Economy Statistics, Basque Government

ORTEGA (2019) also mentions the “great effort being made by cooperatives to reinforce their position on international markets.” Ortega highlights that exportations were 22% of total billing in 2004 and reached 36.5% in 2016. In the last year available, this number has fallen slightly, returning to numbers similar to 2014 (35.7%).

*Illustration 39. Cooperative exportations in the ACBC (2004-2018)*



Source: Social Economy Statistics, Basque Government

In considering exportation figures based on company size, the importance of large enterprises is clear in this context, since enterprises with over 500 employees conduct almost 50% of total exportations conducted by cooperatives.

*Illustration 40. Volume of Social Economy exportations in the ACBC according to employment strata and legal form (2018)*

	TOTAL		Coop.		Public Limited Company		Limited Company	
	Abs.	ver. %	Abs.	ver. %	Abs.	ver. %	Abs.	ver. %
<b>Up to 5 jobs</b>	10.108.797	0,3	5.827.860	0,2	261.804	0,2	4.019.134	8,9
<b>From 6 to 15</b>	32.575.629	1,1	20.475.448	0,7	1.106.962	0,7	10.993.220	24,4
<b>From 16 to 50</b>	78.239.551	2,6	41.756.701	1,5	23.312.508	15,6	13.170.342	29,3
<b>From 51 to 100</b>	170.436.244	5,6	146.481.443	5,2	23.954.801	16,1	0	0,0
<b>From 101 to 200</b>	424.820.743	14,0	408.051.820	14,4	0	0,0	16.768.923	37,3
<b>From 201 to 500</b>	901.066.613	29,7	800.495.295	28,2	100.571.318	67,4	0	0,0
<b>Over 500 jobs</b>	1.419.875.497	46,8	1.419.822.892	49,9	0	0,0	52.605	0,1
<b>TOTAL</b>	3.037.123.075	100,0	2.842.911.459	100,0	149.207.393	100,0	45.004.224	100,0

Source: Social Economy Statistics, Basque Government

Regarding the destination of exports, of note is the diversity of destinations. We can see recovery in exports to Europe and the United States in recent years.

*Illustration 41. Evolution of export volume by zones*

Año	Europe	Asia	USA	South America	Other	TOTAL
2008	1.832.719.739	187.516.021	23.408.462	161.851.525	73.278.772	2.278.774.520
2010	1.320.051.370	368.215.473	146.944.839	207.929.597	117.840.487	2.160.981.766
2012	1.494.804.809	435.280.252	189.983.063	285.271.918	153.033.743	2.558.373.784
2014	1.591.059.228	397.845.670	199.688.078	204.668.504	138.851.915	2.532.113.395
2016	1.636.089.374	380.517.427	220.765.668	225.462.614	158.032.699	2.620.867.782
2018	1.743.247.962	412.729.329	245.768.470	247.626.333	193.539.365	2.842.911.459

Source: Social Economy Statistics, Basque Government

### **Business democracy: Cooperatives are business democracy experiences**

The cooperative model places the practise of democracy in business at the heart of things and structures an organisational model that grants protagonists decision-making power. Thus, cooperatives are democratic structures governed by the principle of “one person, one vote.” This is one of the main differences in comparison with other kinds of enterprises.

In cooperatives, the practise of democracy takes shape in a singular institutional architecture. Cooperative governance bodies are: the General Assembly, the Governing Council, the Monitoring Commission, and the Social Council (optional).

The **General Assembly** is the highest body of the cooperative, where all members meet. It is the General Assembly’s exclusive role to appoint and revoke administrators (Governing Council), members of the monitoring commission and of liquidators, and, if applicable, members on the resources committee and the social council. Additionally, it is the General Assembly’s exclusive role, amongst others, to examine social management, approve annual accounts, and distribute surplus or attribute losses, approve and modify internal regulations and bylaws, and all decisions which entail, according to the bylaws, a substantial modification to the economic,

organisational, or functional structure of the cooperative (Cooperatives Law 11/2019).

The **Governing Council** is a collegiate body consisting of administrators. It exclusively holds authority to manage and represent the cooperative, and also exercises all authority not exclusively reserved by law or the bylaws for other bodies. Administrators shall be selected for a period set by the bylaws, between two and five years, and the position shall not be remunerated. The administrative body may grant and revoke general power of attorney to one or several people responsible for management, for ordinary management of the cooperative. As mentioned before, the new cooperatives law broadly and less generically than in the previous regulation develops diligence and loyalty duties for administrators. Article 49.1 reads thus: “Administrators must conduct their role and fulfil the duties set forth by laws and bylaws with the diligence of an upright businessperson, considering the nature of the position and the duties entrusted to them, taking measures necessary to properly manage and represent the cooperative.”

The roles of the **Monitoring Commission**, consisting of at least three members, include reviewing annual accounts and issuing a mandatory report on them and on the proposal to distribute surplus or attribute losses before being presented to the general assembly (unless it is mandatory for the cooperative to submit its financials to an accounts auditor) and to monitor the general assembly’s election and appointment process of members of other bodies. This position is incompatible with the administrator’s position.

The **Social Council** is an optional body, whose existence may be set forth in the bylaws. This body, which represents the cooperative members, has the main basic functions of information, assessing, and consulting for administrators in all aspects that affect the employment relationship, regarding which they must issue a mandatory report.

As previously mentioned, one of the characteristics of the Basque cooperative model was its search to cooperativise work. This is why the Basque cooperative reality is characterised by a high presence of workers’ cooperatives. In this regard, we see the concept of a worker-member, who holds a double role: worker and co-owner of the company, all at once. Cooperatives that have work members open the possibility of holding in all levels of the organisation: in profits, in ownership, and in managing the cooperative.

In terms of distribution of profits, the main difference with cooperatives is that they do not distribute based on the capital that each individual holds in the company. In each fiscal year, if there is any surplus and there is no

express impediment to doing so, the surplus is distributed based on the work provided (contributed) or in proportion to the transactions, services, or activities carried out by each member in the cooperative. This part of the surplus to be distributed amongst members is called cooperative return. Moreover, the compensation they receive for their work (called labour advance) is more solidary, meaning the difference between the person who receives the lowest compensation and the one who receives the most matches solidary criteria.

In cooperatives, sharing in profits and ownership is therefore inherent to the model itself. Regarding holding in management, meaning autonomy and self-management of workers in their job positions, this can be promoted in all kinds of enterprises (whether cooperatives or not, and it has been widely proven that this increases people's degree of satisfaction and commitment to the project). Even in this sphere of holding, which is not limited to cooperatives, on questionnaires related to holding in management orientated toward all kinds of companies (Decision Latitude, EU participation, EU context participation, EU survey participation), there is a clear advantage in cooperatives compared with companies that have other legal forms. This is proven in ORTEGA'S (2019) study, conducted in the historic region of Gipuzkoa.

As ORTEGA (2019) states, "workers at cooperatives in Gipuzkoa perceive greater levels of autonomy and transparency at their enterprises, meaning that they are permitted to take on a more proactive attitude and have greater autonomy for decision-making. Moreover, they have more information regarding the business project and the company's profits. They also perceive that the company has mechanisms to facilitate people's participation in management and invest in their training" (p. 109). These positive levels are mirrored in the psychosocial levels perceived by workers, especially in commitment and trust variables.

In cooperatives, practises to foment holding in the job position, along with holding in decision-making, profits, and ownership, inherent to a cooperative model, have a double influence on the motivation and meaning that people place on the work they do (ARREGI ET AL, 2019).

In short, cooperatives offer an advanced company model when applying the practise of democracy and worker holding in the company. Unlike capital companies, which may voluntarily promote participatory management models, cooperatives are bound by law to develop a different governance model because of their democratic nature where, as we saw above, the most important decisions are made by the General Assembly, the highest body where all members meet and that operates under the maxim "one person, one vote." The fact that decision-making power is in the hands

of associates is obviously no trifling matter. Due to all the aforementioned, cooperatives offer the possibility to move toward a comprehensive, coherent holding model within the company, joining institutional decision-making ability with the possibility of promoting participatory management models at the work organisation (UDAONDO ET AL. 2019).

### **Basque cooperatives, points of reference in the practise of inter-cooperation**

Cooperatives are organisations based on self-organisation and cooperation. But cooperation is not limited to the relationship between people within the organisation; rather, it deploys all its potential when cooperative relationships are established between cooperatives, as well as with other public or private organisations. There is an innate tendency in cooperatives toward association and network creation. The idea is to shape the cooperation through specific solidary mechanisms between cooperatives and other actors in the region to tackle socioeconomic challenges together. The potential for inter-cooperation to spark synergies and regional development is massive.

The Basque cooperative movement has shown huge doses of institutional and organisational creativity, developing specific and innovative mechanisms for inter-cooperation. In this regard, the Mondragon Group is paradigmatic, acting as a worldwide point of reference in terms of development of inter-cooperation. Mechanisms have been developed for grouping between cooperatives and creating suprastructures, shared funds to meet the needs of cooperatives (both to offset losses and to drive new investments), mechanisms to relocate staff from cooperatives in difficulties at other cooperatives that need workers, and formulas to reconvert economic profits (annual redistribution of profits amongst cooperatives), and more. As a piece of information, it should be mentioned that Mondragon allocated more than 11 million euros in 2018 to education and solidary support for cooperatives experiencing difficulties.

On one hand, inter-cooperation increases the competitive capacity of cooperatives which, many times due to their small size and financial capacity, could not undertake challenges such as internationalisation or starting up larger-scope social-business projects on their own. On the other, inter-cooperation, as an expression of the principle of solidarity amongst cooperatives, is a formula to redistribute the wealth generated and better face crises. Inter-cooperation, beyond its value as a practical application of the idea of solidarity, has acted as a determining factor for the business

development of cooperatives and a remarkable competitive advantage when undertaking challenges such as innovation or internationalisation.

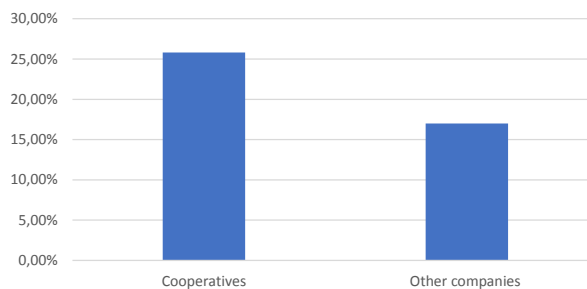
Inter-cooperation facilitates access to funding (as shown by the Reciprocal Guarantee Company of the Basque Country (ELKARGI)), cooperative development, and the promotion of new cooperatives (ELKARLAN), and, in short, the strengthening and spread of the cooperative movement.

Other examples of inter-cooperation between cooperatives, as well as between cooperatives and other agents, are the Olatukoop network, which defines itself as a network for inter-cooperation between socioeconomic and local community actors, or the Alternative & Solidarity-based Economy Network of the Basque Country (REAS-Euskadi), which promotes inter-cooperation between production and consumer organisations.

### **Innovative orientation of cooperatives**

The evidence shows that cooperatives, within the Basque business network, are more orientated toward innovative activities. There is a greater percentage of cooperatives who conduct innovative activities in comparison with all companies in the ACBC: 25.8% as opposed to 17% (ORTEGA & LOYOLA, 2018). In terms of all social economy in the ACBC, this percentage was at 22.1% in 2018, and 29.3% in the industrial sector.

*Illustration 42. Percentage of companies with innovation activities (ACBC, 2014)*



Source: ORTEGA (2019)

This type of data is being corroborated by other kinds of studies that have begun to highlight cooperatives' special orientation toward innovation. Studies by the Orkestra Basque Institute of Competitiveness of 2015 show what they call the “extraordinary behaviour” of cooperatives in this regard.

Orkestra highlights that even in a situation where they do not stand out in comparison with commercial companies in terms of profitability and their financial situation, cooperatives were outstanding in innovation, with a higher average expense in comparison with commercial companies in R+D activities.

ORTEGA & LOYOLA (2018), based on Orkestra's 2015 competitiveness report, state the following:

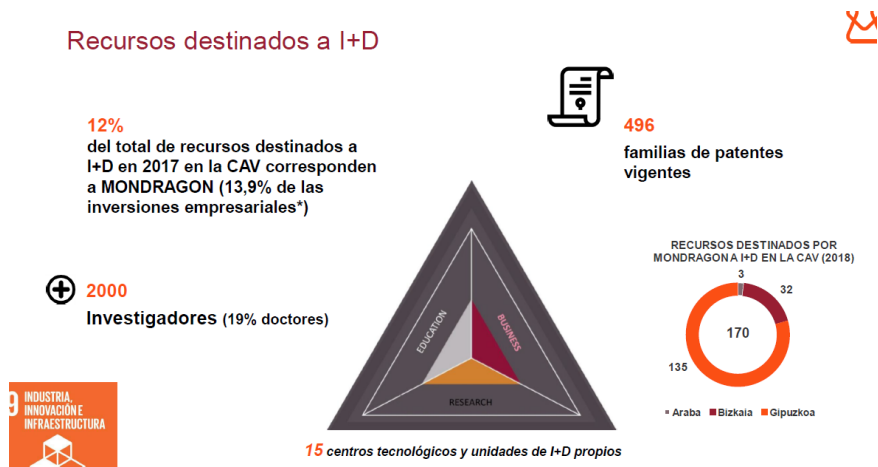
- Cooperatives have a higher degree of cooperation in innovation activities and processes between enterprises.
- Cooperatives make a greater innovative effort, since, in percentage terms, they devote twice the expenditure in comparison with total sales to innovation than other companies.
- Cooperatives create more internal capacity to develop innovation activities.
- There is a greater percentage of innovative enterprises amongst cooperatives.
- Cooperatives bear greater innovative effort measured as greater product innovation, greater non-technological innovation, and a greater percentage of enterprises that combine technological and non-technological innovation.
- Cooperatives have better behaviour in terms of the novelty of the products they sell.

With all this, we can state that the relevance of Basque cooperatives in industry is closely linked to their innovative capacity. In this regard, it is noteworthy that, in 2017, in industry, the resources devoted to R+D were 8.6% of the added value.

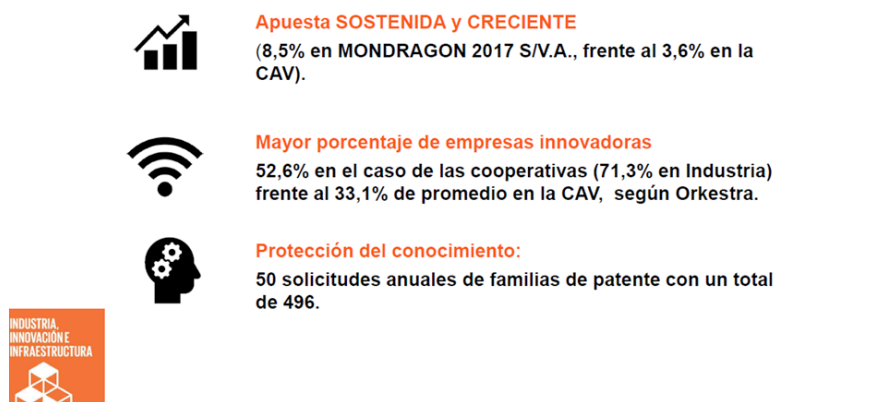
In this section, it is pertinent to note Mondragon Group's data, which contributed 12% of the resources devoted to R+D in the ACBC in 2017. Mondragon also has 15 technological centres and R+D Units, where around 2,000 researchers work (MONDRAGON, 2018):



Illustration 43. Resources devoted to R+D by MONDRAGON



**Recursos destinados a I+D**



Source: Mondragon’s influence on the CAV in 2018. MONDRAGON Presentation (December 2019)

Innovation by cooperative enterprises also has an impact in terms of employment. Thus, when asking enterprises about the impact of innovation on employment, 55.8% of cooperatives confirm that innovation had an impact on employment (54.6% refer to the impact on qualified employment), 3.9% considering that innovation limited reductions in employment levels (2% in comparison with qualified employment). An interesting piece of data is that 19.6% believe that innovation has led them to increase employment, and this number rises to 22.6% when referring to qualified employment.

*Illustration 44. Type and intensity of the impact of innovation on employment in cooperatives in 2018 (% of enterprises that confirm some sort of impact of innovation on employment)*

	<b>Total employment</b>	<b>Qualified employment</b>
HAD EFFECT ON EMPLOYMENT	55,8%	54,6%
Employment increased	19,6%	22,6%
Employment was maintained	22,1%	18,8%
Reduction of the employment level was limited	3,9%	2,0%
Employment was reduced	0,2%	0,3%
NR/DK	10,0%	10,9%

Source: Social Economy Statistics, Basque Government

Lastly, it is important to highlight that the innovative capacity of Basque cooperatives is not limited to technology, since Basque cooperatives have shown great innovative capacity in organisational and social terms, as shown in this text: from ability to create cooperatives that integrate different kinds of members into their structures, to their ability to historically and currently respond to new, diverse self-management needs (industry, education, credit, care, energy, cohousing, ecological agriculture, etc.) and developing innovating mechanisms to guarantee cooperation between cooperatives.

### **Cooperatives are deeply-rooted organisations committed to social transformation**

The cooperative model is a model firmly rooted in the region. Cooperatives are organisations that have settled in the region and are committed to its development. They are born out of civil society's initiative, the initiative of people linked to the region. And as we have seen, in cooperatives, decision-making power lies with the people who live in the region.

In cooperatives, members are owners of the organisation, which explains why cooperative enterprises in general are very deeply rooted in their region. The purpose of a cooperative is to be viable, maintain itself, and grow, but with the purpose that its members may pursue their social purposes. And most common, and much more so than with their capitalist counterparts, is that most members are from the same region.

Along with billing, gross added value, and cash flow information provided above, we can analyse equity and average profitability data. Thus, the table

below shows these data for social economy. Firstly, data are introduced in aggregate, by sectors, profitability over equity for industry sectors, and their sectorial distribution by legal form, to observe the weight of cooperativism with these indicators.

*Illustration 45. Sectorial Distribution of Social Economy Equity (2016 vs 2018)*

	2016		2018	
	Euros	ver. %	Euros	ver. %
<b>Primary</b>	6.692.783	0,1	10.031.383	0,2
<b>Industry</b>	2.586.547.395	44,5	2.250.593.200	41,0
<b>Construction</b>	36.893.180	0,6	35.973.693	0,7
<b>Services</b>	3.181.242.302	54,7	3.198.497.417	58,2
<b>TOTAL</b>	5.811.375.660	100,0	5.495.095.693	100,0

Source: Social Economy Statistics, Basque Government

*Illustration 46. Sectorial distribution of equity and reference to equity profitability (2018)*

	Equity	Equity profitability	
		2016	2018
<b>Industry</b> <sup>(1)</sup>	2.286.566.893	10,8	9,7
<b>Services</b>	3.198.497.417	7,0	6,0
<b>TOTAL</b>	5.495.095.693	8,7	7,6

<sup>(1)</sup> Includes Construction

Source: Social Economy Statistics, Basque Government

*Illustration 47. Sectorial distribution of social economy equity by legal form (2018)*

	TOTAL		S.Coop.		S.A.L.		S.L.L.	
	Abs.	hor. %	Abs.	hor. %	Abs.	hor. %	Abs.	hor. %
Primary	10.031.383	100,0	9.712.180	96,8	0	0,0	319.203	3,2
Industry	2.250.593.200	100,0	2.059.520.724	91,5	125.692.784	5,6	65.379.692	2,9
Construction	35.973.693	100,0	23.348.141	64,9	10.262.692	28,5	2.362.861	6,6
Services	3.198.497.417	100,0	3.157.225.989	98,7	14.588.201	0,5	26.683.226	0,8
<b>TOTAL</b>	<b>5.495.095.693</b>	<b>100,0</b>	<b>5.249.807.034</b>	<b>95,5</b>	<b>150.543.677</b>	<b>2,7</b>	<b>94.744.982</b>	<b>1,7</b>

Source: Social Economy Statistics, Basque Government

Cooperatives' equity is 5,249,000,000 euros, accounting for 95.5% of total social economy equity. In Industry and Services, this leads to equity profitability of approximately 7.6%. These data confirm long-term business sustainability, deep-rootedness in the region, and the legacy for future generations.

Commitment to the environment is also a legal imperative that is structurally shaped by means of the Mandatory Contribution for Education and Cooperative Development and other Public-Interest Ends (COFIP, in Spanish), such that cooperatives devote at least 10% of their profits to supporting social and cultural projects in the area. Many of the Basque society's projects and collectives have received and receive support from cooperatives thanks to this mechanism. According to the Basque Social Economy Observatory 2017, cooperatives devoted 30,055,095€ to social works.

But beyond the COFIP, one of Basque cooperativism's main contributions was a systematic commitment to creating quality, stable employment, and prioritising maintaining this employment as opposed to other capital-maximisation criteria.

Guided by social justice, cooperatives also promote systems for fairer wealth generation and distribution. In cooperatives, profits are distributed based on the work contributed or in proportion with the transactions, services, or activities conducted by each member in the cooperative. Moreover, cooperatives tend to establish wage scales that fall under more solidary criteria. In this regard, we affirm that cooperatives are pre-distributive levers with a high social impact on the region. Insofar as they distribute wealth and power in a fairer fashion amongst the people in the organisation (primary income distribution), they create more egalitarian and cohesive enterprises.

The deep-rootedness of cooperatives is also visible in cases of productive internationalisation, since thanks to multi-location strategies, plants are opened abroad based on maintaining local employment. We might state that, as opposed to the volatility of companies and capitals, cooperatives stand out with their consistency and ability to remain over space and time.

On the other hand, their contribution to personal development and the generation of capital is noteworthy. The central role of people in the cooperative model leads to investment in training and development strategies intended for the personal and professional development of those involved. In the same fashion, self-management and housing associated with being a cooperative member creates a more specific culture and way of doing things. It is this culture of cooperation and solidarity that provides for weaving social networks of trust in the region, which are essential for collective action and creating a sense of "community." This social capital, which is intangible, is a very important asset for the region's socioeconomic and cultural development.

Additionally, as civil society organisations, cooperatives are sensitive to current social challenges, such as gender equality, inclusion, and environmental sustainability. As far as the latter is concerned, while results obtained from the Industrial Eco-Barometer of the ACBC 2019 show that cooperatives and social economy enterprises in general are more environmentally sensitive, this is not reliably proven in cooperative practise. For this reason, and pursuant to cooperative idiosyncrasy, under the new European Green Deal framework, which fights for a sustainable development strategy, cooperatives, and social economy in general must be at the cutting edge of implementation of these policies in the ACBC<sup>5</sup>.

In any event, and although we do not have data on non-cooperative companies to make a comparison, the table below shows us, based on size, the percentage of cooperatives that have developed tools with training plans, equality plans, or Corporate Social Responsibility or social balance sheet reports in 2018.

*Illustration 48. Distribution of management tools in cooperatives in 2018  
(% of enterprises that have these tools)*

	Up to 5 jobs	From 6 to 15	From 16 to 50	From 51 to 100	From 101 to 200	From 201 to 500	Over 500 jobs
Internal System Regulation	19,9	39,2	70,0	79,3	94,4	94,6	92,9
Management Plan	23,4	27,6	65,4	86,3	97,7	86,9	100,0
Training Plan	18,9	46,9	69,0	86,8	92,1	100,0	100,0
Strategic plan	13,4	21,7	55,2	80,3	89,0	86,9	92,9
Position Evaluation Manual	11,2	29,4	56,9	72,3	70,1	93,4	92,9
Code of Conduct - Ethics	8,7	18,3	29,0	42,0	56,4	63,6	63,6
CSR or social balance sheet report	6,7	8,4	22,2	20,0	29,6	63,7	70,0
Plan for Equality and Work-Life Balance	4,4	12,0	26,2	26,2	31,9	76,3	79,3

Source: Social Economy Statistics, Basque Government

<sup>5</sup> Research conducted under the framework of the project “Diagnosis of environmental sensitivity of social economy enterprises” conducted by Mondragon Unibertsitatea –Goi Eskola Politeknikoa–, Aclima; Ihobe and the Ministry of the Environment and Regional Policy of the Basque Government.

In short, cooperatives can be identified as guardians of a legacy that they seek to take care of and improve as proof of their commitment and responsibility toward future generations. Due to all of the aforementioned and in summary, we can state that Basque cooperativism is a deeply-rooted socioeconomic movement that is committed to human and sustainable development in the Basque Country.

## 2.4. COOPERATIVE SUB-FAMILIES

### Education Cooperatives

The vast majority of educational cooperatives are associated with Konfekoop (until recently, Erkide-Irakaskuntza) and conduct their activity at all educational levels, from childhood education to the university and vocational educational training. Also included in this sectorial group are adult *euskaldunisation* cooperatives (*euskaltegis*).

*Illustration 49. Federated Educational Cooperatives*

<b>GROUP</b>	<b>Num. Cooperatives</b>	<b>Num. of Employees</b>
Ikastolen Elkartea	56	4.151
Ikasgiltza	13	945
HETEL	3	144
EIB	3	450
M.U.	3	471
Euskaltegiak	4	133
Non-grouped	6	124
<b>TOTAL</b>	<b>88</b>	<b>6.418</b>

Source: Confederation of Cooperatives of the Basque Country (2018)

In total, according to data from 2018, within the Autonomous Community of the Basque Country, there are 88 federated educational cooperatives. Regarding the type of cooperative, 48 are parent cooperatives (consumption cooperatives, where parents are users), 12 are teachers and non-teaching staff (workers' cooperatives), and the other 24 are comprehensive cooperatives, where the two aforementioned types

converge. These three kinds of cooperatives can also include collaborating members.

*Illustration 50. Social Census of Educational Cooperatives*

	2017	2018	2019
Num. of associated coop.	85	88	88
Num. students	74.405	75.820	76.319
Num. employees	6.418	6.688	6.819
Num. teachers	5.163	5.386	5.473
Non-teaching staff	1.255	1.302	1.346

Source: *Confederation of Cooperatives of the Basque Country*

These cooperatives, as a whole, account for 35% of the charter network in the Basque Country. These cooperatives consist of 57,278 members, 6,688 workers, and 75,820 students. Approximately 80% of students at educational cooperatives are from *ikastolas*.

As follows, we list the elements that show how singular federated education cooperatives acting in the Autonomous Community of the Basque Country are (BENGOETXEA, 2019):

- **Collective initiative:** pursuant to the ACI's initiative, an educational cooperative is a collective initiative of a group of people to conjointly fulfil a shared educational interest, creating to this end a shared-ownership, democratically managed company. Like all cooperatives, and pursuant to the principle of free membership, this is an initiative open to all who share this shared objective.
- **Preferential relationship with the Administration:** the LOE (Organic Law 2/2006 of 3 May on Education) distinguishes between two types of educational centres: public and private. These private schools may be chartered (sustained with public funds) or not. Educational cooperatives are private charter centres that provide a public service within the scope of education. To this end, this law establishes a preference in favour of chartering with cooperative educational centres. Cooperatives stand out because of their not-for-profit nature, as opposed to the for-profit nature that non-charter schools may have. Moreover, of note is the strictly private nature of the educational model of non-charter centres, without the public-service nature of educational charter schools.

- **Own public educational service model:** cooperatives offer a different model than public schools that depend on the Administration, as well as other private schools, whether chartered or not, based on following cooperative principles. Cooperatives are born of social or popular initiative. By definition, they cannot be public, as is clearly established in the 4th ACI principle. These are private charter schools that offer a public educational service. In this regard, educational cooperatives are similar to public entities since they have identical approaches in terms of the notion of non-discriminatory and non-elitist public service.
- **Singularity of the cooperative self-management model:** not-for-profit, guided by the primacy of people over capital, and a vocation for public service are the elements shared with public schools, and with some private charter schools. What truly characterises educational cooperatives is the cooperative self-management model, which sets them apart in this regard from other variations of educational centres. Cooperative management means that the owner of the educational centre, under conjoint ownership and democratic management, shall be the staff working at the school (teachers and administrative staff), or the users of the service (parents and students), or both collectives in the more developed cooperative model for comprehensive cooperatives.
- **Established reality and sustained growth of cooperatives:** the evolution of educational cooperatives in the last decade is clearly positive, both in terms of the number of cooperatives and the number of teachers/students. Moreover, we must consider that most Basque cooperatives are around 50 years old and are therefore well-established and firmly-rooted entities in their local environments.
- **Harmonising interests of the entire educational community:** educational cooperatives operate on the basis of the commitment of the entire educational community, consisting of students and parents, and teachers and non-educator staff. They attempt to harmonise the interests of the different collectives under the framework of a shared project. This is the case of comprehensive cooperatives.
- **Ownership over centres:** one of the most noteworthy characteristics of educational cooperatives is that ownership over the centre falls on the cooperative itself. They may be workers' cooperatives, when the members are workers (teachers and non-educator staff), consumption cooperatives (when the members are users, students, and parents), and comprehensive cooperatives, when they include



both types of the aforementioned members. Comprehensive cooperatives are the best example of balancing interests and a shared objective.

- **Public interest cooperatives:** Of the 86 cooperatives associated with Konfekoop, 80 were declared of “public interest” by the Basque Government. These are not-for-profit cooperatives which, by conducting their roles, contribute to promoting the general interest of the Basque Country.

Social initiative and public interest cooperatives in the Basque Country can be legally and fiscally considered as fully-fledged not-for-profit entities, thus comparable to public interest associations and foundations in their tax treatment. This is a remarkable feature of Basque cooperatives that sets them apart from other educational cooperatives in Spain.

### Ikastola movement

Within educational cooperatives, we believe that *ikastolas* are worthy of specific mention as a noteworthy experience, both for the Basque cooperative movement and all throughout Europe (ZELAIA, in DEL BURGO, 2013).

The *ikastola* movement began in the 1960s in response to the need unmet by the public and private sector to guarantee transfer of the Basque language and culture under the Francoist dictatorship.

*Ikastolas* may be defined as a “popular movement” that began underground and with a very reduced number of students, and that managed to spread thanks to the sustained, conjoint commitment of parents and teachers. Self-management and self-funding were the common denominator in this social movement (BASURTO, in DEL BURGO 2013). *Ikastolas* became an educational alternative to national schools and private schools at the time (most of which were religious), making pedagogical innovation their number-two hallmark.

The elements that make up the *ikastolas*, just like other cooperative experiences, are self-management, social initiative, and democracy. However, and from a legal perspective, in the 60s, the *ikastolas* did not have a homogeneous criteria for legalisation. It was after enactment of the General Education Law 14/1970 that the cooperative legal formula became the majority for *ikastolas*.

This law marked the beginning of a new phase in the history of *ikastolas* and led to a profound transformation therein. They moved from the

underground and became legal, and development and growth came along with this.

This law entailed important changes, including the need to make heavy investments in educational infrastructure. In this development and expansion process, the credit cooperative Caja Laboral Popular (today Laboral Kutxa) played an important role. The Caja Laboral provided comprehensive accompaniment to *ikastolas*, also providing support in the cooperativization process to cooperatives who selected this formula. However, beyond Caja Laboral's role in developing *ikastolas*, and therefore their ability to move toward the cooperative formula, this model allowed *ikastolas* to continue to maintain the hallmarks of identity that they had possessed since their birth; for example, parents continued to be their owners. In short, the cooperative formula allowed for democracy in the school and for the entire educational community to participate in the collective social project.

Most *ikastolas* were established as educational cooperatives where members are the users (parents and/or students). However, *ikastolas* founded as blended or comprehensive educational cooperatives (meaning cooperatives where parents or students and workers at the cooperative share member-ownership), despite their success and philosophical importance, have not spread as a majority to other educational cooperative experiences (ZELAIA, in DEL BURGO 2013).

The history of *ikastolas* from the 70s until today is long and complex from a legal perspective, but also from a social and political standpoint. This work's purpose is not to provide a detailed recounting of this movement's history, but rather to shine the spotlight on its contribution to the educational system, Basque language and culture, and the Basque cooperative movement itself. Notwithstanding, in broad brushstrokes, we can point out two essential milestones in their history from the 70s until today: on one hand, approval of the controversial Basque Public School Law in 1993, which opened the door to the integration of approximately one-third of *ikastolas* into the public system, and on the other, the creation of the first "European cooperative" in Spain in 2009, the *Euskal Herriko Ikastola*, a second-degree cooperative consisting of 78 cooperatives from different federations of *ikastolas*.

Currently, all *ikastolas* in the ACBC are legally cooperatives (except one, which is a foundation). 80% are parent cooperatives, and 20% are comprehensive. There is one single *ikastola* that is a workers' cooperative. Moreover, it should be noted that *ikastolas* have largely been and continue to be pioneers in pedagogical innovation.

In conclusion, *ikastolas*, just like educational cooperatives as a whole, face two great challenges: raising their visibility as a different alternative to other private (charter and non-charter) schools and involving members (and the educational community as a whole) in the socio-educational project.

### **Housing cooperatives**

In the ACBC, housing cooperatives have grown in recent years. According to the registry of cooperatives in the Basque Country, there were 123 cooperatives in 2002 and 421 in 2017 (MERINO, 2018).

Housing cooperatives had historically been used as an instrument for the most socially underprivileged sectors to become homeowners at an affordable price. Cooperativist members became developers, and the cooperative, once the bid had been awarded, disappeared.

In Spain, in general, housing cooperatives were related to the development and construction of homes protected under cooperative parameters under protected-housing law (ETXEZARRETA & MERINO, 2018).

On one hand, housing cooperativism provides economic advantages insofar as it regulates prices and helps to balance or reduce the imbalance between supply and demand for housing in the area where it takes action. On the other hand, they are democratic entities where members hold control and management over the company, including economic control over operations, which is of singular importance especially in this sort of cooperative, given their business volume. This means that before presenting their annual accounts to the General Ordinary Assembly for study and approval, they must undergo an accounts audit (and an audit by a legal counsellor, if applicable) to guarantee that the development was executed correctly. Moreover, members can participate in designing the houses, adapting them to their individual and collective needs under the framework of a shared project (MERINO, 2018).

While the objective and characteristics of housing cooperatives are as mentioned, everyone is aware that, on occasion, they have been used as an instrument for purely commercial and/or openly fraudulent purposes. Using the cooperative formula as a mere instrument to more easily obtain the developer credit granted by financial institutions was commonplace (financial institutions themselves favoured funding housing development and construction projects under a cooperative system because they understand this to be the best possible way to diversify the development's risk).

Moreover, considering the complexity of undertaking real estate development, members often hire management companies for technical

assistance. However, something much different is when the management companies themselves are the “false” housing cooperatives. All this has contributed to the loss of prestige in housing cooperativism as an instrumental and fraudulent formula used by for-profit entities.

Along with this improper use of the cooperative formula, members often do not know their rights and duties, which is also worsened in the case of protected housing, by confusion with a public development when it is actually a private development under a cooperative system, although compliance with requirements for awarding is controlled by the Public Administration.

The new 11/2019 cooperatives law, in this regard, provides more guarantees and seeks for basic construction and management decisions to be made by the cooperatives themselves, in democratic fashion, when founded. A significant new element to the new law is the legal counsellor, who is mandatory, and who issues a ruling on fundamental legal-economic transactions in order to guarantee effective member participation.

It is important to clarify that management and democratic decision-making is compatible with a cooperative hiring a professional management company to guarantee the success of the real estate development, given how complex it is.

Unlike this housing cooperativism modality as a temporary tool or with a set duration (until awarding the housing), in recent years, another modality has arisen: cooperatives that grant use.

With housing cooperatives that grant use, the cooperatives maintain ownership over the house once built, such that the member only holds the right to use, to which end they pay a contribution or rent (ETXEZARRETA & MERINO, 2018:7).

Cooperatives that grant use do not expire, since their objective is to cooperativise cohabitation. The cooperative itself is the owner of the real estate, opening up the possibility of creating shared spaces to share different areas: from the minimum, which is the property, to healthcare services, transport, care, dining rooms, laundrettes, etc.

These initiatives, shaped as cooperatives that grant use, are often (but not necessarily) a cohousing or collaborative living project. Cohousing is an active, shared cohabitation project guided by a sense of community (ETXEZARRETA & MERINO, 2018:10).

Although cohousing does not necessarily need to take shape as a cooperative that grants use, this appears to be the ideal legal formula for alternative cohabitation projects where active participation in their design and environmental and ecological concern are highly present.

The new cooperatives law has made this housing cooperative modality a law, granting it institutional recognition and establishing more precise regulation. This is also an opportunity to boost public authorities' protecting housing policy and enact the subjective right to housing, set forth in Housing Law 2015. In this vein, the Basque public administration is promoting public-cooperative alliances with the support of professional management entities to develop this sort of cooperative. Although experiences are still testimonial (as of today, there is one cooperative that grants right to use registered in the ACBC), their potential for transformation is great, insofar as it improves the value of the idea of mutual aid and the collective.

Due to all the aforementioned, we can confirm that housing cooperativism is entering a new phase with huge potential for development. The emergence of Bizikoop, the federation of housing development cooperatives in 2017, strengthens this idea, providing cooperatives with an institutional umbrella and legal support. They are also planning to open an internal section for cooperatives that grant right to use.

In terms of challenges for housing cooperatives, the following are of note:

- Communicating the validity of this alternative formula to society, which meets a need not met by the market, to guarantee access to dignified housing at an affordable price. In this vein, it is important to highlight the role that development of protected housing policies in collaboration with the Public Administration has played at different moments in history.
- Promoting and sharing new models, as well as the possibilities they offer to connect housing cooperativism with other community-natured aspirations, to integrate the cooperative social commitment in a more conscientious and innovative fashion (for example, ecohousing).

### **Agrofood Cooperatives**

In the Basque Country, agrarian associationism's roots reach down deep in community self-organisation practises that date from before capitalism and the birth of cooperativism as a modern phenomenon. Livestock and neighbourhood work associations (*Auzolan*) are clear examples of community self-organisation.

In the late 19th century, as a result of agriculturalists' collective organisation to contend with rural exodus, industrialisation, and changes in the agrarian sector, different kinds of cooperatives that we know today arose: supply cooperatives, community operation cooperatives, services cooperatives, and cooperatives to transform and commercialise products.

In this section, credit cooperativism, boosted by agricultural cooperatives, deserves special mention. In 1965, 28 livestock agricultural cooperatives in Biscay, led by Beyena and UTECO (Provincial Union of Consumption Cooperatives of Biscay), created the Caja Rural Provincial de Vizcaya (Rural Provincial Credit and Savings Institution of Biscay), which would later be called Caja Rural de Vizcaya-Baserritarren Kutxa (Rural Credit and Savings Institution of Vizcaya-Baserritarren Kutxa). In 1986, it brought its activity beyond Biscay's borders, taking on the name of Caja Rural Vasca-Baserritarren Kutxa (Basque-Baserritarren Kutxa Rural Credit and Savings Institution), and in 2001, its name became Ipar Kutxa. Ipar Kutxa merged in 2012 with Caja Laboral (Labour Credit and Savings Institution), under the name Laboral Kutxa <sup>6</sup>.

Currently, in the federated Basque agro-food sector, there are the following different types of cooperatives:

- **Supplies and agrarian services cooperatives:** these are the first link on the agro-food chain. In this first group of cooperatives, we find agrarian input cooperatives and feed factories that provide agriculturalists with seeds, fertilisers, feed, machinery, clothing, and other inputs required for production. Also included in this group are consulting cooperatives, which provide veterinary services, consulting for production optimisation, etc. The third sub-group consists of cooperatives that use farming machinery whose purpose is to cooperativise farming machinery, with the two-fold objective of maximising use and of reducing cost per operation.
- **Agrarian production cooperatives,** which can be community operation or workers' cooperatives. The mission of community operation cooperatives is to share land and other production resources in order to manage one single agricultural operation. In some cases, this can be the alternative to family operation.
- **Transformation and commercialisation cooperatives:** these are cooperatives that receive production from farming operations (milk, meat, fruits and vegetables, grains, potatoes, wine, oil, and eggs) and concentrate the supply, transforming the product and commercialising it.

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<sup>6</sup> Unlike Ipar Kutxa, Caja Laboral Popular (today called Laboral Kutxa) came about in 1959, promoted by the MONDRAGON cooperatives. In addition to acting as a credit cooperative, it promoted and shaped Mondragon Cooperative Experience cooperatives, until the Mondragon group was created in the 90s as such.

*Illustration 51. Distribution of federated cooperatives by main activity and Historic Region*

MAIN ACTIVITY	TOTAL	%	ALAVA	BISCAY	GIPUZKOA
Supplies and services	32	52	14	10	8
Agrarian supplies	16	26		7	1
Feed factories	4	6	0	2	2
Technical Services	8	13	2	1	5
Machinery - CUMAs (Farming Machinery Use Cooperative)					
Operations	8	13	5	2	1
Bovine - ovine	5	8	4	0	1
Grain - beetroot - potato	1	2	1	0	0
Horticulture - Gardening	2	3	0	2	0
Marketer	22	35	14	4	4
Grain	4	6	4	0	0
Dairy	2	3	0	0	2
Vegetables	2	3	0	2	0
Wine-wineries	8	13	7	1	0
Oil-press	1	2	1	0	0
Meat	4	5	1	1	2
Eggs	1	2	1	0	0
Cooperatives	62	100	33	16	13
Workers	687		362	215	110
Members	9.286		3.481	1.922	3.863

Source: Federation of agro-food cooperatives of the Basque Country. 2018 annual report

Agro-food cooperatives in the ACBC are characterised by a low business volume: they bill around 300 million euros, according to data from 2018. They consist of small cooperatives, deeply rooted in the rural setting, which often has a local scope of action. In terms of production, farming operations are generally very atomised, with a family and multi-product structure, often part-time and with uneven profitability. Despite all this, their relative weight in the Basque agro-food sector is important.

Also of note is their contribution to maintaining the rural environment and conservation of heritage, as well as articulation and shaping of the rural space. Also remarkable is their impact on preserving environmental balance.

Considering these characteristics, the challenges facing this sector are:

- Promoting mergers between small cooperatives to reach greater size and inter-cooperation to achieve a much more cohesive and structured sector.
- Bringing youth and women into the sector and promoting greater involvement of members in cooperative governance.
- Achieving greater dominion over the chain of value until reaching the end consumer, adding value through transformation and commercialisation. And to this end, promoting products that stand out as different in terms of quality, ecological production, and cooperative product.
- Integrating new technologies and a culture of innovation and research.
- Becoming leading models in terms of quality, food safety, and environmental respect.

### **Transporter cooperatives**

The Basque federation of transporter cooperatives was founded in 1992. It currently consists of 6 cooperatives (2 in Biscay, 2 in Gipuzkoa, and 2 in Alava), with an average history of activity of 30 years. These are heavy transport cooperatives. These cooperatives account for approximately 90% of the transport cooperatives in the ACBC. These cooperatives are home to 348 transporter members who are self-employed and own the lorry with which they work. There are also 37 employees who work for others. In 2019, they billed approximately 52 million euros. 90% of this billing is for road freight transport within the country, and the other 10% internationally.

In addition to institutional representation, provision of consulting services, training, and other activities orientated toward strengthening cooperatives, the Transporter Federation manages a second-degree cooperative whose purpose is to purchase and then distribute raw materials like diesel, oil, wheels, insurance, telephone services, etc., at more advantageous prices for transporters. In 2019, the Central Purchasing Body billed over 11 million euros.

Transporter cooperatives were created to avoid the intermediation of transport agencies that collected abusive commissions. This cooperativises commercialisation: the cooperative seeks clients for associates and



negotiates the conditions with them under which the transporters work. They also conduct administrative tasks, such as billing and other services, with the central purchasing body that we mentioned earlier. As such, with these cooperatives, more dignified working conditions for workers are promoted.

Lastly, it should be mentioned that the ACBC is a role model in cooperativism in this sector, given its relative weight. Transporter cooperatives are sized such that the members know one another. This, along with their strong sense of identity, means that members participate very actively in cooperative governance. Inter-cooperation or collaboration between cooperatives is also a deeply-rooted practise in this sector to conjointly meet demand (for example, in large infrastructure works that require more lorries than one single cooperative's capacity could meet).

The main challenge faced by cooperatives in this sector is highly focalised. In addition to shining light on transporters' work and increasing their work and billing volume (they lost 23-24% of their work volume with the 2008 crisis), the federation's primary objective is to create workers' cooperatives. This is due to the enactment of the Land Transport Regulations (ROTT, in Spanish) in 2019, bringing about important changes in the sector since, to conduct this activity, a transporter or transport operator title is required. Applicants for this Certificate of Professional Competency must hold at least a secondary school graduation certificate or equivalent, or a mid-level Vocational Educational Training certificate. This requirement is making it difficult to attract new members, so the Federation is planning to gradually transform the transporter cooperatives into workers' transport cooperatives. In these cooperatives, the lorry would be owned by the cooperative, and the transporter workers would have no need to obtain an individual card. The authorised transporter may be one single person (the managing individual) and with their authorisation, different people belonging to the cooperative could work.

## 2.5. CONCLUSIONS AND FUTURE CHALLENGES

In this section, we summarise, in broad strokes, the main conclusions and future challenges of the Basque cooperative movement.

### **Singularity and relevance**

Cooperativism is the most relevant family within social economy (88% of employment), with noteworthy weight within the Basque economy:

7,756,000,000 euros invoiced in 2018, 6% of the GDP, and 5.7% of total employment in the ACBC (and 11% of employment in the industry).

Moreover, from a qualitative perspective, the Basque cooperative movement stands out because of its diversity. It is present in practically all activity sectors, and unlike other cooperative movements, the industry holds a preeminent position (41.3% as opposed to 22% in Basque economy).

**Creating and maintaining dignified, quality employment**, the Basque cooperative movement's main motto, is clearly one of its great contributions. At the same time, this is one of the greatest challenges for cooperative enterprises in this age of globalisation, digitisation, and polarisation on the job market.

Strengthening and developing the cooperative movement depends on how capable it is of strengthening its business-like nature in balance with cooperative values, continuing to bank on innovation and training people, and spreading the model to emerging sectors, such as collaborative housing and energy.

### **Business democracy and the central role of people**

The density of workers' cooperatives is another one of the characteristics that sets the Basque cooperative movement apart. Of the 3,195 cooperatives in existence, 2,359 are workers' cooperatives. In workers' cooperatives, members participate in ownership, profits, and management. But there are no cooperatives without cooperativists, meaning free and autonomous subjects who conscientiously undertake the task of driving and leading a collective project. Beyond a legal or organisational formula, the cooperative is above all else a culture, a way of doing things and understanding business, whose protagonists are co-responsible individuals who are committed to the socio-business project. Cooperatives must actively promote solidarity and quality in democracy, guaranteeing the greatest coherency between discourse and cooperative practise.

One of the main strategies followed by cooperativism is developing the capabilities and potential of people through education. **Education**, this meaning a comprehensive development process so that people can reach greater levels of awareness, boost talent, and develop skills, is still crucial in strengthening and developing the cooperative movement.

### **Business nature**

In Basque cooperativism, which is markedly business in nature, business efficacy is unavoidable in developing solid and sustainable socio-business projects.

An orientation toward innovation, as well as the high resilience capacity demonstrated by Basque cooperatives in terms of employment and activity, is certainly linked to this drive to consolidate the business muscle.

Despite this, society is unaware of the singularity and contributions of Basque cooperativism. **Visibility, showcasing, and sharing** this cooperative business model, especially amongst youth, is an essential objective in the strategy to strengthen the movement.

### **Practise of inter-cooperation**

Another singular characteristic of Basque cooperativism is granting a strategic nature to inter-cooperation (an expression of the principle of solidarity between cooperatives), which has led to the creation of new cooperatives, as well as their technological and competitive development, promoting more resilient cooperative ecosystems in a globalised, highly competitive context.

However, this principle is applied unequally. While in some cooperative groups and sectors there is an advanced and institutionalised practise, in others, it is still fairly limited. Promoting **greater integration of the cooperative movement** through sectorial and inter-sectorial inter-cooperation and cooperation with other economic, social, and cultural players, opens up huge potential for development in the region.

### **Commitment to social transformation**

As seen in these pages, cooperatives contribute to generating and distributing wealth in a fairer fashion. In doing so, they contribute to building more egalitarian and cohesive societies. Cooperatives are organisations that are deeply settled in the region and are committed to its development.

Basque cooperatives have their own equity at 5,249,000,000 euros (in Industry and Services, equity profitability is approximately 7.6%). These data prove commitment to long-term business sustainability in their search to leave a legacy for generations to come.

Moreover, planning the future of cooperatives in connection with the great challenges facing Basque society today (such as environmental sustainability, gender equality, an ageing population, multiculturalism, and digitisation) is an unavoidable challenge that calls on the transformative will and social commitment that cooperatives are known for.

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## ***Worker-owned enterprises in the Basque Country: narrative***

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### 3.1. INTRODUCTION: REALITY OF WORKER-OWNED ENTERPRISES IN THE BASQUE COUNTRY

#### **Basic notions**

A worker-owned company is a commercial company that is worker-owned. It is commercial in nature, because it is a limited liability or public limited liability company, but it is brimming with a remarkable worker-owned profile. A commercial company in form, and worker-owned in spirit.

The worker-owned aspect comes from the fact that over half of the capital in these companies, limited liability or public limited, belongs to the workers who provide their service therein, by means of a permanent employment relationship. With worker-owned limited liability companies, they hold company shares; with worker-owned public limited companies, they hold stocks.

Another essential requirement is that each one of the member workers may be owner, at most, of one-third of the company's capital, barring certain exceptions that shall be explained later on.

As such, these are purely worker-owned commercial companies. Companies whose capital mostly or totally belongs to the people who work at them. This is why these individuals hold a double role as members and workers, all at once. Co-owners and workers at their own company.

A worker-owned company is therefore a commercial company, a capital company, with no room for doubt. As of this point, their peculiarity lies in their main objective, which is to create or maintain stable, quality employment for their employees, and not to maximise profit.

For this reason, worker-owned companies are social economy companies, given the priority placed on the social objective of self-employment, more than capital profit.

In worker-owned companies, we observe an experience of enterprises entrepreneurship, with at least three workers, based on the aforementioned requirement of a maximum of one-third ownership over the company's capital per person.

We are also witnessing a collective self-employment model because workers give themselves employment, through the companies that they themselves have created and controlled, if not totally, at least mostly. Collective self-employment that takes shape through workers' cooperatives. An alternative formula to the hegemonic model of employment under others, and also freelance self-employment.

A worker-owned company is a peculiar legal figure, created under Spanish law, that does not exist under comparable law. The employment relationship between members-workers and their own company is a relationship as shared employees, although materially this is a workers' cooperative, channelled through a work contract. As such, labour law is applicable to the employment relationship of members-workers, although they are also owners of the company.

In some cases, members do not have an employment relationship with the worker-owned company; they are members, but not employees, in which case they are freelance workers.

Thus, collective bargains are negotiated and entered into at worker-owned companies, the same as with ordinary, non-worker owned capital companies. Normally, company conventions are agreed upon in worker-owned companies. When the sectorial convention of reference is directly applied, internal company agreements are frequent, to adapt the sectorial conventions to the peculiarities of the worker-owned company in question.

If we compare the worker-owned company model with the other workers' cooperative model, there are shared elements and also differences. With both models, the same people hold a double role as members and workers. But in worker-owned companies, as mentioned, the law recognises this duality, and the individuals have a double relationship with their company, as members and as employees. However, in the case of workers' cooperatives, there is only one legal bond between workers and their



cooperative, as members, which makes labour regulations inapplicable, and determines their employment conditions by means of cooperative self-management.

But the legal system for a worker-owned company does not require that all workers also be members. These companies can hire non-member employees, with the limit that they work, at most, 49% of the hours per year of member-workers, except for work conducted by disabled individuals, which does not count for these purposes.

### Origin

The origins of worker-owned companies harken back to the petrol crisis of the 1970s. This crisis brought about a serious unemployment situation, and it is in this context that worker-owned companies came about. We might say that in these initial experiences, the key players made a virtue of necessity. They came about to save the jobs at capitalist companies that were going under, creating a new company model, a company recovered by its workers. The priority was to keep jobs, even at the expense of worsening labour conditions (salary, schedule, etc.) based on the elementary principle of solidarity.

As an initial experience, of note is the *Sociedad Anónima Laboral de Transporte Urbanos de Valencia* (Limited Liability Worker-Owned Company of Urban Transport of Valencia) (SALTUV, 1963). In the Basque Country, the first worker-owned company was an industrial company, called “Herramientas de Precisión,” founded in Bilbao in 1972. Today, this company, under the name of HEROSLAM, continues to be a worker-owned company associated with ASLE. Shortly thereafter, and also in the industrial sector, IRIMO S.A.L. was founded (ZUMARRAGA, 1979).

In general, in initial worker-owned company experiences, union leaders from the companies in crisis took the spotlight, oftentimes undertaking leadership over the process of transformation to worker-owned companies. Union collaboration, as such, was decisive in shaping the first worker-owned companies with their zeal to guarantee employment, which was achieved by experimenting with a type of company that until then had been unexplored.

Later on, cooperative company structures were developed, which undertook the tasks initially conducted by the union movement. In the Basque Country, this task was undertaken by ASLE, *Asociación Empresarial de Sociedades Laborales y Participadas de Euskadi* (Business Association of Worker-Owned Companies of the Basque Country), which came about in 1982 and has survived until today.

The path travelled by worker-owned companies, since their origin up until their current strong position, is long. Initially, before their legal recognition, they were called OLNIs (*Objeto Laboral no Identificado*) (Unidentified Labour Object).

Of note is the main political driving force for legal regularisation of this new business model, Rafael Calvo Ortega, Minister of Labour of the Democratic Centre Union (UCD), during the transition period (1978-1980). Thus, the first regulation of worker-owned companies under the law was signed by this minister, found in the Ministerial Order dated 12 January 1979, which sets forth the National Employment Protection Fund's Investment Plan (FEDERAL GAZETTE of 22 January 1979).

It was not until 1986 that the first law on worker-owned companies was enacted, which solely set forth the category of worker-owned limited liability companies (Law 15/1986, of 25 April, on Worker-Owned Limited Liability Companies, FEDERAL GAZETTE of 30 April 1986). The purpose of this law was to provide a positive response to a situation characterised by closing companies and the consequent loss of jobs; in other words, it was to encourage workers themselves to recuperate the failed business project. By only regulating limited liability companies, the spotlight was placed on large companies in bankruptcy.

Later on, Law 4/1997, of 24 March, on Worker-Owned Companies (FEDERAL GAZETTE 24 March 1997), introduced the new and important limited liability worker company. This law was a qualitative leap in the expansion of the worker-owned company's status, now not only a model to recover companies in crisis, but also an *ex novo* formula for business entrepreneurship. The 1997 Law refers to a worker-owned company as a method for job creation, without referencing the processes to reconvert the previous company, as the predecessor law did in 1986. Moreover, it opened the legal door to making small capital companies worker-owned companies by means of the limited liability worker-owned company formula.

Regarding the different situations that give life to worker-owned companies, we might mention that, originally, this was mainly to reconvert companies in crisis. Workers acquired ownership to save the company and thus keep their jobs. Today, worker-owned companies are mainly created as an entrepreneurial and business-succession activity; in the latter case, normally due to the retirement of the entrepreneur.

We have now reached the current legal system, applied by means of Law 44/2015 of 14 October, on Worker-Owned Companies (FEDERAL GAZETTE of 15 October 2015). This law sets forth the employee stock-ownership company as a new figure added to public limited worker-owned companies

and limited liability worker-owned companies. It should be highlighted that an employee stock-ownership company is not an employee-owned company, because it does not meet the requirements to be one.

In the employee-stock ownership company, we find different ways for employees to hold ownership in the company. Capital holding, participation in company management, or holding in its profits. However, they do not hold majority ownership over capital, as occurs with worker-owned companies.

Indeed, what sets worker-owned companies apart is three-dimensional ownership: in capital, in management, and in profits.

### **Legal System**

In attending to the Constitution of 1978, currently in force, we observe that there is no express allusion to worker-owned companies. Indeed, the closest precept is art. 129.2, which sets forth that public authorities shall effectively promote different forms of holding in companies and shall foment, by means of adequate legislation, cooperative enterprises. They shall also establish the means to facilitate access for workers to ownership over means of production.

Worker-owned companies clearly fit under the constitution prevision to foment ownership in the company, because they entail workers holding ownership of the majority of company capital. By holding majority or even entire ownership, workers also direct the company's trajectory (participating in management) and hold its economic profits. It is also clear that worker-owned companies are a formula for workers to access ownership over the means of production, in the vein of art. 129.2 of the Constitution.

Consequently, public authorities must foment the worker-owned company model, so as to comply with the mandate in art. 129.2 of the Constitution. It is striking that this precept indicates that cooperative enterprises must be fomented, without alluding to worker-owned companies. The reason is strictly chronological. The Constitution was approved in December 1978, and the first regulation setting forth worker-owned companies, as seen above, was in January 1979. The Constitution does not mention worker-owned companies because at the time of its approval, although they existed materially, they did not exist legally as a specific company model.

Regarding law applicable to worker-owned companies, firstly, their specific law was applied, set forth in the current Law 44/2015 of 14 October, On Worker-Owned and Employee Stock-Ownership Companies.

In addition, regulations on commercial, limited liability and public limited companies are applicable, currently regulated by Royal Legislative Decree 1/2010 of 2 July, on Corporations.

The Law 44/2015 makes clear that we are dealing with limited liability and public limited companies, and the labour aspect depends on the three-fold condition mentioned above: the majority of share capital is owned by workers, a maximum of one-third ownership per worker, and a maximum of 49% of hours per year worked by member-workers for non-member workers.

For the requirement of a maximum of one-third ownership per person, the company may be initially constituted by two member-workers, with share capital split by fifty percent, provided that within a 36-month deadline the situation is regularised, adapting to the established limit of a maximum of one-third, such that at least one more person must join as a member.

The one-third maximum limit may also be sidestepped when members are public entities, not-for-profit entities, or social economy entities, in which ownership may exceed this limit, without reaching fifty percent of the share capital.

When these conditions are met, the limited liability or public limited company shall be, in administrative terms, classified a worker-owned company by the pertinent national or autonomous employment authority. Consequently, the company shall be registered with the pertinent national or autonomous Worker-Owned Companies Registry. These companies shall also be registered with the Commercial Registry, noting that they are worker-owned companies.

The fact that, in worker-owned companies, there may be two classes of members, some who are workers at the same time, and others who are not, is set forth in the legal system for the shares (in limited liability worker-owned companies) or stock (in public limited worker-owned companies). In the former case, these shall be worker-category shares or stocks; in the latter, they shall be general.

Regarding the position of non-member workers in the worker-owned company, the law seeks to make them member-workers by means of different legal measures.

- On one hand, it is set forth that, in the event of selling shares or stocks, if there is competition to purchase them, non-member permanent workers shall have preference, in direct proportion with their time with the company. Next, in order of statutory priority, come member-workers, general members (non-workers), and the employee-owned company itself.

- In the event that a member-worker is deceased, the worker-owned company's bylaws may establish the right to preferential purchase for non-member workers with a permanent employment relationship.
- In the event of a capital increase, regarding shares or stocks not taken by members, non-member workers with a permanent employment relationship shall hold preferential right to purchase, barring an agreement by the General Board otherwise.
- In the event that the employment relationship of a member-worker is terminated, the rule to give preference to non-member workers for purchase of their shares or stocks stands.
- Company shares and stocks purchased by the company must be disposed of to company workers with permanent employment contracts.
- Lastly, the law also sets forth that people who administer the worker-owned company must promote the integration of non-member workers as members.

In terms of the economic system of worker-owned companies, several aspects are of note.

On one hand, the law sets forth that they are bound to establish a special reserve to receive ten percent of liquid profits from each fiscal year, until reaching a number of at least more than twice the share capital. This special reserve may only be used by the worker-owned company to offset losses in the event that there are no other sufficient reserves available to this end.

In compliance with the aforementioned constitutional mandate, on promoting worker-owned companies (fomenting ownership in the company and accessing ownership over means of production), there are grants for founding worker-owned companies and hiring member-workers.

Regarding funding sources for worker-owned companies, in addition to access to loans on the regular financial market, three elements are of note:

- Capitalisation of unemployment benefits.
- Lanpar. Fund created at the initiative of the Basque Government and ASLE to make it possible for workers to hold the capital of their companies.
- Elkargi. Mutual guarantee company.

### **Associationism**

The current law on employment associations sets forth that these companies may create specific business associations to adapt to the unique model of this sort of company.

This legal provision takes shape in the Autonomous Community of the Basque Country as ASLE. At a national level, LABORPAR (*Federación empresarial de sociedades laborales y empresas participadas* (Business Federation of Worker-Owned and Employee Stock-Ownership Companies) was founded, replacing the previous CONFESAL.

Associationism is very convenient for worker-owned companies because they have an entity that knows their particular idiosyncrasy and can represent them and take consequent action.

An association is very useful to support and reinforce the worker-owned company movement. We can classify these associations' main activities into three aspects: interlocution, services, and training.

- Interlocution, in representation of all worker-owned companies as a whole with public authorities. Most likely the most important, and the least visible, representative activity. Essential interlocution to address legal amendments, tax issues, and in general, public policies that affect worker-owned companies.
- Providing services to worker-owned companies. Answering queries related to different aspects, such as legal, in all forms, financial, tax, and market strategy. In this regard, ASLE is the leading reference for consultations. With this starting point, its strategy consists of forging alliances to collect the opinions of experts on specific issues.
- Offering specific training on worker-owned companies and facilitating meetings between them to share experiences, thus inculcating a participatory culture, which is the spirit of worker-owned companies.

### 3.2. DRIVING NOTIONS OF WORKER-OWNED COMPANIES IN THE BASQUE COUNTRY

#### **Central Role of People in Worker-Owned Companies**

Regarding the classic conflict between capital and work, balanced in favour of the former element in classic capital companies, worker-owned companies seek a balance between both. Capital is essential, and companies must be profitable to sustain the business project. Based on this premise, the company's priority goal is to provide stable and quality employment to its workers.

People hold a central position in worker-owned companies, even though they are capital companies, because the workers there are, at the same time, co-owners of the company.

Although formally capital companies, at these companies, the corporate purpose is not to maximise profit. With worker-owned companies, capital is an instrument designed to achieve the company's corporate purpose: to provide stable and quality employment to its members who are at the same time its workers, in an exercise of collective self-employment.

In the economic dynamic of worker-owned companies, the priority placed on employing people is clear, prevailing over the idea of maximising profit. Although the company obtains fewer profits, the priority is to maintain employment, as we can see on the table below, which shows how employment has been maintained for approximately 7,200 people.

*Illustration 52. Central role of people. Stability*

Year	Public Limited Company	Limited Liability Company	TOTAL
2017	3.177	4.082	7.259
2016	2.848	4.288	7.136
2018	3.029	4.190	7.219

Source: OVES/GEEB, based on Social Economy Statistics from the Basque Government

While it is true that, if we observe the contractual relationship between workers at Worker-Owned Companies and Cooperatives, the number of members has fallen, the increase in the number of non-members mainly fell on permanent wage-earners.

*Illustration 53. Central role of people. Stability. Percentage of employment per contractual relationship in cooperatives and worker-owned companies*

Year	Member	Permanent Wage-Earner	Temporary Wage-Earner
2017	66,70%	16,40%	16,90%
2016	64,10%	18,70%	17,20%
2018	60,20%	21,10%	18,70%

Source: OVES/GEEB, based on Social Economy Statistics from the Basque Government

Since this is a social, people-focused company, the company's equity shall always be at the service of present and future members. The main

objective consists of making a life-employment project possible, under a system of cooperation and solidarity, banking on its continuity over time as a shared project, and therefore distanced from the hegemonic wage-earning model where one works for others. Moreover, the feeling of belonging increases self-value and motivation for commitment.

In the event that the worker-owned company has an economic crisis, the central role of people is seen in the policy to prioritise internal flexibility by means of measures such as salary reduction or adjusting schedules, leaving the possibility of dismissals as a last resort.

Another perspective where we can observe the central role of people in worker-owned companies is ownership. As mentioned, with this business model, the ownership of workers in capital must necessarily be majority, if not absolute.

As such, and as a direct consequence, ownership over the majority of capital leads to participation of the member-workers in managing their own company (self-management), as well as their ownership in its profits. In the aspect of owning profits, priority is placed on the profit reinvestment policy, to strengthen the business project, as opposed to distributing dividends.

When holding in capital is less than half, this would not be a worker-owned company. In this case, normally workers do not control company management, and their holding in capital can be seen in the economic ownership over profits.

The worker-owned company model is also quite suitable for retaining the talent of workers. Three-fold ownership in capital, management, and in company results, helps to retain talent, and to develop improvements and innovations and, at the same time, to put down roots in the region.

An extra-legal element of note is that this is a model that banks on humanising employment relationships, respecting each individual with their specific peculiarities.

### **Democratic Nature of Worker-Owned Companies**

Regarding business management of worker-owned companies, we must begin with the premise that they are capital companies, where, as set forth by the corporate law (ROYAL LEGISLATIVE DECREE 1/2010, of 2 July), decisions are made based on the share of capital that each member owns. Control over the company would fall on individuals who own the majority of corporate capital.

At this point, the characteristic and determining factor in worker-owned companies is that capital and work co-exist in the same people, at least most



of them. The majority of corporate capital belongs to the member-workers, so, with the passage of time, we are discussing democracy. For it to be a pure democracy, with one vote per person, all corporate capital must be owned by the member-workers, with no general shares or stocks, and also all individuals must have the same proportion of the total corporate capital.

There can be different casuistries. In some worker-owned companies, there are non-worker members, capitalist members, who shall have decision-making capacity in proportion to their capital holding. But this shall always be a globally minority holding because the worker-owned company law sets forth that, under all circumstances, the majority of social capital shall be owned by member-workers. In any event, control over the company falls on member-workers.

Member-workers may hold the same or a different share of ownership in corporate capital. In this regard, the legal system sets forth that none of them shall hold more than one-third of corporate capital. As such, in the vein of democracy, one single worker may never control the company. At minimum, a consensus between two member-workers shall be required.

Another highly interesting aspect in worker-owned companies is sovereignty of work. This entails democratic management on the workers' part of the classic conflict between capital and work, present in all capital companies. With worker-owned companies, the conflict is diluted, at least in their nucleus, because the members and workers are the majority or absolute capital owners, in addition to owners of work. This means that they hold management over both productive factors in their hands. They control the capital and collectively decide on their own working conditions.

The structure of corporate capital ownership in worker-owned companies makes it possible for the conflict of interest between capital and work to be replaced by cooperation and co-responsibility in both aspects: in company management, and in working conditions. Balance is sought, adapting working conditions to business circumstances.

In any event, the idiosyncrasy of worker-owned companies does not entail that conflict disappears. There are conflicts in worker-owned companies. When these conflicts manifest, dialogue is sought out to solve them, leaving sanctions as a last resort. To prevent and solve conflicts, training in self-management is essential.

The key lies in achieving balance between commercial and labour aspects. Thus, the Board of Administrator meetings address commercial issues, and the company committee addresses labour issues. Bridges must be built between both facets to reach a suitable balance, preventing both dimensions from operating while turning their backs on one another.

Training is required in both directions. Training and raising awareness with members of the Board of Administrators in labour aspects, and training members of the company committee in key business aspects.

Worker-owned companies operate on a plane of socioeconomic dualism: they must always seek the balance between social and economic objectives, and this entails balanced management in both dimensions and of the conflicts that may arise between them.

A very important nuance to mention in terms of the aforementioned democratic nature of worker-owned companies is that this refers exclusively to workers who are also members at the same time. Non-member workers do not hold ownership over capital, nor do they participate in decision, nor do they receive company profits. The exception is by means of collective bargaining or an individual employment contract that allows these individuals to participate in some way in managing the company or receiving profits.

At this point, the policy orientation of the worker-owned company law is both relevant and plausible, as observed, arbitrating different measures to foment workers who are not members to become members. ASLE'S policy is the same, seeking for all workers with a permanent contract to become members.

Lastly, regarding the gender equality indicator, it should be noted that there is certain stability in employment distribution, with approximately 56% men and 44% women, as shown in the table below:

*Illustration 54. Democratic nature. Equality. Percentage of employment per contractual relationship in cooperatives and worker-owned companies*

Year	Male	Female
2017	56,10%	43,90%
2016	55,70%	44,30%
2018	56,90%	43,10%

Source: OVES/GEEB, based on Social Economy Statistics from the Basque Government

### **Business Nature of Worker-Owned Companies**

Worker-owned companies are distinctly business-like in nature. Their peculiarity does not lie in the economic activity of the goods they produce or the services they provide, but rather in workers' ownership of capital and

the consequent participation of workers in management and holding in company profits. They compete on the market with other companies under equal conditions.

The companies are more present in the industrial sector in terms of added value generated, although it is true, as with the Basque economy in general, that the services sector is increasingly taking the spotlight (see Table 58). We can also observe industrial pre-eminence in participation in each sector, when compared with the total Basque economy (see Table 59).

*Illustration 55. Economic Sustainability. Economic Profitability. Gross Added Value by sectors and legal form*

2016	Public Limited Company		Limited Company		TOTAL	
	Millions €	%	Millions €	%	Millions €	%
Primary	0,00	0,0%	0,30	0,2%	0,30	0,1%
Industry	107,15	76,5%	78,95	58,4%	186,10	67,6%
Construction	18,65	13,3%	12,27	9,1%	30,92	11,2%
Services	14,35	10,2%	43,63	32,3%	57,98	21,1%
Total	140,15	100,0%	135,16	100,0%	275,31	100,0%
2018	Millions €	%	Millions €	%	Millions €	%
Primary	0,00	0,0%	0,40	0,3%	0,40	0,1%
Industry	134,98	80,5%	81,47	56,2%	216,45	69,2%
Construction	17,10	10,2%	12,43	8,6%	29,53	9,4%
Services	15,65	9,3%	50,58	34,9%	66,23	21,2%
Total	167,73	100,0%	144,87	100,0%	312,60	100,0%

Source: OVES/GEEB, based on Social Economy Statistics from the Basque Government

*Illustration 56. Economic Sustainability. Economic Profitability. GDP Participation Cooperatives and Worker-Owned Companies*

	Activity sector			
	Industry	Construction	Services	Total
<b>2008</b>	9,30	1,30	3,20	4,30
<b>2010</b>	10,00	1,50	3,30	4,80
<b>2012</b>	9,90	1,40	3,00	4,50
<b>2014</b>	9,30	1,30	2,90	4,30
<b>2016</b>	9,70	1,80	3,10	4,60
<b>2018</b>	9,50	1,90	2,80	4,40

Source: OVES/GEEB, based on Social Economy Statistics from the Basque Government

A company born from exercising collective worker entrepreneurship, with a will to remain over time, which leads to prioritisation of reinvestment of profits, because the jobs of the workers who hold and control them are at stake.

The flexibility offered by the model is very positive. When external investors are required, this possibility is provided for, such that the worker-owned company receives the financial injection it needs, but the company continues to be controlled by its own workers.

Of note is the resilience of worker-owned companies in times of crisis, demonstrating flexibility and awareness to downshift employment conditions, in an aware, self-managed fashion.

Because of this, worker-owned companies are a historical role model as an example for reconversion, and the formula currently also works to create *ex novo* companies, or for company successions where the company is sold to its workers.

### **Commitment to the Community with Worker-Owned Companies**

Given their nature, worker-owned companies are deeply-rooted in their region, because the company is controlled by its workers, and outside investment, from shareholders who hold general stocks or shares, if any, shall be minority.

These roots in the region means that worker-owned companies are strategic agents in regional sustainability. These are entities that create local employment and wealth that they distribute in a fairer fashion than non-

worker owned companies and, as such, they provide social cohesion in the region because they create more economic equality.

These are business projects that shore up the link between companies and the region, prioritising keeping decision-making centres, job-creation engines (see Table 57), economic resources (see Table 56) local, which contributes to a more competitive and cohesive region.

*Illustration 57. Wealth Creation. Contribution of Worker-Owned Companies to Employment in the ACBC*

2018	S.A.L.	S.L.L.	TOTAL	Economía Vasca	Importancia Relativa
ACBC	3.029	4.190	7.219	935.100	0,77%
Primary	0	14	14	10.800	0,13%
Industry	2.281	2.449	4.730	205.600	2,30%
Construction	186	360	546	49.800	1,10%
Services	562	1.367	1.929	668.900	0,29%
ÁLAVA	148	389	537	143.000	0,38%
Primary	0	0	0	2.500	0,00%
Industry	106	182	288	35.200	0,82%
Construction	6	45	51	6.700	0,76%
Services	36	162	198	98.600	0,20%
BISCAY	1.409	1.723	3.132	481.200	0,65%
Primary	0	11	11	4.100	0,27%
Industry	1.075	652	1.727	89.500	1,93%
Construction	106	215	321	25.100	1,28%
Services	228	845	1.073	362.500	0,30%
GIPUZKOA	1.473	2.078	3.551	311.000	1,14%
Primary	0	3	3	4.200	0,07%
Industry	1.100	1.615	2.715	81.000	3,35%
Construction	75	100	175	17.900	0,98%
Services	298	360	658	207.900	0,32%

Source: OVES/GEEB, based on Social Economy Statistics from the Basque Government

The corporate responsibility of worker-owned companies toward their surrounding community is visible in their policy orientation when taking decisions. For example, a company has two aspects: one is manufacturing, and the other is commercialisation. Normally, commercialisation bears less

risk and brings greater profits than manufacturing, but when they work to maintain manufacturing, even though its risk is greater and its economic profit is lower, employment in this production area is being prioritised, with many more jobs in manufacturing than in commercialisation. Thus, they work to maintain local jobs as a priority objective, avoiding offshoring strategies to lower costs.

In short, these are companies that demonstrate a noteworthy degree of commitment to their local community, from whence most or all of their workers come. To this end, they contribute to local development and local social cohesion, all while avoiding the risk of company offshoring.

### 3.3. CHARACTERISATION

In general, as a global reference of the Basque worker-owned company movement, of note is the pre-eminence of the industrial sector, although the services sector is also gaining ground, in the same vein as evolution of the global economic-productive system.

In geographic terms in the Basque Country, the region of Gipuzkoa has better behaviour, in part due to public promotion of participation of workers in this region.

Also of note: Basque worker-owned companies, on average, are larger than worker-owned companies at a national level.

Currently, the worker-owned company model is an excellent instrument for company succession, in cases where the entrepreneur is nearing retirement and there is no generational takeover because the family does not wish to continue leading the business project. Thus, the family sells the company to workers, and it becomes a worker-owned company.

### 3.4. CHALLENGES

#### **Ideology**

The worker-owned company movement as a specific business model requires an ideological *corpus*, providing coherence, motivation, and a shared spirit. This must all revolve around the basic principle of companies governed by their own workers, placing a very high value on this crucial element.

Awareness of forming part of a specific business model partially depends on the situation from whence the worker-owned company arises.

Thus, when it is an *ex novo* business project, the worker-owned company model is an option, meaning that the ideological element is present. For company reconversion events, it is normally necessity that leads to the selection of this model, without a previous ideological reflection. If there is a generational takeover and the new family generation opts for the worker-owned company model, the ideological element is present.

Going from worker to member, becoming a businessperson, requires a change in mentality. Providing capital, assuming risk, and making business decisions. To encourage workers to take this step, training is essential, and the comparative method is the best: comparing the benefits and potential of the worker-owned company, where workers are the protagonists and set the company's course, against individual employment under others, against individual self-employment, and against public employment. ASLE is the entity in charge of undertaking responsibility for this specific training.

The attitude of workers is fundamental. Training is fundamental to change roles, to go from being a worker to a member-worker. In this regard, ASLE has added a chapter on attitude training to its training programmes, so that the same individual acts in a coherent, balanced fashion both as a member and as a worker. This balance is fundamental for the cohesion of the business project.

Management methods and internal dynamics must be based on a culture that revolves around participation and cooperation strategies. In terms of training, worker-owned companies, ASLE, in our case, must hold a position of driving force, offering training and motivation, and thereby encouraging commitment to the model, to company management, to company committees, and to the member-workers themselves.

Another relevant aspect is the indispensable pre-eminence of the collective interest over individual interest, with viability of the business project as a requirement that comes before legitimate individual interests. Training is also fundamental in this regard, and awareness that individual interests are entirely conditioned by the evolution of the shared project.

As guarantee of compliance with principles and values, the Euskalit advanced management model and its set of indicators may be used as tools to diagnose social cohesion, participation, and values audits.

### **Visibility**

The challenge facing the Basque worker-owned company movement in terms of visibility is clear. In general, worker-owned companies are broadly unknown in the business world. And if something is not known, it is not

done. Someone who approaches ASLE with a business project frequently creates a worker-owned company. The question is: how many business projects do not go to ASLE because they do not know that the model, or the very association itself, exists?

A great deal of work must be done to spread knowledge of worker-owned companies. Raising visibility, based on the conviction that worker-owned companies can provide a great deal of value to many business projects. To this end, forging alliances is essential so that the news can spread in multiple fashion. In this regard, the possibilities of worker-owned companies themselves are limited.

Worker-owned companies should not only be associated with the economic crisis. Worker-owned companies are not only an element to overcome the crisis. They must be presented as an attractive, *ex novo* business formula, as well as a suitable system for business successions.

Worker-owned companies must be presented as appealing, both for entrepreneurs and for company owners who wish to bequeath their businesses to workers, or to restructure a project undergoing difficulties.

### **Constitution**

To facilitate the constitution of worker-owned companies, requirements for constitution should be simplified, because they must register, by means of a notary document, with the Commercial Registry and the Worker-Owned Companies Registry.

In addition to administrative procedures, the registration is economically expensive. It would be positive to reduce the economic cost.

Regarding the purchase-sale of shares (worker-owned limited liability companies) and stocks (worker-owned public limited companies), in this same vein, it would be advisable to simplify formal requirements.

### **Co-existence**

There must be appropriate co-existence between the three different roles: member-workers, non-worker members, and non-member workers.

For appropriate co-existence between member-workers and capitalist members, the key lies in reaching balance between the company's economic profitability and the quality of working conditions. Normally, capitalist shareholder members who invest in the worker-owned company are not mere spectators, removed from the company's dynamic and spirit, so great conflicts do not normally occur.



In terms of co-existence between member- and non-member workers, work must be done so that all workers have a sense of belonging, whether members or not.

ASLE has a clear policy criteria that all workers with a permanent employment relationship should become members. They must facilitate the transition, offering this possibility. If someone does not wish to do this, that is their free personal choice.

Non-members becoming members is the best way to avoid conflicts of interest and discrimination. When members collect a higher salary than non-members, the situation is ripe for conflict. If there are many non-member workers, the essence of the worker-owned company is altered.

In any event, harmonious co-existence between member- and non-member workers depends on a fair compensation policy and equal employment conditions for all workers, providing the company with internal cohesion.

### **Funding**

Main funding sources for worker-owned companies are currently the following:

- Contributions from members.
- Capitalisation of unemployment benefits.
- Credit from financial institutions.
- Elkargi Mutual Guarantee Company.
- Lanpar Fund. Fund created by ASLE and the Basque Government to make it easier for workers to buy into their companies' capital.
- Public grants to create worker-owned companies and to hire new member-workers.

Funding is an important challenge for worker-owned companies because this is often the main off-putting element when establishing a company of this sort, for two reasons: difficulty in receiving funding, and refusal to undertake economic risk.

The small size of many worker-owned companies is a handicap in accessing funding, partially because these companies lack financial education.

We should seek out new channels and new financial instruments to make it easier to constitute worker-owned companies and then hire new member-workers.

## Unions

When worker-owned companies began, unions played a starring role, driving the model as an instrument to recover companies in crisis.

However, from today's perspective, we can see that unions often operate based on their own logic of defending the interests of workers, as opposed to capital interests. In worker-owned companies, their union action is similar to action in non-worker owned capitalist companies.

As such, the challenge consists of moving toward a union-participation model with worker-owned companies that is unlike the conventional model. It should consider the specialities that must govern defence of workers' interests at this type of company and be the result of reflecting on the role that the union must play in the worker-owned company, which is more complementary and associated with its commitment to the company strategy.

Their current action, essentially designed to confront capital, does not fit well with this sort of worker-owned company. Union organisation came about to overcome employment relationships based on confrontation and opposition between ownership and workforce. As such, a new participatory archetype, removed from conflict, could be expected for worker-owned companies.

It would be positive for union representatives to provide training and raise awareness in this regard. Work should be done toward participation, in an attempt to overcome a culture of conflict.

That fact that member-workers bring capital and labour together should lead us to rethink the traditional work of unions and Boards of Administrators at worker-owned companies, moving to overcome the conflictive relationship, to enter a realm of understanding and balance.

In any event, there is still a relationship between the worker-owned company movement and the union movement, as shown by the Collaboration Agreement of 17 March 2014 between CONFESAL (*Confederación estatal de Sociedades Laborales* (National Confederation of Worker-Owned Companies)) and Central Unions CC.OO. (Workers Commission) and UGT (General Workers Union), whose purpose is to extol worker-owned companies as a formula capable of creating employment.

## Employee Stock-Ownership Companies

Law 44/2015 of 14 October regulates, along with worker-owned companies, the new figure of employee stock-ownership companies.

These are companies where, beyond minimum legal prescriptions, there is a certain degree of worker ownership, whether in capital, in company management, or in profits.

In the law, an employee stock-ownership company is broadly recognised. Its main reference is the ESOP (Employee Stock Ownership Plan) formula in the United States.

Therefore, employee stock-ownership companies are an internationally recognisable model, although they are not worker-owned companies if they do not meet the requirements to be one.

The challenge is that the employee stock-ownership company is an initial step that then continues transitioning toward a worker-owned company. And this occurs in different situations, such as generational takeover due to retirement, the gradual sale of the company, and more.

This can also be a retaining wall in the opposite direction, meaning that a disqualified worker-owned company would remain as an employee stock-ownership company.

### 3.5. CONCLUSIONS

This study allowed us to observe that the business model of worker-owned companies is deeply-rooted in the Basque Country. From the initial experience of *Herramientas de Precisión* in 1972 up until today, the Basque region has given birth to many business initiatives under the worker-owned company formula.

The law has adapted to the changing times, as seen in the recent Law 44/2015 of 14 October, which provides a suitable legal framework for today's worker-owned companies.

Associationism in worker-owned companies in the Autonomous Community of the Basque Country, revolving around ASLE, is noteworthy, demonstrating the cohesion of the worker-owned companies.

We have seen how worker-owned companies, despite being capital commercial companies, are clearly worker-orientated in nature, based on majority ownership of the company by workers. As such, the end purpose of collective self-employment, prioritised above maximising profit, prevails.

For this reason, worker-owned companies are part of the social economy family, where people and the social purpose of the company are prioritised above capital.

These are companies whose workers are empowered and are the true protagonists of the business project, in four senses of the word: provision of labour, ownership over the company, management of the company, and distribution of profit.

Worker-owned companies are also included in the social economy for their contribution to their community.

The challenges we specified can be viewed from a double perspective. On one hand, there is much to do; on the other, there are ways to do it.

Challenges in multiple aspects, such as the need for greater visibility for the model, co-habitation between member- and non-member workers, better access to funding sources, and relationships with unions.

Here, amongst the aforementioned challenges, we would like to highlight that worker-owned companies should equip themselves with a solid ideological *corpus*, to give shape and make cohesive this peculiar business model directed by workers, and to act as a reference in everyday business management.

In this regard, training and raising awareness for workers at worker-owned companies is essential. They have in their hands a project that provides the opportunity to pilot their own company, not without difficulty. This possibility is not offered by other company models unlike worker-owned companies, such as hegemonic employment under other individuals, individual freelance self-employment, and public employment.

In short, the idea is to showcase worker-owned companies as a specific company model that can channel any collective business project, company reconversion, generational takeover, or company succession.

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## ***Special employment centres in the Basque Country: narrative***

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### 4.1. INTRODUCTION

Special Employment Centres (hereinafter, CEEs, in Spanish) are entities that provide employment to disabled individuals, as well as personal and social adjustment services, through support formulas to improve their employability and socio-occupational skills.

Using the definition of disability as set forth in the General Law on Rights for Disabled Persons and their Social Inclusion (LGDPCD, hereinafter, in Spanish), we understand disability as “a situation that arises from the interaction between people with foreseeably permanent deficiencies and any sort of barrier that limits or prevents their full and effective participation in society, under equal conditions with others.”<sup>1</sup>

The CEEs are therefore designed to be employment tools to eliminate these barriers and they seek to channel this full and effective participation of individuals from this collective. As such, the purpose of the CEEs is to guarantee productive and compensated employment to individuals with special difficulties in employment, all while making the transition to

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<sup>1</sup> Article 2.a.) of Royal Legislative Decree 1/2013 of 29 November, approving the Restated Text of the General Law on Rights for Disabled Persons and their Social Inclusion.

ordinary employment possible (BENGOETXEA, ETXEBARRIA, MORANDEIRA, SOTO, 2019).

In the narrative we tell below, we attempt to identify the main characteristics of this experience in the ACBC, the driving notions that relate it to the social economy universe, and the main future challenges they face.

## 4.2. CURRENT REALITY OF THEIR NETWORK IN THE BASQUE COUNTRY

### **CEE, social initiative as a key link in the Basque model of social inclusion**

Article 43 of Royal Legislative Decree 1/2013 legally defines CEEs:

Special Employment Centres' main objective is to conduct a goods or services production activity, regularly participating in market transactions, with the goal of ensuring compensated employment for disabled persons; at the same time, they are a means to include the highest number of people under the ordinary employment system. Additionally, special employment centres must provide, through their support units, personal and social adjustment services required by disabled workers, based on their circumstances and pursuant to regulatory provisions.<sup>2</sup>

Based on this definition, CEEs have three main duties: to offer compensated employment to disabled persons, to provide another series of personal and social adjustment services (training and development in social and employment skills), and to attempt to facilitate the transfer of the highest number of people toward ordinary employment.

Therefore, the finalist or transitory nature of this sort of entity is not exhaustively established in its definition, since they may act as agents to facilitate transfer toward ordinary employment whenever this is possible (MORATALLA, 2016).

Since CEEs are permanent or transitory work settings, they are a fundamental piece in these socio-occupational inclusion processes that, in sum, seek to eliminate the barriers that prevent disabled persons from full and effective participation in our society.

As such CEEs are a key link along the chain of employment inclusion processes we find under the framework of the Basque socio-occupational inclusion model (BENGOETXEA et al, 2019; MORATALLA, 2017), which

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<sup>2</sup> Article 43-Special Employment Centres for employment inclusion of disabled persons.



includes the tools needed to manage entire socio-occupational inclusion itineraries. The image below provides a visual illustration of the different milestones in this entire itinerary:

*Illustration 58. Basque model of socio-occupational inclusion*



Source: MORATALLA, 2017:136

In this way, the CEEs and entities grouped under EHLABE take action and manage different employability programmes, and coordinate, with an inclusive focus, entire itineraries for occupational integration: from fundamental employability services like specialised professional orientation, employment intermediation, all kinds of training, and occupational service to different channels for employment, such as protected employment, with the end goal of integration in ordinary enterprises through the employment-with-support methodology (MORATALLA, 2017:136).

In short, the idea is to offer a set of support services that can be adapted to the specific situations of each individual and their interaction with limiting barriers, so that all individuals, regardless of their degree of type of disability, have the same right to choose an employability resource.

Beyond orientation, intermediation, and training services, disabled persons can access two kinds of employment: ordinary employment (both in private companies and the Public Administration), and protected employment. Since ordinary employment is generally a difficult field for disabled persons, special employment centres offer the alternative of protected employment as a specific employment model adapted to the characteristics of the disabled<sup>3</sup>. Lastly, depending on the severity of the disability, there are individuals with greater employability issues, both in ordinary and in protected employment. This collective can access occupational services, which offer occupational therapy through the social services system<sup>4</sup>.

The founding spirit by means of which this sort of initiative arises is none other than an attempt to empower disabled individuals with access to employment settings, such that they cease to be passive recipients of social benefits and become a specific collective under active employment policies (MORATALLA, 2017).

### **Basque Protected Employment Associative Movement**

There are different kinds of CEEs, depending on two main variables: ownership of the entity promoting the centre and, therefore, whether the entity is for-profit or not-for-profit. As such, there are associative networks for each kind of CEE.

Going further in depth, and observing how this kind of entity actually behaves in terms of its degree of compliance with existing regulations, MORATALLA (2016) proposes four different kinds of CEEs:

- Special Social Initiative Employment Centres (hereinafter, CEEis), promoted by social entities and the Tertiary Sector. Their objective is to create employment for disabled persons through employment at the CEE, especially the collective with the greatest need for support.
- Special Employment Centres promoted by individual businesspeople (SMEs), who boost employment for disabled individuals.
- Special Employment Centres promoted by large corporations who fulfil the obligation set forth in article 42 of Royal Legislative Decree 1/2013 on hiring disabled persons.<sup>5</sup>

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<sup>3</sup> For a more detailed analysis of employment relationships in CEEs, see BENGOETXEA ET AL (2019) and MORATALLA (2016).

<sup>4</sup> For a more detailed analysis of the resources provided through this Basque socio-occupational inclusion model, see BENGOETXEA ET AL (2019).

<sup>5</sup> They implement a CEE with activities other than their main activity, and therefore create employment.

- Special Employment Centres promoted by large corporations who often do not fulfil the obligation to hire disabled persons.<sup>6</sup>

This classification acts as the foundation for the argument for positive discrimination in social initiative CEEs, given that they are the only ones that truly fulfil social-economy principles because they are not-for-profit (MORATALLA, 2017; BENGOETXEA ET AL, 2019).

In the ACBC, there are three main networks that contain practically all CEEs in the region: most of the CEEs driven by for-profit companies are around Berezilan, then there are some social initiative centres that do not belong to any network, with the Ilunion company acting as the main reference (centre promoted by the ONCE group, a social economy entity), and lastly, the EHLABE association, which is home to practically all social initiative CEEs in the region.

Regarding their relative weight, of the total number of people employed by CEEs in the ACBC, around 85% were working at entities grouped under EHLABE. When we add the individuals working at Ilunion (around 4%), we see that a significant majority of protected employment in the Basque Country is related to social initiative CEEs.<sup>7</sup>

As such, Euskadi, as the main network of reference in the Basque Country, has gathered practically all social and public initiative CEEs in the Basque Country since its creation in 1987. It currently has 14 entities that manage over 100 work centres. Therefore, most protected work is concentrated in entities associated with EHLABE, who stand out because they are promoted by public entities (4 entities) or the tertiary sector, and the most singular features of these experiences arise from the promoting entities' not-for-profit status. We provide more details on this later.

Of all the roles carried out by the EHLABE Association for all the CEEs, three are of note:

- An essential role in interlocution and representation for the sector, in the ACBC, nationally, and in Europe. In terms of the ACBC administration, EHLABE has a fluid relationship mainly with the Ministries of Labour and Employment, and Equality, Justice, and Social Policy, as well as with Lanbide in all issues related to active employment policies. Beyond the governmental scope, EHLABE

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<sup>6</sup> In other words, they do not fulfil the 2% reserve for people with disabilities, using alternative measures to said measure, offering low salaries and without providing necessary adaptations, in addition to other things (MORATALLA, 2016:20)

<sup>7</sup> Data taken from the Data Report EHLABE-2018 (<https://www.ehlabe.org/eu/Zifrak/>) and the document *Estadísticas de la Economía Social 2018 y Avance 2019 (Social Economy Statistics 2018 and Advance Report 2019)*, published by the Basque Government.

actively participates in tertiary-sector social action networks in the Basque Country (Sareen Sarea), as well as social economy networks (EGES, OVES-GEEB, GEZKI, etc). At a national level, EHLABE is a member of the Spanish Business Federation of CEEs<sup>8</sup>, and in Europe<sup>9</sup>, it participates in different protected employment networks (for example, European Equal Employment).

- A second field of action stems from its coordination work, both internally amongst different CEEs in the network, and externally: mainly with Lanbide, on all issues related to employability, orientation, training, and employment with support. Also included within this work is ForoEca coordination of protected employment in the Basque Country<sup>10</sup>, or the design, coordination, and implementation of European projects<sup>11</sup>.
- Thirdly, and in response to doubts regarding everyday management that may arise with associated entities, EHLABE also shares all information required from entities and encourages and attempts to replicate good practises identified amongst them.

### **Public Development Policies<sup>12</sup>**

One of the strengths of the experiences of CEEs in the ACBC lies in their ability to establish a stable, trusting framework for relationships with the ACBC's public administration at different scales.

Thus, the complexity of the services offered to take action on the different phases of the entire itinerary of socio-occupational inclusion means that the CEEs have fluid, direct interlocution, with public managers, with the Basque employment service Lanbide, and with countless town halls, which directly participate on the boards of promoting foundations in certain cases or are related through service provision contracts.

This framework for public collaboration is channelled through two key tools within public policies to develop the sector: on one hand, the regulatory framework, and on the other, the funding framework set forth by regulations that requires economic compensation "heeding to the special

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<sup>8</sup> <http://www.feacem.es/>

<sup>9</sup> <https://www.easpd.eu/>

<sup>10</sup> <https://www.ehlabe.org/es/empleo-con-apoyo/>

<sup>11</sup> The most important projects funded by the European Social Fund are called Aukerability <https://www.ehlabe.org/eu/aukerability/> and Gazteability <https://www.ehlabe.org/es/gazteability/>.

<sup>12</sup> Assessment aspects set forth in this section are based on the personal interview conducted with EHLABE'S coordinator, PABLO MORATALLA, on 7 May 2020. With his consent, his responses have been included in this work.

characteristics found in CEEs and so that they can fulfil the required social function” (art. 44 of Royal Legislative Decree 1/2013).

If we attempt to draw, in broad strokes, these promotion tools, and without breaking down each of their specific features, we would reach the following conclusions.

#### *Development of Legislation*

Regarding the legal framework, there are different studies that set forth in detail the historical development and regulatory evolution of these entities (MORATALLA, 2016; BENGOETXEA, 2017). Today, there is a fairly broad consensus that identifies the three main regulations influencing the sector:

- The first and main one, Royal Legislative Decree 1/2013<sup>13</sup>, a regulation that currently legally defines and regulates CEEs and came about after Spain joined the International Convention on the Rights of Persons with Disabilities and its Optional Protocol approved by the UN Assembly in 2006, and which adapted the law on this matter for member States (BENGOETXEA, 2017).
- Law 5/2011 on Social Economy, which includes CEEs for the first time as full members of social economy.
- Law 9/2017 on Public Sector Contracts which, beyond going further in depth in specific recognition of this sort of entity, opens up endless possibilities to better develop social initiative CEEs.

As analysed in detail by MORATALLA (2016), after approval of Law 13/1982 of 7 April on social integration for the disabled (known as LISMI), the Regulation on Special Employment Centres was implemented in 1985 through a Royal Decree. Despite repealing LISMI and restating it in Royal Legislative Decree 1/2013, all previous regulatory references remain, including this *Royal Decree 2273/1985 of 4 December*, which regulates fundamental aspects and defines some of the CEEs’ most important characteristics: mandatory requirements regarding staff composition and personal and social adjustment services, and the characteristics of CEEs in

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<sup>13</sup> Royal Legislative Decree 1/2013, which approves the Restated Text of the General Law on Persons with Disabilities and their Social Inclusion, is the result of restating, whose main purpose is to regulate, clarify, and harmonise the three previous laws. Law 13/1982 of 7 April, on social integration for the disabled, Law 51/2003 of 2 December, on equal opportunity, against discrimination, and for universal accessibility for disabled persons, and Law 49/2007 of 26 December, on infractions and sanctions regarding equal opportunity, against discrimination, and for universal accessibility for disabled persons (BENGOETXEA, 2017).

terms of their ownership (public/private), type (for-profit/not-for-profit, or social initiative/business), the special employment relationship of persons with disabilities, and the economic compensation that they receive<sup>14</sup>.

When we analyse actual implementation of the Royal Legislative Decree, two ideas stand out: the first, we observe that a good opportunity was lost to improve regulation, since this decree lacks a will to renew, insofar as it is a restatement of previous laws, and the second, the problems that are mainly identified in transition processes to ordinary employment, both public and private.

The Law sets forth that companies whose staff includes more than 50 workers must hire at least 2% people with disability, but the Basque business network, consisting primarily of SMEs, means that the number of companies with more than 50 people is low, so the actual scope of this mandatory requirement is very limited. Moreover, the extraordinary measures set forth for companies exempt from this mandatory requirement do not provide the desired development: the use of hiring services and donations or patronage to create employment for this collective has had a very limited impact, and the option of establishing employment enclaves is largely unexplored due to technical complexity. A positive element is the increasingly proactive attitude of Lanbide, the Basque Employment Service, which is increasing inspections (for informative and sanctioning purpose, through Labour Inspection) on the degree of compliance with this law.

In terms of public employment, the mandatory requirement to reserve 7% of vacancies for hiring disabled persons has not been implemented as planned, either: regulations in Public Function have grown obsolete, and in the absence of a new Public Employment Law, possibilities for moving forward in regulatory terms are very restricted. In this regard, specific public competitive examinations for persons with intellectual disabilities that have been conducted in the past two years by the provincial councils of Biscay and Gipuzkoa are hopeful examples.

Finally, we have observed that the transition to ordinary employment through self-employment or worker-owned companies are fairly underused formulas: it is estimated that approximately 10% of job positions held by persons with disabilities around the country are self-employed, and the percentage is even lower for collectives or collective self-employed experiences (BENGOETXEA ET AL, 2019).

Continuing with our regulatory review of the main laws that affect the sector, there are two more laws which, while they do not directly regulate

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<sup>14</sup> For a more detailed analysis of these aspects, see MORATALLA (2016) and BENGOETXEA ET AL (2019).

CEEs, bear important potential to establish a favourable regulatory context that would lead to greater development of CEEs. These are Laws 5/2011 on Social Economy and Law 9/2017 on Public Sector Contracts.

Regarding the former, Law 5/2011 includes, for the first time, all kinds of CEEs as members of the social economy, so the sector has gained visibility thanks to its new interlocution with representatives of social economy (CEPES nationwide, EGES within the ACBC).

One recurring theme in different studies that argue for the inclusion of CEEs within the scope of social economy is that “within the sector of protected nationwide employment, very different realities co-exist, which respond to very heterogeneous interests, objectives, and purposes; oftentimes, they are even antagonistic to the principles of social economy itself (MORATALLA, 2016: 19). As such, it is considered that the legislator must only include social initiative CEEs as full social economy entities, since they are the only entities within the sector whose activity falls under the principles that constitute social economy. Given the scant attention paid to the request to review and update the aforementioned law, this Law 5/2011 remains, therefore, as a regulatory framework to bring greater visibility to the sector, but without any later regulatory development.

Finally, the entry in force of Law 9/2017 was a huge step for CEEs, since it includes very important provisions, of which the following are of note, according to BENGOETXEA ET AL (2019): recognition of Social Initiative CEEs (CEEis, hereinafter) and setting minimum reserve percentages for the right to participate in procedures to award certain contracts, or certain batches of them, for CEEs and Work Integration Social Enterprises (WISE)<sup>15</sup>.

In a certain way, one might say that this latter law sets forth one of the sector’s demands since, in addition to legally differentiating social initiative CEEs from other CEEs,<sup>16</sup> reserving contracts only affects this sort of entity,

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<sup>15</sup> The Reserve Agreement must be reached by a maximum deadline of one year after this Public Sector Contracts Law goes into force. If, after this deadline has passed, the agreement has not been reached, the national public sector hiring bodies must apply the minimum 7% reserve percentage, which shall increase up to 10% four years after entry in force of this Law (BENGOETXEA ET AL, 2019).

<sup>16</sup> The Fourteenth Final Provision of the Public Sector Contracts Law to the LGDPCD, which adds section 4 to article 43, introduces and defines Social Initiative CEEs in our legal system for the first time. The precept states, “Social Initiative Special Employment Centres are those that, in complying with the requirements set forth in sections 1 and 2 of this article, are promoted and held, by at least 50 percent, either directly or indirectly, by one or several entities, either public or private, that are not-for-profit or whose social nature is recognised in their Bylaws, whether associations,

so it opens up a huge field to create not-for-profit protected employment. However, the actual use of these market reserves is not without technical problems: on one hand, due to technical reticence because of possible contestations in tenders conducted under this modality and, on the other, because the Basque Government or Provincial Councils (who are, in short, the hiring parties) lack a firmer resolve, which could translate to application of a regulated plan to establish mandatory minimum requirements for all public administrations in the ACBC.

### *Public Collaboration*

Another line of institutional support for CEEs comes from the different employability programmes offered together, and the economic aid lines established to guarantee the economic feasibility of CEEs.

One of the CEEs' main assets lies in their ability to work as a network with public administrations in the ACBC, at all levels: the Basque Government, Provincial Councils, Town Halls, and the Basque Employment Service. This collaboration is especially present in everything related to employability programmes for disabled persons, but it also includes base social services (MORATALLA, 2017).

Regarding lines of financial support, of note is a stable funding line from the regulatory mandate set by the LISMI and currently set forth in Royal Legislative Decree 1/2013, justified "in heeding to the special characteristics found at CEEs, and so that they can fulfil their required social role" (art. 44 of Royal Legislative Decree 1/2013)

Public aid lines are normally structured into three large sections that are still in force today: aid to create employment, aid to maintain job positions, and, lastly, aid to improve personal and social adjustment services (MORATALLA, 2016). These aid categories translate to three main funding lines: funding 50% of the minimum wage for each contract, payment of 100% of social security quotas (only for disabled persons' contracts),

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foundations, public corporations, social initiative cooperatives, or other social economy entities, as well as those owned by commercial companies, the majority of whose corporate capital is owned by one of the aforementioned entities, either directly or indirectly as a parent company regulated under article 42 of the Code of Commerce, and provided that, in all cases in their Bylaws or in the social agreement, they are bound to entirely reinvest their profits to create employment opportunities for disabled persons and to continuously improve their competitiveness and social economy activity, always with the option to reinvest them in the special employment centre itself or in other social initiative employment centres."



and aid to hire technical staff to provide the aforementioned adjustment services for people with greater difficulties.<sup>17</sup>

Assessment of this funding framework, while it has remained stable to date in its structure and endowments, requires a general review and all items for generating employment must be updated, both in terms of their endowments and their requirements to obtain them, truly prioritising social initiative centres and collectives with greatest difficulties in employability (MORATALLA, 2016).

### **Socioeconomic Dimension and Indicators**

Regarding the socioeconomic dimension, the latest data published by the ACBC<sup>18</sup> shows a total of 37 CEEs,<sup>19</sup> 14 of which are social and public initiative (integrated into EHLABE), employing a total of 9,986 people (8,223 at entities integrated into EHLABE), with 10.4% growth rates in comparison with 2016, which shows a clear upward trend.

This positive trend is also corroborated by billing numbers, which increased by 20%, raising this number to a total of 374,300,000 euros. (Data Report EHLABE-2018; Social Economy Statistics and Advance Report 2019).

Disaggregated data for entities that are members of EHLABE also demonstrate a very positive evolution: 2,000 new jobs were created for the collective during the 2013-2018 five-year period. This evolution is even more positive for individuals with more severe disabilities, those with intellectual disabilities and mental illness, maintaining employment for the former and almost doubling the number of hired persons with mental illness during the analysed period (Data Report EHLABE-2018).

This increase in protected employment has also offset the destruction of employment caused by the latest economic crisis in ordinary employment, such that we might conclude that protected employment has become the destination of many people expelled from the ordinary labour market (MORATALLA, 2016).

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<sup>17</sup> These services are mainly geared toward individuals with intellectual disabilities, people suffering from mental illness, and people with sensory and physical disabilities with a disability percentage equal to or greater than 65%. (BENGOETXEA, 2014; MORATALLA, 2016).

<sup>18</sup> *Social Economy Statistics 2018 and Advance Report 2019* published by the Basque Government.

<sup>19</sup> According to data from the Lanbide registry, there would be a total of 76 CEEs registered in the Autonomous Community of the Basque Country, of which 31 are social initiative, and 23 are members of EHLABE.

Verifiable positive numbers in terms of maintaining employment, and especially numbers on individuals with greater employability difficulties, are a good demonstration of the CEEs' commitment, and particularly the CEEIs, in achieving social economy principles.

#### 4.3. SPECIAL EMPLOYMENT CENTRES AS PART OF SOCIAL ECONOMY

In the narrative we are weaving through this work on the ensemble of entities in the Basque social economy, the driving notions that all social economy entities share and that define them revolve around four key elements: the central role of people, democratic organisation, the business dimension, and a commitment to the community.

The most significant variables for each one of them have been identified. They have been quantitatively or qualitatively measured and we analyse them as follows.

##### **Central Role of People at Special Employment Centres**

The CEEs came about to foment the socio-occupational inclusion of disabled persons. Therefore, compliance with social economy's main requisite seems obvious, fighting for the central role of people and prioritising them over capital.

The central role of people is fomented based on the logic of empowering people through work, more than the logic of providing assistance to give services to disadvantaged people and collectives.

CEEs are organisations with economic activity that prioritise people and the social objective above capital, and that seek above all else to comprehensively develop disabled persons in the workplace. Of note is the value of work as a medium for social inclusion of disabled persons, such that it has become the most important tool in full inclusion processes in society.

CEEs are focused on people, especially people with greater needs for support: people with intellectual disability (cerebral paralysis, mental illness), with physical and sensory disability at more than 65%, and with disorders on the autism spectrum. Proof of this is the most recent data issued by EHLABE: the percentage of disabled persons as opposed to total employed individuals more than surpasses the 70% set forth as a legal minimum, with current figures nearing 83%. Moreover, of these disabled persons, the vast majority of them are people with mental disabilities, and

more than 56% are people with greater needs for support, falling under the three previously identified profiles.

We are adding two more indicators that illustrate the central role of people in this type of experience: the degree of **professional stability** and the **training** mechanisms that facilitate the personal development of workers.

Numbers of workers with a permanent contract are around 75% with entities grouped under EHLABE, which is considerably greater than the average for all CEEs in the ACBC (66%) (Data Report EHLABE-2018; Social Economy Statistics 2018 and Advance Report 2019).

Regarding training, the funding line for hiring support units mainly acts in response to the specific requirements of people with greater difficulties in employability, which, as indicated, account for more than half of staff at entities grouped under EHLABE. As such, even though this line has one of the smallest endowments (7.3% in 2014), the CEEs are making the most effort, in comparative terms, regarding personal and social adjustment services.

### **Democratic Nature of Special Employment Centres**

Barring a few exceptions (Katea Legaia and Sutargi, both worker-owned companies), CEEs are not mainly business structures controlled by workers, but rather are limited liability or public limited companies, commercial organisations outside the organisational formulas of social economy.

However, there are different peculiarities within the Basque model that make it a more participatory experience, in comparison with the rest of experiences around the country.

The first number stems from the fact that most CEEs in the ACBC are social or public initiative, since they concentrate around 85% of all protected employment in the Basque Country. This fact means that most centres are promoted and owned at more than 50% by tertiary- or public-sector entities, all of which are not-for-profit. In the Basque Country, also striking is the strong associative network around disabled persons, with very powerful associations that hold majority control over boards of certain emblematic enterprises<sup>20</sup>.

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<sup>20</sup> This is the case of Gureak, held at 40% by the Atzegi association, or Lantegi Batuak, with the Gorabide association with a majority on the board. The Bizgorre company was also promoted by the association for the deaf of Biscay (Coorvisor), or the RAEP centre, which came about thanks to Asafes' efforts (Álava's association of mentally ill), to name a few more.

This sets the Basque case apart, since most centres are social initiative, the capacity for workers to control and participate, at least indirectly through associations of differently-abled people, is qualitatively higher than other centres controlled by private companies. This associative culture is also seen in the EHLABE network, established as an association to coordinate the work of all member entities.

The second number has to do with the degree of public participation in these companies. Four of them (Usoa, Gallarreta, Ranzari, Indesa) are 100% controlled by one or more public administrations (Provincial Councils and Town Halls), but there are also many companies with public participation on their boards or public holding in the company's capital (Gurea, Katea Legaia, Eragintza, etc., to name a few).

A third element to bear in mind is that the support utilised used to offer personal and social adjustment services are mainly used at CEEs (MORATALLA, 2016), so an attempt is made with these mechanisms to foment the direct participation of people with the greatest difficulties, making their own "personal development plans" in terms of designing their own personal itinerary, specific training needs, possibilities of transitioning to ordinary work, etc.

And lastly, the degree of unionisation at most EHLABE enterprises is also remarkable, with fully functional company committees who, as a result of their union action, reach their own conventions which, in all cases, improve on national sectorial conventions.

Continuing with the series of indicators shared in this narrative, we can conclude that CEEs are well-positioned in terms of indicators of democratic organisation:

- In terms of the **inter-cooperation** indicator, there is a high degree of inter-cooperation, both internally and externally. There is cooperation amongst companies and the associative network of the tertiary sector, amongst companies through networks like EHLABE, amongst Basque social economy enterprises (EGES and the tertiary sector (Sareen Sarea), and very fluid cooperation with the public administration, in the different collaboration modalities mentioned previously (employability programmes, public participation in enterprises, economic funding, etc.)).
- Regarding the **participation** of workers, barring the two experiences organised as worker-owned companies, and while still considering the important mechanisms to channel participation indirectly (via user associations and company unions), CEEs have much room for improvement in terms of the direct participation of workers in the company, both in holding capital and in management.

- Regarding the **equality** indicator that sets forth the degree of hiring collectives with greater needs, it goes without saying that this, and none other, is the motto of CEEs in the ACBC, and even more so of CEEs whose staff consists of individuals with greater needs for support by more than half. When we add the necessary gender focus to this analysis, we observe that women's participation is subject to two-fold discrimination (for being a woman and for being disabled), and that overcoming these barriers is even more complex than for men.

### **Business Dimension of Special Employment Centres**

The idea that pushes EHLABE CEEs is productive and compensated professional activity, from the orthodox business perspective, with no intent to drive aid models that can be degrading, and certainly not empowering, for disabled persons.

All EHLABE entities are dynamic, driving-force organisations that contribute value to the market through competitive activities and professional management.

In addition to the stable public funding framework, thanks to the high percentage of self-funding and reinvestment of surplus, they have reached financial solidity and stability, which has allowed them to implement new initiatives. In this regard, we must disavow certain “myths” surrounding these experiences, since they are considered to be very dependent on public funding.

Actual data certify the **economic self-sufficiency** of these experiences based on their commercial activity, beyond the fact that they are mainly economically compensated through aid to maintain employment which, in global terms, covers around 40% of total staff expenses.

Finally, an element which we must closely consider is the **social return** generated by these experiences for, firstly, their interest groups, and secondly, for society as a whole, such that the expense incurred by public administrations in sustaining protected employment should be viewed as an investment, more than an expense.

Since the first studies conducted for Lantegi Batuak (RETOLAZA ET AL 2014, 2015, 2016), there have been countless calculations to monetise the social value created by this sort of entity. All of them conclude that the effort made in public subsidies is more than offset by the socioeconomic returns generated by these activities, whether through public revenue that they generate (in taxes and social security contributions) or public savings

thanks to the organisation's activity (non-contributory pensions, healthcare benefits, etc.), and also thanks to the specific social value that they create for the interest groups affected by their activity.<sup>21</sup>

### **Commitment to the Community with Special Employment Centres**

The commitment to the community and to the region that the Special Employment Centres call home is demonstrated by at least three key indicators analysed in this work: job creation, social capital creation, and contribution to environmental sustainability.

Firstly, the CEEs create jobs in a populational sector with greater difficulties. This employment, far from being destroyed in recessions, displays **greater resilience** than other companies in the region. Beyond this aspect, it has also been proven that protected jobs offered by CEEs are also more resilient than ordinary jobs held by disabled persons at public and private entities and are also more capillary by regions (Data Report EHLABE-2018).

Also, it is clear that, beyond the employment aspect strictly speaking, the fundamental objective of CEEs is the socio-occupational integration of disabled persons, a collective that has historically been excluded and socially marginalised. This characteristic binds them to the region, insofar as they attempt to meet the local needs of disabled persons in their geographical home.

This regional establishment results in the generation of **social capital**, which leads to a high degree of associationism, which in turn disseminates a participatory and collaborative culture and boosts trust between people.

Finally, regarding their contribution to **environmental sustainability**, and in the absence of more exhaustive studies on the specific sector, the studies conducted for Basque social economy as a whole conclude that they display higher environmental sensitivity, which leads to actions that improve efficiency and higher investment.<sup>22</sup> However, the lack of data on the degree of implementation of environmental certificates or good practises

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<sup>21</sup> One of the first studies conducted at Lantegi Batuak for the 2007-2011 period concluded that "in the past five years, Lantegi Batuak has generated a total value of over 440 million euros, of which 184 million were deposited with the Administration, surpassing by over 120,000 euros what all public administrations contributed to Lantegi Batuak. Worthy of special mention are the almost 150,000 million euros in net specific social value for families and the disabled" (RETOLAZA ET AL, 2014: 55).

<sup>22</sup> Diagnosis of environmental sensitivity of social economy enterprises, 2020. (Basque Government Internal Documentation)

within CEEs means that these generalist considerations are not sufficiently conclusive for the scope of protected employment.

We bring the section devoted to environmental commitment to a close with one last observation that more than verifies this aspect: reconversion of part of different CEEs' activity for the production of goods and services needed at times of severe social emergency caused by 2020's health crisis. The Gureak group's contribution to the manufacture of gowns and disinfecting healthcare material, or Lantegi Batuak and Usoa's reconversion in production to produce facemasks<sup>23</sup>, are the best example of the social responsibility demonstrated by these experiences at times of utmost social need.

#### 4.4. STRENGTH AND FUTURE CHALLENGES OF SPECIAL EMPLOYMENT CENTRES IN THE BASQUE COUNTRY

We conclude this CEE narrative by breaking down the main strengths in these experiences and attempting to update the most important challenges in the future.

The **strengths** or success factors in these experiences were previously analysed by different studies (MORATALLA, 2017; BENGOETXEA ET AL, 2019). In this regard, we see that the selection of characteristics identified as strengths closely bind them to the logics of social economy, since many of them are naturally associated with principles shared by social economy enterprises (MORATALLA, 2016; BENGOETXEA ET AL, 2019).

Thus, in an attempt to group different driving notions and associate them with the principles of social economy, one might say that main strengths are related to the principle of the central role of people or the **primacy of people** (or the social purpose), prioritised over capital. From the social purpose of these entities, established as formulas to create compensated jobs and facilitate socio-occupational inclusion for the disabled, to prioritising individuals with greater employability difficulties, placing people and their full development above all considerations of economic yield is the main identifying hallmark of CEEs in the Basque Country.

A second distinctive hallmark are their **deep roots in the region**, thanks to the associative network that sustains and promotes these experiences; this circumstance also leads to greater participation and democratic control over these organisations by workers and their family members. These deep roots

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<sup>23</sup> <https://www.ehlabe.org/eu/noticias>

in the region are also visible in the countless partner structures that CEEs in the ACBC participate in, along with public entities, tertiary sector entities, Basque universities, and other social economy socioeconomic agents.

The third distinctive element is their **business nature** and proven economic viability, made possible thanks to diversification of activities and professionalisation in their management. Beyond also being profitable enterprises, CEEs in the ACBC have demonstrated a capacity for innovation and business adaptation that makes it possible, thanks to seeking out and starting up new activities and services, to maintain protected employment, even in clearly unfavourable economic and social situations.

Regarding the identification of the most important **challenges** in the sector, the aforementioned studies also provide a good sampling of the list of aspects with which these experiences must contend.

Challenges tend to be related to more structural elements (ageing staff, progressive digitisation of part of CEE activities, etc.), and also with more general aspects in CEEs' reality: in education and training (necessary adaptation of vocational educational and university training to eliminate the educational gap), in the business world (improving employment numbers and the transition of disabled persons to ordinary employment), and the public administration itself (greater access to public employment and application of social clauses and reserved contracts in public contract tenders).

Focusing on the nearest challenges inherent to CEEs, we should note that, although numbers on employment generation and maintenance are worthy of recognition in the ACBC, this is specifically the main challenge for these experiences: **to continue creating quality employment for disabled persons**, who, in comparative terms, still have socioeconomic numbers (activity rate, employment rate, etc.) that are markedly lower than the rest of the population.

Beyond generating more employment, in harmony with the UN Convention on the Rights of Persons with Disabilities, it is considered mandatory to continue to foment **more accessible, open, and inclusive** employment, prioritising individuals with greater need for support. This aspect is entirely related to strengthening the CEEs' support units.

Beyond these two main challenges associated with employment (more and better employment, and more accessible and inclusive employment), the fundamental challenge continues to be **improving the degree of transition** of disabled people from occupational service to protected employment, and from protected employment to ordinary employment. Numbers from 2019 speak of 76 people who transitioned from an occupational service to one of the employment channels (which corresponds to 4% of total people



in occupational service) and another 205 people who transitioned from protected employment (or unemployment) to ordinary employment (2.4% of total EHLABE CEE staff).

The percentages prove how especially difficult these transition processes are, insofar as they do not depend on just one success factor. Firstly, it depends on the will of the very disabled individual to make the transition. Secondly, it depends on whether or not support units exist with the ordinary employment to which they wish to transition and, in general, on the employment conditions offered by this company, oftentimes in highly precarious activity sectors. And finally, it depends on the commitment of private companies and public administrations to fulfil the legal requirements to reserve vacancies, for new hires, and for public contract tenders.

Due to all the aforementioned, we conclude that transitioning for disabled persons to ordinary employment does not exclusively, nor would we say predominantly, depend on CEEs' efforts in this regard; however, this circumstance is not an obstacle for CEEs to consider this fundamental objective of disabled persons their own, as set forth in the definition of CEEs in Royal Legislative Decree 1/2013.

Finally, we would like to highlight certain aspects we consider fundamental, given their close relationship to distinctive elements of social economy enterprises:

- There is much room to **go further in depth in greater participation of workers** in management, in capital holding, and in profits of these enterprises. As previously stated, the CEEs in the ACBC are comparatively more participatory than other CEEs in the country, given that the majority are not-for-profit. However, we believe it would be highly interesting to delve further in depth into channels for direct participation for workers, through organisational formulas more suitable to social economy (cooperatives or worker-owned companies). Strengthening support units makes it possible for each person to be autonomous and sovereign in drawing up their personal development plan. However, we believe it would be interesting to explore pathways to channel collective participation experiences, both in management and in holding capital, with certain successful<sup>24</sup> and other newer experiences<sup>25</sup>.

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<sup>24</sup> <http://www.fageda.com/>

<sup>25</sup> Constitution in Navarre of CEE51 GURE ARTEAN, a Social Initiative Cooperative that manages the special employment centre Gure Artean, established as the first Special Employment Centre with the cooperative model in Navarre, and where disabled persons hold at least 51% of corporate capital.

- This greater participation includes the **participation of disabled women**, a collective that suffers from two-fold discrimination because they are women and disabled persons. The data provided by EHLABE for 2019 show that this structural circumstance remains, as illustrated by the ever-higher occupation rate of men as opposed to women (65% of staff are still men). Corrective actions introduced in recent years by EHLABE do not seem to have borne significant fruit in this regard, except for a greater number of women transitioning to ordinary employment than men. Although in this case there are many different kinds of factors that create this discriminatory situation (masculinised jobs, women remaining more in the home, lack of specific policies for women, etc.), CEEs must continue to take action on the aspect considered distinctive in comparison with other protected-employment experiences, meaning their will to prioritise the occupation of individuals with greater employability difficulties, in this case because they are women.
- Another aspect to be improved is the need to **foment the collective entrepreneurship** of disabled persons more. While aware of the added difficulties stemming from the profiles of the people with whom work is prioritised, there is an opportunity to attempt to associate existing autonomous work within this collective (which, as we have observed, accounts for approximately 10% of employment for the disabled) and attempt to foment new collective-empowerment processes that lead to the creation of new economic activities.
- And finally, the challenge to **continue improving employment conditions** in order to put them at the same level as other non-disabled workers, in our opinion, continues to be inalienable. Standards regulating the special employment relationship for the disabled set forth a system of employment rights and duties that are very similar to common employment relationships, but with certain particularities (BENGOETXEA ET AL, 2019). However, the fact that this collective still has salaries that are lower than the non-disabled collective, in addition to other reasons, should lead to the progressive revision and updating of regulations. All while maintaining a special employment relationship, it should seek to incorporate certain improvements demanded by the sector (MORATALLA, 2016<sup>26</sup>), to avoid degeneration into discriminatory and anti-equality practises; these principles are also fundamental to the UN Convention.

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<sup>26</sup> Improvements that have to do with aspects related to ageing of the collective, with replacement of staff, accessibility, and hiring modalities. See MORATALLA (2016).

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## ***Work Integration Social Enterprises in the Basque Country: narrative***

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### 5.1. INTRODUCTION

Work Integration Social Enterprises are the result of certain social entities exploring the field of socio-occupational integration to provide innovative responses to social needs that are not suitably resolved by traditional economic agents, both public and private (MARCUELLO ET AL., 2008; ARETXABALA & CARO, 2013).

In the Basque Country, Work Integration Social Enterprises are self-defined as “not-for-profit economic initiatives whose social purpose is to accompany and socially and professionally integrate unemployed persons who are in a situation or at risk of social exclusion, with special difficulties in accessing the job market” (Gizatea.net).

#### **History**

We must hearken back to the 90s to find the first experiences, the result of reflections made during the middle of the crisis in the 80s in Spain. This was stated by ASKUNZE (2016, p.3), indicating their origin as “initiatives by social intervention entities that were not-for-profit and specialised in social and employment integration for individuals in a situation and/or at risk of social exclusion. These entities, which have been working in training (pre-employment, occupational, and employment, formal and informal, educational and vocational), as well as employment intermediation (orientation and job search), consider the possibility of opening a new channel for work, straddling both intervention strategies.” In short, they

are the result of a social and community initiative that seeks “integration by economic means” and that was only later recognised by law, as we shall see later on.

Consequently, their origin lies in a social challenge of special impact: unemployment, which has been recognised since the 80s as a serious issue with direct consequences on the economic exclusion of people which, in many cases, is the trigger or is combined with “other difficulties in participation and social integration, such as access to housing, healthcare, relationship networks, the exercise of citizen rights, etc.” (ASKUNZE, 2016; ALVAREZ DE EULATE, 2017) As such, employment is a key element in shaping *people’s life projects*, beyond their role as a source of economic resources.

These social initiatives respond to the main challenge of “containing and reducing marginalisation dynamics to allow population sectors with the greatest difficulties to integrate into the job market” (VECIANA, 2007, p.19). They inspire, and at the same time, draw from active employment policies, which in the late 80s began to be implemented, supporting the first Work Integration Social Enterprises (still without a legal definition at the time), which arose from promoting entities<sup>1</sup> that came from a variety of entities: in some cases, religious-based organisations, and in others, neighbourhood associations and job integration entities, always with great volunteer contributions. (VECIANA, 2007, p.20; PANIAGUA, 2013, p.189)

The experiences of these entities, working with population sectors with special difficulties in accessing employment for different reasons, such as social and economic exclusion, low qualifications, social disconnection, health issues, social skills, and limited relationships... “demand a need to diversify and personalise the different strategies and instruments for employment integration” (ASKUNZE, 2016, p.4). And they recognise that there is a profile of unemployed persons for whom specific training to improve their employability is insufficient to obtain more or less standardised access to the job market (ASKUNZE, 2016, p.4; ALVAREZ DE EULATE, 2017, p.190 For example, “certain groups of unqualified immigrants or with special difficulties, such as low knowledge levels of the language, lack of job experience and/or an irregular administrative situation” (ARETXABALA & CARO, 2013, p.150).

The main innovation of Work Integration Social Enterprises arises from this diagnosis, which revolves around a methodology that combines the personalised itinerary accompanying each individual in their integration process with practical training in an actual work

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<sup>1</sup> For example, the Emaús movement (which in 1980 created Emaús Fundación Social), Cáritas, Sartu, Peñascal, etc.

setting (VECIANA, 2007, p.20; Gizatea, 2012, p.23). They thus become an “intermediate device between training and direct employment-access strategies,” always based on personalised accompaniment. An instrument to train and learn employment and social skills and abilities, fundamentally in the job position (without forgetting other possible added interventions that are not directly associated with the professional profile), and “all this under the framework of a business and employment setting that is as standardised as possible” (ASKUNZE, 2016, p.4; ALVAREZ DE EULATE, 2017, p.190).

### **Reference beyond our borders**

Historically, the Basque Country has been a leading region in the sector, with European programmes EQUAL ITUN and EQUAL LAMEGI, which in the 2000-2007 period created a great number of enterprises and developed tools to strengthen them. In fact, the Association of Work Integration Social Enterprises (WISE) of the Basque Country, GIZATEA, formalised in 2007, played a leading role (that same year) in creating the Federation of Integration Company Business Associations (FAEDEI, in Spanish). However, Basque Work Integration Social Enterprises (WISE) and their promotion entities already played a noteworthy role in creating the Spanish Federation of Work Integration Social Enterprises (WISE) (FEEDEI, in Spanish) in 1998,<sup>2</sup> as an initial step in shaping the associative sector of WISEs companies in Spain.

Thus, and according to data from the Corporate Report of the Federation of Work Integration Social Enterprise Business Associations (FAEDEI) in 2019,<sup>3</sup> Basque WISEs (44) accounted for 22.4% (much more than the 6% that would have corresponded for being one of the 16 regions with I.C.) of the total number of WISEs in Spain (192), 19% of total workers, and 19.2% of integration employment. Only Catalonia exceeds the Basque Country in the number of WISEs (59 in 2019), both of which are much ahead of the rest: the next are in Madrid (16) and in Aragon (15 I.C.).

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<sup>2</sup> Founded in July 1998 by AMEI (*Madrid Association of Integration Entities and Companies*), ACERES, AERESS (*Spanish Association of Social Economy and Solidary-based Recovery Operators*), Spanish Cáritas, Emaús Social Foundation, REAS, and the Anagos Network. (FAEDEI, Corporate Report 2009, p.5)

<sup>3</sup> Data from 2020 still not available.

Illustration 59. Geographic distribution of WISEs in Spain

Distribución geográfica



Source: FAEDEI (2019) Corporate Report

Basque Work Integration Social Enterprises also stand out because there are more legal forms of social economy when they are established, even though, both nationally and within the autonomous community, over 80% of the I.C. are legally established as limited liability companies. In fact, in 2019, of the 7 existing in the country as a cooperative<sup>4</sup>, the vast majority (almost 3 out of every 4) (5, 71.4%) were Basque.

<sup>4</sup> FAEDEI'S 2019 Corporate Report does not include data on I.C. in Catalonia. And the *Federació d'Empreses d'Inserció de Catalunya* (FEICAT) does not offer information on the legal form of its 59 associates.



*Illustration 60. Legal forms involved in WISEs (2019)*

<b>Legal Form</b>	<b>Spain</b>		<b>ACBC</b>	
	<b>WISES</b>			
Cooperative Enterprise	7	5%	5	12%
Worker-owned company	8	6%	1	2%
Limited Company	115	87%	36	84%
Other	3	2%	1	2%
<b>Total</b>	<b>133</b>	<b>100%</b>	<b>43</b>	<b>100%</b>
	<b>PROMOTING ENTITIES</b>			
Association	43	29%	12	22%
Cooperative	26	17%	24	44%
Public entity	4	3%	3	5%
Foundation	58	39%	11	20%
Other	19	12%	5	9%
<b>Total</b>	<b>150</b>	<b>100%</b>	<b>55</b>	<b>100%</b>

Source: The authors, based on 2019 FAEDEI and GIZATEA corporate reports

And as we can see, this preference for social economy is also influencing promoting entities in the Basque Country: most WISEs are managed by Tertiary Sector entities, with a clear presence of promoting entities as cooperatives (44%), which is more than double the nationwide number (17%).

## 5.2. CURRENT REALITY IN THE BASQUE COUNTRY

### **Current X-Ray**

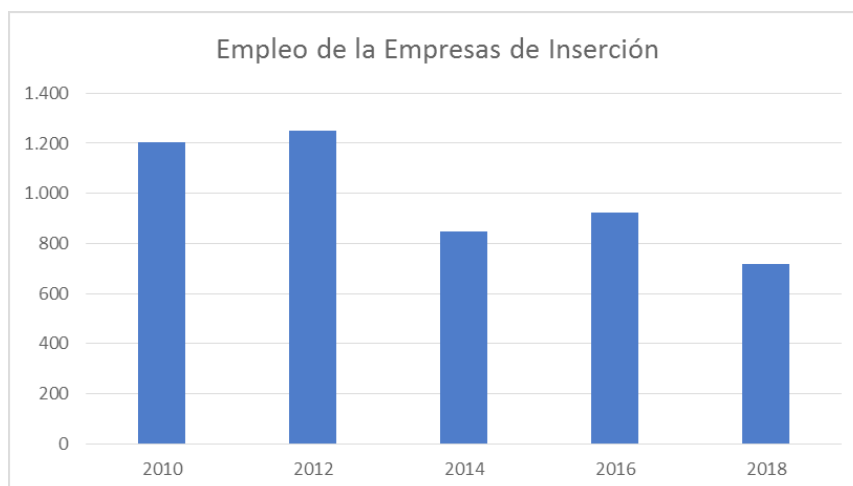
According to official data from Biannual Social Economy Statistics, in 2012, we observe a high point, both in the number of entities and in job positions, and in added value created by this type of organisation.

*Illustration 61. Evolution of main macro-numbers of WISEs in the ACBC*

Work Integration Social Enterprises	2010	2012	2014	2016	2018
Entities	44	78	76	65	43
Employment	1.204	1.252	845	924	719
GAV	14.433.337	24.197.042	16.187.617	16.535.783	10.045.637

Source: Social Economy Statistics, Basque Government

*Illustration 62. Evolution of employment in Basque WISEs*



Source: Social Economy Statistics, Basque Government

In 2019, GIZATEA grouped 43 WISEs, all the I.C. in the CAV, 1,368 employees<sup>5</sup>, of which 61% are integration workers. 63% is the percentage of people who, once their integration itinerary in 2019 was complete, joined the job market, either as self-employed or as an employee, or in the integration company itself, but as non-integration staff.

Together, they receive an annual income of almost 32.1 million euros, of which 72% come from billing for product and service sales,<sup>6</sup> and only

<sup>5</sup> 54% women and 46% men.

<sup>6</sup> According to the 2019 report, 77% of these sales come from private clients, with only 23% being sales to the public sector, but this entails 6% growth in comparison with sales to the public sector in previous years: “a reflection of the additional 4th

24% from public aid<sup>7</sup>. Lastly, they estimate an added gross value of over 20.2 million euros that were generated. Regarding the activity sector, 72% work in the services sector, followed by a great distance by the industrial sector (14%), construction (9%), and the primary sector (5%).

Their economic return in 2019 for public administrations is calculated at<sup>8</sup> approximately 4.7 million euros, which accounts for a contribution of 8,970.43€ for each integration job created and return to the public sector of almost 62% of specific grants received as I.Cs.

Regarding the prevailing legal form when formalising Work Integration Social Enterprises in the Autonomous Community of the Basque Country, the vast majority were created as limited liability companies (84%) and the other 16% took on social economy forms: 12% are cooperatives, and the leftover 2% are worker-owned companies (GIZATEA, 2019).

### **Applicable legal framework**

This kind of entity existed before its legal recognition was formalised, and just like in other social policy, and employment and social integration fields, the first regulatory initiatives were legislated under the framework of several autonomous communities<sup>9</sup> before the Law 44/2007 of 13 December to regulate the integration company system was approved in 2007.

This nationwide standard was a need demanded by the Work Integration Social Enterprises themselves, because “it is exclusively the central administration’s competence in terms of employment legislation, and partially, employment policy” and this lack of nationwide regulation before 2007 explains that fact that “different employment reforms driven by the State, especially during the 2000s, (...) did not consider the particular conditions under which these enterprises operate” (ASKUNZE, 2016, p.8-9).

National law 44/2007 sets forth in its first article that “its purpose is to regulate the legal system of WISEs and establish a framework to promote

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provision of Law 9/2017 of Public Sector Contracts, which binds public administrations to establish a reserved percentage for participation in certain tenders for WISEs, has begun to have a certain impact.” (GIZATEA: Report 2019, p.14)

<sup>7</sup> And of these, the vast majority (89%) are from specific grants for WISEs. (GIZATEA, Report 2019, p.14)

<sup>8</sup> Calculated as the sum of contributions to Social Security and through VAT, Corporate Tax, Personal Income Tax, and other taxes

<sup>9</sup> In chronological order, Navarre in 1999, the Basque Country in 2000, Catalonia in 2002, the Canary Islands, Madrid, La Rioja, and Balearic Islands in 2003, Aragon in 2006, and the Region of Valencia, Castile-Leon, and Galicia in 2007, coinciding with the first nationwide legislation.

the employment integration of people who suffer from social exclusion through this kind of company.” Its article 4 defines them as “commercial companies or cooperative enterprises that are legally established and are duly qualified by autonomous bodies with authority in this regard, that conduct any economic activity of goods and services production, whose social purpose seeks to integrate and provide socio-occupational training to people who suffer from social exclusion as a way to transition toward ordinary employment.”

This idea of “transition to ordinary employment” set forth in the regulation concluded a debate between transitory or finalist options for Work Integration Social Enterprises, with the first option winning. Moreover, this specific regulation also closed the possibility to continue using other legal forms they had worked with before in previous experiences: foundations and associations, basically (ASKUNZE, 2016, p.10), with limited liability companies being the most-used legal form.

Moreover, the Basque Government’s previous<sup>10</sup> Decree defines them as “structures that produce goods or services whose purpose is for collectives who are socially disadvantaged or excluded to join the job market and carry out a personal integration project, by means of a suitable learning process that includes acquiring social and employment skills, basic training, employment qualification, and market knowledge so they can improve their employability conditions.”<sup>11</sup> And this same definition remains in Decree 182/2008 of 11 November, regulating qualification of WISEs, which establishes the procedure to access and register them and updates the previous Decree.

This Decree of 2008, in article 4, lists the requirements to be classified as an integration company:

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<sup>10</sup> In the Basque Country, “the fundamental antecedent is Law 12/1998 of 22 May against Social Exclusion, which states that non-participation or residual participation in the job market dictates, almost necessarily, the beginning of a social exclusion process. It is from this perspective that the need to regulate certain structures arises. While these structures had been working for years on integration, they had not been subject to said regulation.” (GARCÍA MAYNAR, 2007, p.158; GIZATEA, 2012)

<sup>11</sup> Decree 305/2000, of 26 December.

*Illustration 63. Requirements for classification as a WISE*

1. Establish a commercial or social-economy company
2. Conduct a legal economic activity in goods production or services provision in any sector of the market
3. Not conduct activities other than the corporate purpose
4. An essential objective of its social purpose must include the socio-occupational inclusion of individuals with special difficulties in accessing the job market
5. Be duly registered with the pertinent registry based on their legal structure
6. Be promoted and held by one or several promoting entities. This participation must translate to at least 51% holding in company capital for commercial companies. For cooperatives and worker-owned companies, this participation must fit the maximum limits set forth in different laws that are applicable to collaborating or associate members
7. Not have balance sheets, profits and losses accounts, and equity linked to other economic activities that do not fall under the social purpose
8. Be current in payment of taxes and Social Security and have no pending debts with the General Administration of the Autonomous Community or its Autonomous Bodies when applying for the classification
9. Not have eliminated any job position through unfair dismissal during the year prior to applying for the classification.

Source: Decree 182/2008 of 11 November

However, in article 7, it also defines requirements to be promoting entities of Work Integration Social Enterprises, many of which are also part of the social economy:

*Illustration 64. Requirements for classification as a promoting entity*

1. Public or private not-for-profit entities whose purposes include the social integration of disadvantaged persons, when they promote the establishment of Work Integration Social Enterprises and hold at least 51% of them, and if applicable, provide the social accompaniment measures referenced in article 23.1 e) of this decree
2. For cooperative enterprises and worker-owned companies, this participation must fit the maximum limits set forth in different laws that are applicable to collaborating or associate members.

Source: Decree 182/2008 of 11 November

More recently, the Law 5/2011 on Social Economy has set forth Work Integration Social Enterprises as part of the social economy, and also in

its article 5 declares “Special Employment Centres and WISEs, established and classified as such by their regulating standards” as entities that provide Services of General Economic Interest (SIEG, in Spanish). Since 2015, this recognition had been included in national regulations for self-employment and for fomenting and promoting autonomous work and the Social Economy, and justifies certain measures that had been requested for some time by these entities, such as the reserve for public contracts<sup>12</sup>, and specific aid to boost these entities, “insofar as it is recognised that they have cost overruns in their mission as SIEG and this provides them with legal security” with European public aid regulations. (ASKUNZE, 2016, p.13).

### Associationism and representation networks

In 2007, along with nationwide legal regulation, the first business associations of WISEs began to arise, and one of the first was the *Association of Work Integration Social Enterprises of the Basque Country* (GIZATEA)<sup>13</sup> in that same year. Also in 2017, the *Federation of Integration Company Business Associations* (FAEDEI, in Spanish), which is currently home to 12 regional associations, was also born. Since it came about, it has formed part of the *Spanish Social Economy Business Confederation* (CEPES, in Spanish). It is also part of the *European Network for Social Integration Enterprises* (ENSIE). Moreover, many of these enterprises and/or their promoting entities acknowledge that they form part of solidarity-based economy networks like REAS<sup>14</sup> (*Alternative & Solidarity-based Economy Network*) and AERESS<sup>15</sup> (*Spanish Association of Social Economy and Solidarity-based Recovery Operators*).

Since its creation and in fulfilling its mission, Gizatea has promoted reflection, analysis, training, and work-process systematisation in relation to the University in the sector (MARTÍNEZ & ÁLVAREZ DE EULATE, 2015). For nearly 15 years, this collaboration led to the development of a set of materials (FERNÁNDEZ, GALARRETA & MARTÍNEZ, 2007; GALLASTEGI &

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<sup>12</sup> Already included in the additional fourth provision in the new Law 9/2017 of 8 November on Public Sector Contracts, approved 19 October 2017 by the Spanish Parliament, “allowing all public administrations to reserve participation in the tender exclusively to special social-initiative employment centres and Work Integration Social Enterprises.” (ÁLVAREZ DE EULATE, 2017, p.196)

<sup>13</sup> “*Gizatea* is a word that combines the terms *giza* (human), *gizartea* (society), and *atea* (door). With it, we seek to express the role played by Work Integration Social Enterprises as one of the possible entryways to participation and social integration, by means of a socio-occupational integration process, where the person is the protagonist.” (GIZATEA, 2012)

<sup>14</sup> [www.economiasolidaria.org](http://www.economiasolidaria.org)

<sup>15</sup> [www.aerness.org](http://www.aerness.org)

MARTÍNEZ, 2011; MARTÍNEZ, GALLASTEGI & YÁNIZ, 2012) that have acted as a reference for professionals to develop and improve their practises.

In the Basque Country, in addition to forming Gizatea, Work Integration Social Enterprises actively participate and collaborate with other social networks. In addition to the aforementioned FAEDEI and REAS, they are part of the Basque Social Economy Network EGES, the Tertiary Social Sector Network in the Basque Country *Sareen Sarea, Networks for Social Inclusion in Euskadi EkaIN*, “participating in alternative-finance initiatives like Fiare Banca Ética, or driving fair commerce, recycling, or local and ecological agricultural projects” (ASKUNZE, 2016, p.22) such as Mercado Social (Social Market), in addition to other examples of inter-cooperation practised by Basque WISEs. This work as a network is always geared toward “creating inclusive employment opportunities for everyone and, in short, for a more cohesive, fair, and solidarity-based society” (GIZATEA, Report 2019).

### 5.3. DRIVING NOTIONS FOR WORK INTEGRATION SOCIAL ENTERPRISES IN THE BASQUE COUNTRY

#### **Not-for-profit economic initiatives driven by not-for-profit entities specialised in employment and inclusion**

Work Integration Social Enterprises are economic initiatives that are closely connected to the not-for-profit spirit, both at WISEs and at promoting organisations, as solidary initiatives whose main purpose is human and social promotion. Thus declares Gizatea in its Statement of Values, defining them as not-for-profit initiatives.

They share a critical vision of the current economic model with social and solidarity-based economy, and conduct economic practises based on alternative principles and values, as well as a marked socio-political and transformative socioeconomic nature.

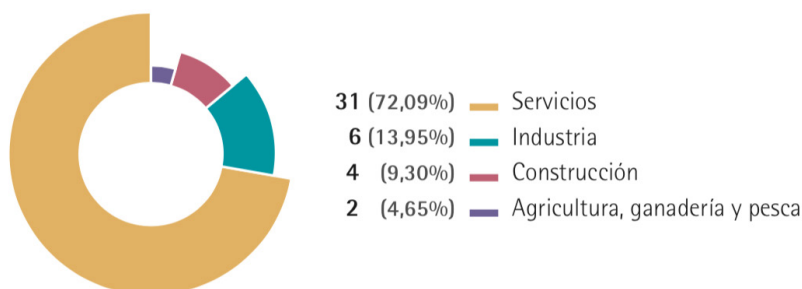
#### **They operate on the market like any other company**

Work Integration Social Enterprises are self-defined as “productive structures of goods or services” to improve the employability of people at risk of exclusion and seek to be “serious and solidly managed business projects” (GIZATEA, 2009, p.16). As such, these are enterprises that must also conduct economic activity on the market, competing with others. Like any other company, they must apply criteria of productivity, competitiveness,

and efficiency in their operations, “both in terms of their competitive activity and in terms of their internal operation and the employment relationships that are established” (ASKUNZE, 2016, p.5).

Basque WISEs operate in all activity sectors, with the spotlight on the services sector, and within this sector, restaurant and catering, waste collection, management, and recycling, and cleaning.

*Illustration 65. Activity sectors*



Source: GIZATEA Report 2019

Sales are the main source of income for WISEs associated with Gizatea: data from 2019 show total income of 32,166,302,25€, of which 72% comes from billing for the sale of products and services. Of total sales, 77% came from private clients, and 23% from the public sector. These data show that WISEs mainly operate on the private market.

Even so, we have observed increased billing of the public sector, an indicator that the “additional 4th provision of Law 9/2017 of Public Sector Contracts, which binds public administrations to establish a reserved percentage for participation in certain tenders for WISEs, has begun to have a certain impact.” (GIZATEA: Report 2019, p.14)

### **Initiatives with an intrinsic social nature different from other enterprises**

The success of Work Integration Social Enterprises is two-fold: on one hand, “success referring to the specific social purpose of these companies, consisting of people joining the job market who are at risk of exclusion,” but combined with success in terms of the “social purpose of the commercial activity that sustains this collective integration process.” At these enterprises, the social



result takes priority over the economic result. The latter is understood to be a tool at the service of the former (RETOLAZA ET AL, 2008, p.40), but is also necessary for the project's survival and sustainability over time.

Regarding not-for-profit organisations, Work Integration Social Enterprises devote 100% of their surplus to improving their structures or promoting social-employment integration activities, but they never distribute profits. And this defining characteristic, along with certain “competitive disadvantages on the market” (RETOLAZA ET AL, 2008, p.64), the result of conditioning factors of their social role, do not allow us to “use profitability as an indicator of corporate success.” (RETOLAZA ET AL, 2007, p.53). Even so, in 2019, these enterprises obtained 72% of their income from billing on the market (especially in the services sector (72%)), and 77% from clients in the private sector.

Work Integration Social Enterprises seek to broaden their client portfolio and increase the weight of the public sector in this portfolio by fomenting Responsible Public Purchase initiatives. They understand that “employment opportunities created by the public sector for people at risk of, or who are socially excluded are clearly insufficient” (ALVAREZ DE EULATE, 2017, p.96). For this reason, they are raising awareness with Public Administrations in terms of the profitability, both social and economic, of applying social clauses, which are “the inclusion of certain criteria in public procurement processes, based upon which aspects of social policy are added to the contract as a prior requirement (admission criteria) and/or an element for assessment (scoring). (Ruiz et al, 2007, p.143). They also argue to apply contracts reserved<sup>16</sup> for entities that provide Services of General Economic Interest (SIEG, in Spanish), which are mandatory for all Public Administrations, as set forth by the additional 4th provision of Law 9/2017 of 8 November on Public Sector Contracts.

**Main objective: to improve employability and achieve socio-occupational integration for the unemployed in a situation, or at risk of social exclusion**

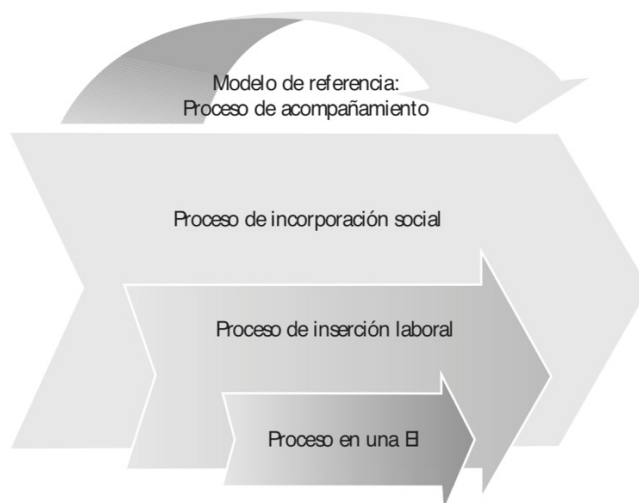
Indeed, Work Integration Social Enterprises' hallmark is the generation of “opportunities for integration on the ordinary job market for people in a situation, or at risk of social exclusion” and they explicitly recognise this in their mission. This is their *raison d'être*, their central mission: “under the framework of a personalised itinerary, to offer a series of intervention and accompaniment

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<sup>16</sup> As an extreme case, the social clause “where their restrictive nature would, de facto, be so strong that it would only allow the participation of a certain type of company” (RUIZ ET AL, 2007, p.143), and already in Law 9/2017 of 8 November on Public Sector Contracts.

services to improve skills and abilities to improve their employability level.” This makes them a “facilitating resource within a broader employment integration process which, in turn, and given the role that employment plays, falls under a global social integration process” (ASKUNZE, 2016, p.15)

*Illustration 66. Processes involved in social integration*



Source: FERNÁNDEZ ET AL., 2007, p.16

As stated by MARTÍNEZ, GALARRETA & AROSTEGUI, Work Integration Social Enterprises “are proving to be an effective programme to meet the needs of people with complex employment-integration needs” by means of a process to improve employability, wherein contextual and individual factors have an influence. WISEs provide a job that acts as a foundation to conduct a process-itinerary of social and employment inclusion, offering a wide range of opportunities to people who, for different reasons, were excluded for educational, employment, and social opportunities (MARTÍNEZ ET AL., 2019, p.79). To this end, they have a temporary contract modality to foment employment<sup>17</sup> with specific peculiarities<sup>18</sup> designed for

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<sup>17</sup> Set forth in the first additional provision of Law 43/2006 of 29 December, to improve growth and employment, and of a duration between 12 months and 3 years (maximum). Once concluded, this entitles one to an economic compensation equivalent to 12 days of salary per year worked.

<sup>18</sup> Such as a part-time day greater than half the workday for a full-time worker, right to absence without loss of pay (to attend treatments, trainings, or other measures

WISEs. In fact, the law requires that least between 30% and 50%<sup>19</sup> of staff be individuals in the process of integration. The employment conditions and relations of all workers (whether integration or not) are in accordance with the convention for the specific activity sector in which each integration company operates.

As such, these are initiatives that fall under what are known as active employment policies. The data prove their effectiveness. The employment created by the sector increased in 2019, especially employment for people in a situation or at risk of exclusion: associated WISEs employed 1,368 people in 2019, 836 of which were in the process of integration, making 2019 the year with the most integration employment generated.

### **Key methodology: personalised accompaniment itinerary**

For each individual in the integration process, a personalised itinerary is drawn up for social and technical accompaniment, no longer than three years' duration, for social and expert professional accompaniment in the employment process, and through other educational and social supports.

To this end, there is an accompaniment model that has been drawn up with the University. It was updated in 2018 and shared by the sector. New tools have been developed to assess employability, based on a concept of employability focused not only on the person, but also on the opportunities offered by the person's environment. This design, made in the CAV, is especially innovative in this field. It has become an example, applied across the country at all WISEs, as a specialised contribution from Basque I.Cs.

Numbers of people who joined ordinary employment upon completing their itinerary at Basque WISEs remained stable in 2019: 63% of integration workers who completed their itinerary joined the ordinary job market.

### **Commitment to the community**

Work Integration Social Enterprises have proven to be effective, efficient, and sustainable socio-occupational integration tools, both in

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set forth in the personalised integration itinerary), obtain a certificate of services provided and employment performance, and not applying certain disciplinary dismissal elements.

<sup>19</sup> Article 5c) of Law 44/2007 sets forth the obligation to “keep an annual count, as of classification, of the percentage of workers in the process of integration, regardless of the hiring modality, of at least 30% during the first three years of activity and at least 50% of total staff as of the fourth year, and this number shall be no lower than two.”

terms of training and employment preparation and in terms of accessing employment. They contribute to social cohesion, working in collaboration with Public Employment Services and Social Services, and boast progressive social legitimacy that grants them increasing protagonism in different strategies and active policies for social inclusion.

This is shown by the numbers in their Corporate Reports, where they account for fiscal, economic, and social returns of a large part of investments in this sort of company, thanks to their activity (GIZATEA, 2012, p.18):

- In fiscal terms, via economic activity taxes paid and salaries generated, with their pertinent Social Security contributions and personal income taxes. In 2019, they calculated returns through this channel at approximately 8,970€ per integration position generated.
- In economic terms, they alleviate public expense by reducing the number of people who receive social and unemployment benefits, and also contribute to boosting the economy with their activity. In 2019, savings for Public Administrations were calculated at approximately 7,570€ per integration position at these enterprises.
- Socially, encouraging social cohesion (between 50% and 75% of staff were people in the integration process, and in 2019, 63% of them entered the job market once their itinerary was complete) and “building a fairer world.”

### **Commitment to strengthening a social and solidarity-based economy**

Work Integration Social Enterprises in the Basque Country are committed to a Solidarity-based Economy and include democratic values in their working style: On one hand, in their code of ethics, they commit to fomenting participation “through both consulting and decision-making channels” and involvement “in decision-making processes, attempting to guarantee the utmost horizontal approach.”

They combine participation with the necessary exercise in transparency to be able to “periodically render accounts” both to participants at Work Integration Social Enterprises and other agents, in aspects related to management, applied organisation criteria, activities, and the results obtained. In fact, they present their Corporate Report every year with grouped data on 100% of Gizatea’s enterprises.

They defend equal opportunity in their day-to-day operations, so that “people whose situation, due to circumstances beyond their control (natural or social happenstance), puts them at a clear disadvantage, makes them discriminated against, or vulnerable, or fragile in comparison with

others, can be placed under equal conditions to participate in the social and professional world.”

In addition to their work for equal opportunity, they have special sensitivity in terms of gender equality, with “systematic consideration of different situations, conditions, aspirations, and needs of women and men” in their management.

In short, Work Integration Social Enterprises clearly fall under the “scope of initiatives based on prioritising people and social ends above capital ends” (ASKUNZE, 2016, p.20). As part of the social and solidarity-based economy, “they share a critical vision of the current economic model with social and solidarity-based economy, and conduct economic practises based on alternative principles and values, as well as a marked socio-political and transformative socioeconomic nature,” (ASKUNZE, 2016, p.21), including a commitment to environmental sustainability.

For this reason, and as mentioned, they fall under the community of social economy networks. Thus, Gizatea participates in the following networks:

- Ekain – Networks for Social Inclusion in the Basque Country,
- Sareen Sarea – Network of Tertiary Social Sector Networks in the Basque Country,
- EGES – Basque Social Economy Network
- FAEDEI - Federation of Business Associations of Work Integration Social Enterprises
- Ethical Finance Association of the Basque Country.

### **Alliances as models for collaboration**

Working as a network and creating alliances is a constant in Gizatea and its Work Integration Social Enterprises’ operations. In this regard, the challenge set by Sustainable Development Goal 17, to create alliances to achieve the other 16 SDGs, perfectly matches how WISEs operate, as they seek to make progress in SDG 8, on dignified work for all.

In fact, Gizatea has identified different experiences implemented by WISEs in the Basque Country that are exploring different “collaborative experiences and alliances between the public sector, the private sector, and the social sector,” thereby contributing to goal 17.17: “encourage and promote public, public-private, and civil society partnerships.” And it is making them publicly visible<sup>20</sup> with the goal that they act as an example

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<sup>20</sup> ALVAREZ DE EULATE, L. ET AL. (2019) *Tejiendo alianzas público-privadas para la generación de empleo e inserción* (Weaving public-private alliances to create employment and integration). *Noticias de la Economía Pública, Social y Cooperativa CIDEDEC*, (60) 55-68.

for public administrations and private companies that wish to contribute toward fulfilment of the Agenda 2030 by creating inclusive employment through social entities and WISEs. As a presentation:

1. Public-private promotion of the integration company Oarsotek, S.L. (Oarsoaldea, Gipuzkoa) since 2005 to facilitate employment integration for single mothers with family burdens and no support networks. Town Halls of the Oarsoaldea (Gipuzkoa) region collaborate through the Development Agency and the company Rubitec, S.A.
2. Public-social promotion of the integration company Berziklatu, S.L. (Ortuella, Biscay) since 2007 to create integration employment through comprehensive processing of voluminous waste generated in Biscay, amongst others. The Provincial Council of Biscay and the public company Garbiker (a company 100% belonging to the Provincial Council of Biscay, under the Ministry of Sustainability and the Natural Environment), and in the social sector, Emaus Bilbao S.Coop and Rezikleta S.Coop, collaborate.
3. Creation of the integration company Urbegi Inserción, S.L. by relocating industrial activity (Amorebieta, Biscay) since 2012 to create employment for individuals in vulnerable situations. Draxton Atxondo (formerly Funchosa) and the Urbegi Foundation and EI Urbegi Inserción collaborate.
4. Project to create WISEs in the Lower Deva region (Gipuzkoa and Biscay) since 2018 for employment integration of individuals in a situation of, or at risk of exclusion in the region, preferably in the industrial sector. The Lower Deva Development Agency (DEBEGESA) and the Association of Work Integration Social Enterprises of the Basque Country (GIZATEA) collaborate.
5. “Laneratzuz” programme (Oñati, Gipuzkoa), since 2019, to promote socio-occupational integration in Oñati for individuals in a situation or at risk of social exclusion with special difficulties in accessing the ordinary job market. The cooperative group ULMA and the Town Hall of Oñati (Gipuzkoa) collaborate.

#### 5.4. FUTURE CHALLENGES

In 2018, after a two-year reflection process, Gizatea identified several challenges and strategic lines for progress both in Basque Work Integration Social Enterprises and in Gizatea as a business group, whose purpose is precisely to promote the improvement of its enterprises and reach higher and better quotas of institutional and social interlocution. These challenges must now be reviewed, given the COVID and post-COVID scenario.

Basically, these challenges can be summarised as four:

1. Considerably increasing the number of people in the process of integration at our enterprises, with the objective of tripling this number within three years.
2. Improving the percentage of people with satisfactory results assessed under the framework of public employment policies.
3. Extending the geographic presence of WISEs to all the regions in the Basque Country.
4. Appropriately introducing WISEs into different instruments and relevant, recognised agents for socio-occupational inclusion processes, up to the challenge and complexity of employment and inclusion in our society.

In order to tackle these challenges, Gizatea has proposed the following:

### **Boosting the sector's growth**

- Fomenting favourable regulatory developments for Work Integration Social Enterprises around the country, through Faedei, and actively participating in writing new regulations for WISEs in the Basque Country.
- Bringing proposals of interest for WISEs to other kinds of regulatory developments related to employment, the social economy, or inclusion.
- Incorporating WISEs into active employment, social, and inclusion strategies and policies at different institutional and competency levels.
- Boosting social clauses and reserved contracts, thereby favouring WISEs' access to public procurement.
- Assessing and taking advantage of existing opportunities to develop new markets in local development plans or other kinds of economic promotion policies, as well as the socially responsible practises of ordinary companies.
- Promoting spaces and activities to facilitate mutual knowledge and a relationship between member WISEs, as well as internal consumption of goods and services.
- Boosting dynamics to promote innovation or to identify new activity sectors.

### **Influence on key agents**

- Maintaining a high degree of dialogue with public institutions (Ministry of Employment and Social Policies, Lanbide, provincial and local administrations), to achieve recognition of the network and the integration company sector.
- Increasing the network's degree of dialogue and its relationship with policy and social agents (political, union, business organisations).
- Promoting development and actively participating in spaces for collaboration with social economy networks by participating in the Basque Social Economy Network-Euskal Gizarte Ekonomia Sarea (EGES).
- Actively participating in Faedei, and through it, the European Network of Social Integration Enterprises (ENSIE) and maintaining a relationship of collaboration and mutual support with other regional integration company associations.
- Boosting the close collaboration with the Alternative & Solidarity-based Economy Network of the Basque Country - REAS Euskadi, as well as with solidarity-based economy agents (Fiare Ethical Banking, Social Market).
- Contributing to the strengthening of ekaIN- Networks for Social Inclusion in the Basque Country, fomenting the development of shared spaces.
- Contributing to the process of structuring and strengthening the Basque tertiary social sector through participation in Sareen Sarea.

### **Raising visibility in Basque society**

We must increase visibility of the added value, innovative nature, and economic and social returns of Work Integration Social Enterprises:

- Continuing to annually disseminate results from the social balance and going in depth in data analysis.
- Conducting actions designed to promote extension of the “integration company” brand.
- Developing and starting up communication tools to socially boost Gizatea and Basque WISEs.

### **Strengthening the model of accompaniment for integration**

- Disseminating and providing tools for work in accompaniment for integration.
- Conducting processes to assess and perfect the model.



- Promoting training actions in subjects related to accompaniment for integration.
- Making progress in employment intermediation tasks in the transfer to the ordinary job market for integration workers.

### **Strengthening Gizatea as a leading network in the Basque Country for Work Integration Social Enterprises**

- Promoting its institutional and social dialogue and increasing its capacity to offer services to WISEs.

## 5.5. CONCLUSIONS

— **Employment is a key element in shaping people's *life projects*, beyond its role as a source of economic resource.**

Unemployment is a social challenge with a special impact, recognised since the 80s as a serious problem with direct consequences on the economic exclusion of people which, in many cases, is combined with other difficulties for participation and social inclusion.

— **Work Integration Social Enterprises are economic initiatives for the socio-occupational integration of people in a situation, or at risk of social exclusion**

There is a profile for unemployed people for whom specific training to improve their employability is not sufficient for them to access the job market. For the comprehensive development of these individuals, WISEs apply an innovative methodology, combining the personalised accompaniment itinerary in their integration process with practical education in a real work setting. This way, they acquire work and social skills and abilities that allow them to transition to ordinary employment.

— **Work Integration Social Enterprises arose from social initiative as experiences that only later obtained legal recognition**

This kind of entity existed before it was formally legally recognised: in the Basque Country, they were regulated in 2000, and in 2007, Law 44/2007 was approved, which was key to incorporate recognition of WISEs into labour law nationwide. Law 5/2011 on Social Economy recognises them as part of the social economy, and also declares them entities that provide Services of General Economic Interest (SIEG, in Spanish).

— **Work Integration Social Enterprises have proven themselves to be effective, efficient, and sustainable tools for socio-occupational integration**

They offer a tax, economic, and social return on a large part of their investment, contributing to public revenue, alleviating public expense, and favouring social cohesion. They work in collaboration with Public Employment Services and Social Services and boast progressive social legitimacy that grants them increasing protagonism in different strategies and active policies for social inclusion.

— **Through its Fourth Additional Provision, Law 9/2017 of 8 November on Public Sector Contracts binds public administrations to reserve contracts for entities that provide Services of a General Economic Interest, such as Work Integration Social Enterprises**

WISEs seek to increase the weight of the public sector in their client portfolio so as to create more job positions for individuals in a situation, or at risk of exclusion by complying with the contract reserve.

— **Work Integration Social Enterprises in the Basque Country are committed to a Solidarity-based Economy**

WISEs are not-for-profit organisations, and their promoting entities should be, also. They share a critical vision of the current economic model and conduct economic practises based on alternative principles and values, as well as a marked socio-political and transformative socioeconomic nature.

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## ***Fishermen's associations in the Basque Country: narrative***

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### 6.1. INTRODUCTION

#### **Definition**

Fishermen's Associations are defined both legally and by scientific doctrine.

Beginning with legal definitions, pursuant to Law 3/2001 of 26 March, on State Maritime Fishing: “these are corporations of public law, not-for-profit, that represent economic interests, that act as consultation bodies, and that collaborate with administrations competent in matters of maritime fishing and management of the fishing sector” (art. 45.1). Within the scope of the Autonomous Community of the Basque Country, pursuant to Law 16/1998 of 25 June on Fishermen's Associations: “These are corporations of public law with a legal personality and ability to take action in order to fulfil their purposes, which are legally established as a participatory and collaborative channel for the fishing sector with Public Administrations to defend the general interest in fishing, seafood collection, and aquaculture, and in the organisation and commercialisation of their products” (art. 1).

CEPES offers a definition much more in line with the principles of Social Economy, considering that Fishermen's Associations “are corporations of sectorial public law, not-for-profit, that represent the economic interests of fishing vessel owners and workers in the catching sector, that act as bodies for consultation and collaboration with administrations competent in maritime fishing and management of the fishing sector, whose management

seeks to meet the needs and interest of its members, with the commitment to contribute to local development, social cohesion, and sustainability.”<sup>1</sup>

## **Origins**

These definitions are the result of an important historical legacy. Thus, the origin of Fishermen’s Associations in the Basque Country falls “under the corporatist current that spread during the Lower Middle Ages across the continent” (ERKOREKA, 1991, p.32). More specifically, the Associations were a perfectly well-organised institution along the entire Cantabrian coast as of the second half of the 14th century (ARRIETA, 2007, p.34).

Initially, they were nothing more than “all fishing professionals meeting in one some location and placing themselves under a saint and appointing their patron to practise his religious duties (LLEDÓ, 1943, p.130). Later, in a second phase, the Association arose as a professional or guild group (RUMEU, 1944, p.30, 55-56). It is at this point that we can see the true legal nature of this institution. Indeed, the Associations began regulating maritime-fishing activity in all its aspects through ordinances, including the religious-charity purposes of the first phase. It is with good reason that it is said that “in these bodies, the spiritual was perfectly twinned with the material, the social with the economic” (LLEDÓ, 1943, p.130).

The importance of this organisation is clear when we observe that it lasted even after the industrial revolution, when the guilds fell away. In this vein, during the 19th and 20th centuries, “under different institutional appearances, the Associations provided a system to guarantee the collective economic exploitation of a coastal area” (FRANQUESA, 2005, p.4).

## **Public Law Corporation**

Their nature as a corporation of public law arises precisely from their special ability to institutionally adapt to the vicissitudes of the times. Specifically, we must hearken back to Francoism to identify, for the first time, the Fishermen’s Associations as corporations of public law. During the transition, with Royal Decree-Law 31/1977, the foundation was laid to continue, although in a renewed fashion, granting them the same sort of status. Based on this provision, different national and autonomous regulations regulating Fishermen’s Associations have maintained their classification as such. But what does this classification mean, and what is

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<sup>1</sup> [https://www.cepes.es/social/entidades\\_cofradias\\_pescaadores](https://www.cepes.es/social/entidades_cofradias_pescaadores) (last viewed: 24 February 2019).

its legal relevance? In this regard, we can make the following observations (REBOLLO ET AL., 1996, p. 29-38).

- The fact that the Fishermen's Associations are corporations means that their essential element are the people in them, and that it is the will of these same people that should drive the corporation. This is why they are internally structured in accordance with techniques that guarantee the representativeness of the group in higher bodies.
- These are sectorial corporations because all people in them belong to a human group characterised by the professional relationship with fishing.
- These are Public Law corporations because they were created by public authorities for specific purposes, and these are the purposes which they must seek to fulfil. This characteristic entails a special connection with the Public Administration, although it should be clarified that the influence of public authorities is much smaller in Fishermen's Associations than in other similar corporations, and that administrative activity rates are also much lower. Indeed, what seems to justify that they continue to be Public Law Corporations is that they are still necessary to achieve the public purposes entailed by fishing policy. In other words, a private activity is taken into consideration that interests a certain group, but that is generally socially relevant. Indeed, to guarantee that this activity is properly conducted, the Fishermen's Associations are granted status as Public Law Corporations. As far as the Administration is concerned, it merely conducts supervisory tasks.

Lastly, it was stated that sectorial Public Law Corporations are “private-based organisations for private ends, but with a public dimensions given their connection to the public interest” (PANIAGUA, 2011, p. 215). Specifically, this public dimension that stems from their connection to the public interest takes shape in the aforementioned idea that, pursuant to article 1 of Law 16/1998 of 25 June on Fishermen's Associations, of the Autonomous Community of the Basque Country, “fishermen's associations are legally established as a participatory and collaborative channel for the fishing sector with Public Administrations to defend the general interest in fishing, seafood collection, and aquaculture, and in the organisation and commercialisation of their products.” Moreover, we might consider that this defence is related to their commitment to local development.

In this line, the Bylaws of Fishermen's Associations establish that they act as a “consultative body for the Administration in preparing, applying, and drawing up regulations that affect matters of general fishing interest, as

well as a collaborative body with the Administration on actions or reforms to develop and improve the extractive industry of fishing, seafood collection, and aquaculture, and commercialisation, considered based on the shared interest of the sector” (see Bylaws of Fishermen’s Associations of Armintza, Bermeo, Lekeitio, Zierbena, and Santurtzi).

*Illustration 67. Purposes of Fishermen’s Associations*

- To act as a consultative and collaborative body with Public Administrations under the general scope of activity and commercialisation of fishing products, seafood collection, and aquaculture
- Issue and send public reports and proposals to the Administration on legal provisions, structural and socioeconomic measures, activity plans, and regulation and management of the fish product market
- Within their regional scope, exercise the roles delegated by Public Administrations on matters that affect the professional fishing sector
- Adopt necessary measures to disembark and sell fishing products according to established legal regulations
- Draw up and present statistics on catches and sales, according to the instructions of the Ministry competent for fishing matters
- Ensure the safety of boats and crews
- Provide administrative service and consulting for all operations related to Social Security and complementary benefits

Source: Bylaws of the Fishermen’s Associations of Armintza, Bermeo, Lekeitio, Orio, Zierbena and Santurtzi, Donostia, Getaria, Hondarribia, and Pasaia

### **Principle of Autonomy**

Based on all the aforementioned, the scientific doctrine affirms that “administrative guardianship does not affect economic and business activity, or at least in the sense that it impedes reaching autonomous association agreements, orientated toward the market and entered into with other operators on said market (wholesalers, restaurant owners, etc.)” (PAZ CANALEJO, 2012, p. 136). In other words, even though Fishermen’s Associations are Public Law Corporations and are therefore legally dependent upon Public Administrations, they have the freedom to work to defend sectorial interests (CERVERA, 2010, p. 23).

Indeed, STC 89/1989 (Judgement of the Spanish Constitutional Court) of 11 May makes clear that Public Law Corporations are not integrated into the Administration, nor can they be considered decentralised public



entities, even though they fulfil both public and private purposes (legal basis 4). Additionally, STC 132/1989 of 18 July highlights the idea that these public purposes are fulfilled through collaboration with different Administrations, once again bearing on the idea that this does not mean that they are a part of them (legal basis 6). STC 139/1989 of 20 July was also proclaimed in the same vein (legal basis 2).

Consequently, we can conclude that classification of Fishermen's Associations as Public Law Corporations, a priori, does not make it impossible to classify them as Social Economy entities. Without these clarifications, one might think that the Fishermen's Associations' Public Law Corporation status would make it impossible, in and of itself, to comply with one of the guiding principles of Social Economy, set forth in article 4 of Law 5/2011 of 29 March on Social Economy, to wit, on "independence from public authorities." With good reason, along with these clarifications, Law 16/1998 of 25 June on Fishermen's Associations of the Autonomous Community of the Basque Country sets forth that Fishermen's Associations "are granted autonomy to manage their own interests and resources and their actions shall be subject to private traffic, notwithstanding Public Law regulations over actions that concern their establishment, organisation, and electoral procedures, along with others carried out by virtue of their Public-Law classification that are considered administrative actions" (art. 2.2)<sup>2</sup>.

In this line, we must remember that one of the roles of the Fishermen's Associations is "the management and administration of their goods and rights and those they acquire in any fashion" (art. 4.k). In this fashion, the Bylaws of the Fishermen's Associations also expressly refer to their functional and economic autonomy (see Bylaws of the Fishermen's Associations of Arminza, Bermeo, Donostia, Lekeitio, Getaria, Hondarribia, Pasajes, Zierbena, and Santurtzi) and "complete autonomy within their scope of action" (see Bylaws of the Fishermen's Association of Orío).

Due to all the aforementioned, having discarded possible non-compliance of Fishermen's Associations with the principle of "independence from public authorities," in principle, it appears that their nature as a Social Economy entity could be recognised as established in article 5.1 of Law 5/2011 of 29 March on Social Economy. We say in principle, because, in light of provisions in article 2 of this regulation, it would be possible to prove that this classification is inadequate. For this reason, in the following section, it is pertinent to discover whether, in practise, Fishermen's Associations fulfil the rest of the guiding principles set forth in article 4. Moreover, according to articles 2 and 5 together, the Associations must

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<sup>2</sup> The Bylaws of the Fishermen's Association of Orío expressly state the same.

fulfil, just like all the other Social Economy entities, two other requisites; to wit, on one hand, conduct economic activity and, on the other, either fulfil the collective interest of their members or the general economic and social interest, or both (ARRIETA, 2014, p. 40).

Ultimately, this will be the result of verifying that, in practise, Fishermen's Associations fulfil all these principles and requirements, which justifies public support for Fishermen's Associations, because they are true Social Economy entities, beyond *nomen iuris*. In other words, this is the only way to fairly measure the socioeconomic impact of the eleven Fishermen's Associations in the Autonomous Community of the Basque Country<sup>3</sup>, beyond the data corroborating that, on 31 December 2019, they provided employment to 35 people, had 315 members and 62 vessels, and obtained a total commercialised production volume of 17.247 tonnes, which entails, at first sale, an amount of 26,352,560 euros (Production and Commercialisation Plan Report from 2019 delivered to the Basque Government).

But before addressing analysis of Fishermen's Associations' compliance with the aforementioned requirements, we might observe how, even much before their establishment as social economy entities, scientific doctrine highlighted some of the features or elements that are consubstantial for Social Economy.

In this line, FRANQUESA (2005, p. 5-6) highlighted, amongst other aspects, the following functions: they include all fishermen working their geographical area, and the institution has a democratic structure with two representative groups: the owners and the sailors. Each group selects the same number of members for executive bodies, members are bound to sell at the Association's auction, they cannot accumulate profits and surplus allocated to improve infrastructures (Fishermen's Associations normally purchase from shops with equipment for vessels, fishing, ice, etc.) or that are redistributed amongst members (for example, with additional pensions for retired members or widows, ritual festivals, etc.); under the legal framework established by the European Union, the Ministry of Agriculture, Fish, and Food, and the Ministry of Agriculture, Fish, and the Food Industry of the Basque Government, they may establish additional rules: controlling fishing time, accepting or prohibiting certain fishing methods in the area, establishing reserves or closed seasons, etc.

Moreover, CERVERA PAZ (2010, p.18-28), after conducting an empirical study, concluded that the Fishermen's Associations, regardless of being

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<sup>3</sup> These are the Fishermen's Associations of Zierbena, Santurtzi, Armintza, Bermeo, Lekeitio, Ondarroa, Hondarribia, Pasaia, Donostia, Orio, and Getaria.

Public Law Corporations, can fall under the framework of Social Economy because of their other characteristics. Specifically, the following results can be highlighted from this study:

- These are voluntary associations in terms of membership, with no discrimination for social, political, religious, or sex-based reasons.
- They group individuals with the same objectives who conduct similar productive activities, in order to self-help and thus obtain benefits that can only be obtained thanks to the associationist movement in the fishing industry.
- They have an ethical foundation inspired by the values of honesty, transparency, responsibility, and social vocation.
- They use democratic management mechanisms or democratic decision-making mechanisms. By means of a vote, the members choose their representatives, such that power moves from the hands of the capital to the hands of the labourers. Since the ship owners are associated with them (capital or businessperson, although many times the workers themselves with their own vessels), employers (who can also be ship owners), and sailors (or workers), power is distributed amongst them with proportionate representation mechanisms, where both parties must always be present and never one to the detriment of the other. Moreover, we can speak of economic democracy, since associates are the ones who define the lines of action in the Fishermen's Association.
- They are obligated by law to provide information to their associates so that their management is transparent.
- They seek the sustainable development of the communities in which they reside.
- Equity belongs to the Fishermen's Association, and not to the members.

## 6.2. FISHERMEN'S ASSOCIATION AS PART OF SOCIAL ECONOMY

### **Central role of people in Fishermen's Associations**

The central role of people as a characteristic of Fishermen's associations is initially linked to their nature as a "not-for-profit" institution, since we consider that this condition refers to "justice in distribution of generated wealth or fairness (MORENO RUIZ, 2000, p.59). Although this characteristic is not set forth in Law 16/1998 of 25 June, on Fishermen's Associations, it forms part of the definitions set forth both in Law 3/2001 of

26 March on State Maritime Fishing<sup>4</sup> and in CEPES. As far as the Bylaws are considered, only the Fishermen's Association of San Sebastian's mention this characteristic (see articles 3, 4, 32, and 33). In this regard, the following clarifications are provided:

- a) "Association quotas must exclusively be for the amount necessary to sustain the Association's expenses and the expenses necessary to fulfil its purposes" (art. 3).
- b) "In the event that [in their economic activity] there is an excess or surplus, this shall be added to funds in the next fiscal year, so that the quotas and contributions from members, at all times, are as moderate as possible, and all this based on the Association not seeking to profit itself with its revenue, but rather to merely cover its costs and expenses budget, and investments to fund other complementary services, as well as its social works" (art. 32).

Indeed, as we can see with this second clarification, since this is a not-for-profit institution, the profits obtained through the Association's economic activity are applied to its social purpose, which falls under the second of the four guiding principles set forth by article 4 of Law 5/2011 of 29 March on Social Economy. In this same line, in the event that an association dissolves, as occurred in Elantxobe, Mundaka, and Mutriku, the bylaws generally state that the remaining capital that may exist, once all pending obligations have been complied with, must be allocated to social purposes, purposes of municipality interest, or charity purposes. That being said, in certain cases, the remaining funds are left in the hands of whomever has been agreed upon in the General Assembly Plenary Session, and in the particular case of the Bylaws of the Santurtzi Association, they say that these funds shall be distributed amongst members in direct proportion to their seniority as members, which once again makes clear the central role of people, above that of capital.

Moreover, the central role of people is present in many different aspects set forth in the Fishermen's Associations' Bylaws. This is for the fundamental objective of the Fishermen's Associations, which consists of increasing and developing activities stemming from fishing, seafood collection, and aquaculture, in order to increase their yield and the moral and material well-being of workers at sea. Indeed, increased yield of the aforementioned activities has an effect on the collective interest of members. This requirement, as mentioned (above 1) is mandatory to speak in legal terms of the existence of a Social Economy entity pursuant to article 2 of Law 5/2011 of 29 March.

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<sup>4</sup> See article 45.1.

One of the purposes established to achieve this objective also includes aspects related to the central role of people, from the perspective of promoting internal solidarity as alluded to by the third guiding principle for Social Economy set forth in Law 5/2011, such as:

- a) Defending the general interests of associates in their fishing and commercial activity.
- b) Promoting and conducting educational, recreational, cultural, and social activities for their members. Special interest is sparked by the educational activity in intermediate-level tests to obtain certification as chief mate. This is so individuals without studies may obtain intermediate-level degrees, making it more appealing for them to continue working at sea. To this end, these individuals, by merely proving their experience, can bypass a series of courses which allows them to obtain professional certification, which is equivalent to compulsory secondary education, as an exam to access intermediate-level studies, such as machinist or the aforementioned first mate.
- c) Attempting to increase and complete care actions, to the extent possible, for fishermen and their families, granting necessary resources for elderly or invalid fishermen. In this regard, in some Associations, if there are profits at the end of the economic fiscal year, they have the habit of allocating a part of said profits to retired fishermen. Historically, others have paid quotas for private health insurance (e.g., IMQ). In terms of bylaws, it is worth mentioning the provision in the Bylaws of the Association of San Sebastian, according to which the Association may agree to grant guarantees or deposits for their associates to official credit institutions, provided that said guarantees or deposits refer to transactions related to fishing activities by the interested parties (see art. 36).
- d) Resolve issues between members within the scope of their professional activities, provided that interests shared by all of them are at stake.
- e) Facilitate free and fair coexistence between businesspeople and workers in order to boost their shared interests.
- f) Manage fishing resources that may be individually or collectively made available to associates.
- g) Manage and administer their goods and rights acquired by any means.

Additionally, different practises based on uses and customs or practises set forth in internal regulations must be bound to the aforementioned concept of internal solidarity. Currently, a noteworthy example of said uses

and customs due to their importance is used in the system with maximum fishing limits on mackerel and anchovy, which operates thus: when a vessel has captured the maximum limit to which they are entitled, it gives the surplus to vessels that still have yet to reach their maximum limit. Moreover, this measure makes it possible to rationally use the fish, with excess capture leading to waste. Moreover, an internal regulation of note is on towing with the Guipuzcoa Federation of Fishermen's Associations, which is a good example of mutual aid practised between different vessels, especially in situations when vessels break down on the high seas.

In any event, this internal solidarity cannot be understood without referencing another one of the essential characteristics of Fishermen's Associations, which is their voluntary nature with the open-door principle to be an associate member. This is a characteristic or principle set forth in article 7 of Law 16/1998 of 25 June, on Fishermen's Associations, or the Autonomous Community of the Basque Country, which is also set forth in the Bylaws of different Fishermen's Associations. This is so that ship operators and crews of vessels based at the port to which the Association belongs, who professionally work in fishing, can freely become members of the Association by merely conducting this activity and requesting inclusion. Consequently, the Board of Directors can only deny access if the applicant fails to comply or previously failed to comply with the Association's bylaws.

### **Democratic nature of Fishermen's Associations**

Once accepted as members of the Association, all members or associates have equal rights and obligations. However, this equality is certainly mainly apparent in democratic and participatory management, which prioritises decision-making based on people, as set forth by the first guiding principle of Social Economy, established in article 4 of Law 5/2011 of 29 March on Social Economy.

Indeed, the basis of participatory democracy is made clear in Law 16/1998 of 25 June on Fishermen's Associations, by affirming that "fishermen's associations shall consist of operators and workers who depend on them that conduct fishing activity as a professional activity, embarked on fishing vessels with their base port within the regional scope of the association" (art. 6.1). This affirmation defends the interests of the two parties affected by fishing activity as professional activity, thus following the organisational system of the old guilds. And in accordance with this foundation, participatory democracy can be seen in the composition of the governing bodies of Fishermen's Associations.

Thus, pursuant to the aforementioned Law 16/1998, the General Assembly acts as the “higher representative body for all members and to control other governing bodies” (art. 17.1). As such, “it shall consist of representatives of ship owners and employees who depend upon them, based on fair representation between both sectors” (art. 17.2). Notwithstanding, “bylaws may establish that the General Assembly of the association is formed by all its members, notwithstanding fair representation in issuing votes (art. 17.2 *in fine*), as set forth, for example, in the Bylaws of the Fishermen’s Associations of San Sebastian (see article 14), Getaria (see art. 12), and Pasajes (see art. 12). Even so, the Associations’ Bylaws also recognise the possibility that the General Assembly may consist of all members of the Association, notwithstanding fair representation in issuing votes, in particular cases such as rendering accounts, approving budgets, and any other case that this is required by the Bylaws, applicable legal provisions, or when this is agreed to by the members of the General Assembly (e.g., the Bylaws of the Associations of Armintza, Bermeo, Ondarroa, Lekeitio, Zierbena, and Santurtzi). A different aspect is that all other members may attend the General Assembly, but with no vote, as set forth by the Bylaws of the Fishermen’s Associations of Hondarribia (see art. 14) and Orío (see art. 14).

Additionally, the Board of Directors and the President are selected by members of the General Assembly (article 18.b). Moreover, “the Board of Directors shall consist of the President, the Vice-President, and a number of members of the General Assembly selected by said Assembly, heeding the same fair representation criteria set forth for it” (article 19.2), although there is an exception with the Bylaws of the Armintza Association, given that, contravening the legal mandate, this criteria is modified, with a Board of Directors formed by five members, including the President and the Vice-President, of which four are ship owners and one a crew member, although they are all elected by and amongst representatives of ship owners and crew members from the General Assembly.

In the same fashion, management of the Fishermen’s Associations is transparent. On one hand, because the General Assembly, as the higher representative body of all associations, and with its fair structure, holds authority to take transparent action on important issues, such as approval of revenue and expense budgets, approving quotas or apportionments, approval of the balance sheet and financial statements or operational accounts for the budgetary fiscal year or approval of the report, projects, and action programmes for the Association. On the other hand, because, by the Bylaws, all members have the right to be duly informed of the Association’s actions and operations in matters that affect them. Reciprocally, the bylaws

also regulate the duty of members to provide solvent and responsible information on matters that are not reserved when asked to do so by the Association.

Additionally, as a good practise in management transparency, we can refer to provisions in the Bylaws of the Fishermen's Association of Orío regarding the obligation to submit to an external accounts audit<sup>5</sup>.

### **Business Dimension of the Fishermen's Associations**

There is no doubt that the Fishermen's Associations, while not-for-profit entities, conduct economic activities, such as selling sea products, manufacturing ice, and creating and effectively governing financial vehicles. Thus, the Bylaws of the Associations, when regulating their purposes, more specifically refer to "creating and promoting services of common interest that they deem suitable, such as sales of fishing gear, commissaries, freezer plants, ice factories, dry docks, holdings in fishing vessels," and "establishing organisational and commercialisation systems for their fishing products" and "encouraging the adoption of measures to bring technical enhancements to the extraction and conservation process and presentation, standardisation, and commercialisation of fishing and quality products." Specifically, regarding the sale of sea products, we must highlight the idea that it is mandatory for Association members to sell all their captures at the Association auction.

On the other hand, Fishermen's Associations do not directly carry out business activity because they are not companies, but rather Public Law Corporations (ARRIETA IDIAKEZ, 2014, p.39). However, indirectly, through association with other entities or companies, in practise, they do carry it out. As such, the Bylaws of the Fishermen's Associations expressly mention that one of their purposes is to "drive associative processes and enter into commercial collaboration agreements or enter into inter-professional agreements with other organisations and companies in order to obtain efficacy and profitability in fishing activity and greater participation in fishing-product transformation and commercialisation processes." In fact, the Memorandum of Law 16/1998 of 25 June on Fishermen's Associations also refers to this purpose, placing it in context in terms of the adaptations that the socioeconomic reality makes necessary and the circumstances that make it advisable to establish new missions.

In this regard, a good example is the company Matxitxako Moluscos SL, created in 2015 in Ondarroa, and held, amongst others, by the Fishermen's

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<sup>5</sup> See art. 46.



Associations of Ondarroa and Lekeitio, the Federation of Fishermen's Associations of Gipuzkoa, the Azti Foundation, and the companies Arrankoba SL and Itsaskorda SL, in order to create the first marine complex for aquaculture (mussels and oysters) in the Cantabrian Sea. At the end of the day, this is no more than an example of how Fishermen's Associations can act as a niche for new employment methods (e.g., aquaculture, handling fish, tourism).

Moreover, the inter-cooperation between different Fishermen's Associations is of note, as well as the integration of the Associations of Biscay into the Federation of Fishermen's Associations of Biscay, and the integration of the Associations of Gipuzkoa into the Federation of Fishermen's Associations of Gipuzkoa, to better fulfil their purposes.

Lastly, we must not forget that Fishermen's Associations promote agreements with financial institutions in order to better use financial vehicles in conducting fishing activity and enter into agreements with Public Administrations in order to conduct campaigns to identify markets and for propaganda and to promote fishery products in the Autonomous Community of the Basque Country.

### **Fishermen's Associations' Commitment to the Community**

Fishermen's Associations demonstrate commitment to local development in that, in addition to creating jobs, they foment economic activity and act as a source of revenue that reverts back to their municipalities.

Moreover, collaboration and association with other entities and companies also proves commitment, not only to local development, but also to social cohesion. Given the current decadence in the fishing sector, initiatives aimed at diversifying or competing fishing activity take on huge importance. In this line, we should especially highlight the Local Development Strategy carried out by the Local Fishing and Aquaculture Action Group "Itsas Garapen Elkartea, FLAG,"<sup>6</sup> established 16 February 2016, where the Federations of Fishermen's Associations of Biscay and Gipuzkoa also participate, and which acts as a channel for economic aid for sustainable development of fishing zones from the European Maritime and Fisheries Fund (FEMP) for the Autonomous Community of the Basque Country.

At a local level, we must mention the Association "Bermeo Capital Mundial del Atún (Bermeo, World Tuna Capital)," founded 27 March 2018. Along with the Fishermen's Association, the AZTI Foundation, Town

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<sup>6</sup> For more information, see their webpage <http://www.itsasgarapen.eus/es/>

Hall of Bermeo, the Provincial Council of Biscay, the Basque Government, the National Association of Owners of Freezer Tuna Vessels (ANABAC, in Spanish), the Association of Large Tuna Freezers (AGAC, in Spanish), and the companies Zallo SA, Serrats SA, Salica SA, and Gaviota SL form a part of this association.

Finally, regarding environmental sustainability, we must highlight, on one hand, the Code of Conduct and Good Practises and Objectives in Fishing for the Fleet in the Cantabrian, signed by Federations of Fishermen's Associations of Biscay and Gipuzkoa, and on the other, the MSC (*Marine Stewardship Council*) Certificate obtained by both federations for fishing anchovy and tuna in the north<sup>7</sup>.

### 6.3. CONCLUSIONS

— **Although Fishermen's Associations are Public Law Corporations, they are independent from public authorities**

Classification of Fishermen's Associations as Public Law Corporations does not prevent the possibility of classifying them as Social Economy entities, because the guiding principle of "independence from public authorities," typical of Social Economy entities, is still fulfilled, insofar as the Fishermen's Associations have autonomy to manage their interests and their own resources and their action bears on private traffic.

— **The Fishermen's Associations seek the collective interest of their members**

The fundamental objective of the Fishermen's Associations consists of increasing and developing activities stemming from fishing, seafood collection, and aquaculture, in order to increase their yield and the moral and material well-being of workers at sea. Consequently, increased yield of these activities bears on the collective interest of their members.

— **In addition to fulfilling the open-door principle, Fishermen's Associations are democratic, solidary, and transparent with their members**

Joining Fishermen's Associations is voluntary and falls under the open-door principle. This is so that ship operators and crews of vessels based at the

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<sup>7</sup> *Marine Stewardship Council* (MSC) is an international not-for-profit organisation created to help transform the sea product market in the direction of sustainability. MSC operates the only eco-label programme for wild-capture fishing consistent with ISEAL'S Code of Good Practises to Establish Social and Environmental Standards. These guidelines are based on the FAO Code of Conduct for Responsible Fishing ([www.msc.org/es](http://www.msc.org/es)).

port to which the Association belongs, who professionally work in fishing, can freely become members of the Association by merely conducting this activity and requesting inclusion. In this regard, all the members or associates hold equal rights and obligations. This equality especially takes shape in the democratic and participatory management in the composition of the governing bodies of Fishermen's Associations. Additionally, Fishermen's Associations promote internal solidarity by defending the general interests of their associates in fishing and commercialisation activity, educational activities, care actions for fishermen and their families, and different practises based on the uses and customs, or those established by internal regulations. Moreover, management of Fishermen's Associations is transparent, and all of their members are entitled to information.

— **Although Fishermen's Associations are not-for-profit, they conduct economic activity and indirectly exercise business activities, as well**

The Associations are not-for-profit institutions, which is why the profits obtained from the Fishermen's Associations' economic activity are applied to their social purpose. Although they are not-for-profit entities, they conduct economic activities. And although they do not directly conduct business activity because they are not companies, but rather Public Law Corporations, indirectly, they do conduct it by means of association with other entities or companies. Fishermen's Associations can even act as a niche for new employment methods (e.g., aquaculture, handling fish, tourism).

— **The Fishermen's Associations collaborate with each other and with other entities, both private and public**

There is inter-cooperation between different Fishermen's Associations, as well as the integration of the Associations of Biscay into the Federation of Fishermen's Associations of Biscay, and the integration of the Associations of Gipuzkoa into the Federation of Fishermen's Associations of Gipuzkoa, to better fulfil their purposes. Additionally, Fishermen's Associations promote agreements with financial institutions and enter into agreements with Public Administrations.

— **Fishermen's Associations foment local development, social cohesion, and environmental sustainability**

Fishermen's Associations are committed to local development in that, in addition to creating jobs, they foment economic activity and act as a source of revenue that reverts back to their municipalities. A result of this collaboration and association with other entities and companies is that they are also committed to social cohesion. In the same fashion, they are committed to environmental sustainability.

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## ***Agricultural transformation societies in the Basque Country: narrative***

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### 7.1. INTRODUCTION

We might say that Agricultural Transformation Societies (ATS) are widely unknown, both within Social Economy and outside it, and in society in general. Two decisive factors influence this circumstance especially.

First, the framework of ATS'S activity in the primary sector contributes to its low visibility (even more so, to society's total lack of awareness of it, since the economic activities of said sector –both farming in the interior and fishing on the coast– are generally not well known because of their residual quantitative weight in economic activity in the region today), although their qualitative importance is undeniable and great in terms of their relationship with nature, the environment, and food sovereignty.

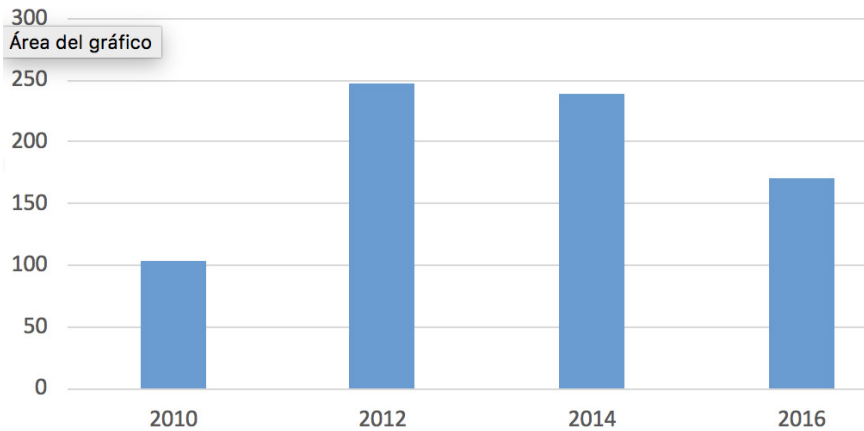
Second, the existence of a status as a agricultural cooperative has a direct influence on this lack of knowledge, since both legal classifications are valid options that provide for rural associationism for economic-social ends, which, on one hand, limits the number of ATS existing/created, and on the other, eclipses knowledge and identification of these rural associative experiences.

*Illustration 68. Evolution of main macro-numbers for ATS in ACBC*

ATS	2010	2012	2014	2016
Entities	103	97	87	79
Employment	104	248	239	170
GAV	1.728.935	5.312.731	8.023.843	7.097.322

Source: Social Economy Statistics, Basque Government

*Illustration 69. Evolution of employment in Basque ATS*



Source: Social Economy Statistics, Basque Government

### **Definition**

Following current law, Agricultural Transformation Societies are defined as “civil enterprises with economic-social ends in production, transformation, and commercialisation of agricultural, livestock, or forest products, in improvement to the rural environment, agricultural promotion and development, and the provision of shared services that serve this purpose” (Royal Decree 1776/1981).

In other words, these are socioeconomic enterprises created based on the desire of several people to associate, who collectively conduct their activity in the primary sector, bringing together the achievement of said individuals’ particular purposes with the community interest, and more specifically of the rural environment.

It should be noted that lax legislation over this type of company (RDATS only includes 14 articles and leaves many open ends in terms of bylaw regulation) means that there are ATS of very different kinds and sizes, from small family enterprises established for shared exploitation of lands, to ATS with hundreds of associates who transform all of their harvests, just to cite two examples.

### **Background**

Although formal and legal recognition of ATS is relatively recent (the regulation is from the year 1987), their immediate origins harken back to the post-civil-war period, with the emergence of Grupos Sindicales de Colonización Agraria (Union Agricultural Colonisation Groups)<sup>1</sup> during Francoism. These groups came about with the purpose of tackling production and supply issues of the time by providing mutual aid amongst agriculturalists (ROMAN, 2008) and act as intermediaries between them and the State, with the ultimate purpose of improving conditions under which the sector conducts its economic activity (VARGAS, 2012).

We can even look back to earlier periods, since (as we know) associationism and mutual aid in the Basque rural world played a central role in governing life in the countryside. Cooperation customs and traditions in pastoral work, such as community use of pastures and the importance of Councils and other institutions in the neighbourhood community with their structures, boards, and positions, and mandatory neighbourhood work to cover needs that affect the general life of the community (*auzolan*), show the tradition and importance held by cooperative/associative elements in pre-capitalist periods.

While we certainly cannot establish a direct and unequivocal connection between these experiences and the “recent” appearance of ATS or other entities as we understand them today, we can affirm that the legacy left by them, and other traditions, still influence the Basque subconscious and are one of the factors that help to understand the idiosyncrasy of rural associationism.

### **Current Dimension**

In early 2019 in the Autonomous Community of the Basque Country, there were 92 Agricultural Transformation Societies in total, and as

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<sup>1</sup> The regulation governing these groups was the “Law of Local Interest Colonisation” in the year 1940.

mentioned earlier, their quantitative weight is not very significant in terms of the employment that they concentrate (they account for 0.2% of employment in Basque social economy), but at least two factors must be considered. As already mentioned, firstly, the existence of agro-food cooperatives as another valid formula for associationism and mutual aid means that associative and social experiences are “distributed” between both company forms. Second, the total number of ATS has significantly dropped since their apogee in the 1980s (-19%) but considering the aforementioned regarding compatibility between agro-food cooperatives and ATS, we can see that the majority of these organisations have a high survival rate.

Different ATS can associate or join together to establish an ATS Group, which has its own legal personality and ability to act, but in the Autonomous Community of the Basque Country, there is no federation of representative network of ATS as such.

## 7.2. AGRICULTURAL TRANSFORMATION SOCIETIES AS PART OF THE SOCIAL ECONOMY

Two of the main points shared by these enterprises with other Social Economy families is the primacy of people and combining member interests’ with the general interest, under a specific form of associationism in the rural sector. Another aspect they share with most Social Economy families is that the company is made up of professionals (in our case, people from a rural environment) to obtain different shared services, such as supplies, commercialisation, or operation, and they therefore conduct an economic activity. Aspects regarding the democratic nature of organisations or their involvement and commitment to the sustainability of the rural environment also place them in the large, diverse Social Economy family.

### **Central Role of People in Agricultural Transformation Societies**

Agricultural Transformation Societies place people at the heart of economic activity. They are the ultimate purpose, and not the means to simply achieve utility or profitability for capital since the owners of the farming operations and agricultural workers associate to actively participate in the entity to the benefit of all. ATS are made up of the union of people and its objective is to meet their needs.

In other words, these are associate forms of mutual interest. The logic of their existence lies in meeting the demands or needs of people who associate to this end.



### **Democratic Nature of Agricultural Transformation Societies**

Prioritising people and the social purpose above capital manifests through the democratic management of the ATS at the General Assembly, the highest decision-making body. In any event, it is also true that corporate bylaws may establish a plural vote to approve agreements that entail economic obligations for members.

The minimum number of members to create an ATS is three people (on one hand, they can be owners of farming operations or agricultural workers, or on the other, legal entities who pursue farming purposes; however, the latter may not, under any circumstances, hold more corporate capital than the capital held by the former type of member) and none of the capital contributions may exceed one-third of the capital, so limits are established to give power to the plural vote mentioned earlier.

On the other hand, ATS are marked by their transparency in terms of management, since all members hold equal rights to information and transparency regarding different aspects of the ATS, which reinforces real, active, and conscious participation of all people.

Lastly, we should mention these enterprises' independence from public authorities, another important characteristic in preventing the interference of public administrations.

### **Business Dimension of Agricultural Transformation Societies**

As set forth in the introduction, different people come together as a union for a predominantly, although not necessarily exclusively, economic purpose. In other words, they have an undeniable economic contribution, especially in a context where the primary sector has decreased their importance in the Basque economy.

Moreover, the fact that they are organisations geared toward fulfilling the social purpose of associates and/or the community in general, and toward being more democratic than purely capitalistic companies, influences business practises that create a business culture that stands out for prioritising the collective project's long-term sustainability over short-term or situational interests.

### **Agricultural Transformation Societies' Commitment to the Community**

In defining Agricultural Transformation Societies, we have seen that they are known as "civil enterprises with economic-social ends (...)

in improvement to the rural environment, agricultural promotion and development, and the provision of shared services that serve this purpose.” In other words, the very idiosyncrasy of these organisations means that their economic activity is respectful of the rural and social environment, since to continue agricultural operation, mid- and long-term sustainability of natural resources must be guaranteed.

On the other hand, the deep roots of these enterprises in their region and the community are clear: control over production processes remains in the hands of members and portions of corporate capital cannot be taken from these people unless ownership over operations changes hands (which mainly happens by means of succession).

Lastly, the peculiar economic activity of Agricultural Transformation Societies creates a legacy to be left to future generations, and also creates wealth that remains in the region and reverts back to it.

In summary, these organisations fulfil the regional sustainability criteria based on their “triple action”: economically (the activity carried out in the region itself, by means of which the wealth that is created is distributed more fairly in the region), socially (distribution of fruits is transversal throughout society), and environmentally (since this is land, nature itself, that directly bears the action and impact of these organisations, they work in a respectful and balanced way with it).

### 7.3. CONCLUSIONS

#### **— Agricultural Transformation Societies represent associationism in the rural setting**

While these organisations are unknown, ATS provide for achieving both the interests of participants and the general interest, a central element to all Social Economy families.

#### **— ATS are democratic organisations**

The General Assembly, wherein all members participate, is the highest decision-making body where votes are equal, barring certain decisions of an economic nature if members agree to this. Moreover, this plural vote has limits.

#### **— The regional and social roots of Agricultural Transformation Societies are undeniable**

The very activity of these organisations is only possible in the region, so their relationship with the immediate environment is essential. Since production processes are in the hands of members, offshoring is prevented.

### — **ATS have huge potential to contribute to sustainable local-regional development**

By means of collective formulas that prioritise the needs of people and the communities where they are established, ATS clearly and directly contribute to regional development in a sustainable fashion.

This potential is evident when we consider their “triple action” in regional sustainability, their priority on democracy, the conjugation of individual and collective interests and, lastly, the importance that their own economic activity has on the path toward and achievement of food sovereignty.

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## ***Mutual companies in the Basque Country: narrative\****

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### 8.1. INTRODUCTION

Law 5/2011 of 29 March on Social Economy expressly recognises the nature of mutual companies as a Social Economy entity (see article 5.1). Based on this recognition, and the lack of specification in this regulation as to the definition of mutual companies, we should state that both Mutual Insurance and Mutual Provident Societies are considered mutual companies (PANIAGUA, 2011, p.195; PAZ CANALEJO, 2012, p.102; ARRIETA, 2014, p.43).

Thus, Mutual Insurance Companies are defined pursuant to articles 9 and 10 of Royal Legislative Decree 6/2004 of 29 October, which approves the restated text of the Private Insurance Supervisory Act, as a “private social insurance entity, specific to the area insured, characterised by being not-for-profit and the reflexive nature of its coverage, orientated toward members, natural persons, and legal persons” (*Diccionario del Español Jurídico* (Dictionary of Legal Spanish), 2016)

This being said, pursuant to the information provided by the *Dirección General de Seguros y Fondos de Pensiones* (Directorate General for Insurance and Pension Funds), of the Mutual Insurance Companies operating in the Autonomous Community of the Basque Country, the following are of note:

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\* Part of this research was published by the authors under the title “*Las mutualidades en Euskadi como entidades de la economía social* (Mutual Companies in the Basque Country as Social Economy Entities)”, in *GIZAEKOA -Revista Vasca de Economía Social*, 2020, num. 17, p. 181-196.

(a) PAKEA, fixed-premium *Mutualidad de Seguros* (PAKEA, Mutual Insurance Company), (b) ASEMAS-*Mutua de Seguros y Reaseguros* (ASEMAS-premium Mutual Insurance and Reinsurance Company) (with supplementary contribution), (c) *Mutua de Riesgo Marítimo* (Maritime Risk Mutual Insurance), fixed-premium Insurance Company (MURIMAR), (d) *Sociedad de Seguros Mutuos contra incendios de edificios rurales de Álava* (Mutual Insurance Company against rural building fires in Alava, fixed-premium Mutual Insurance Company, and (e) SURNE, fixed-premium *Mutua de Seguros y Reaseguros* (Mutual Insurance and Reinsurance Company). Notwithstanding, it would be desirable to provide an updated list of all Mutual Insurance Companies operating in the Autonomous Community of the Basque Country, in order to better assess their weight in economic and social terms.

Regarding Mutual Provident Societies, in the case of the Autonomous Community of the Basque Country, the particularity lies in the fact that they are shaped by Voluntary Social Welfare Entities (EPSV, in Spanish).

The importance of Voluntary Social Welfare Entities (EPSV) in the Autonomous Community of the Basque Country (ACBC) mainly lies in their complementary role to Social Security System benefits. In this fashion, ideal coverage and well-being of ACBC citizens can be quantitatively and qualitatively increased. In this case, EPSVs cover personal contingencies.

Yet there are also EPSVs designed to protect goods, such as homes, household items, work instruments, livestock, harvests, forests, and watercraft.

This all connects to what might be called the Basque people's communitarian spirit, which takes shape in the country's typical institutions, true civil societies established under the traditional forms of associations, brotherhoods, or mutual companies, and that have existed since the Middle Ages.

In actuality, all these institutions are the projection of a way of understanding and feeling life, conditioned by the country's orography, and highly influenced by Christian thought.

As progress is made in social organisation, different forms of social protection are developed. This is how the incipient protection granted by Provincial Law through family and succession institutions (UNAMUNO, 1902, p. 43 and following; ARRIETA IDIAKEZ & LÓPEZ RODRÍGUEZ, 2012, 194-198), gave way to new forms of social solidarity, such as shared mountain use (VICARIO & DE LA PEÑA, 1901, p. 92-106; UNAMUNO, 1902 p. 50 and following), shared work contributions under the barter system, or *auzolan* work, (UNAMUNO, 1902, p. 54), and material or animal contributions called *lorrak* (UNAMUNO, 1902, p. 55-56).

This is how we reached forms of association that were fully mutualist, such as brotherhoods against fires, also called mutual insurance companies against fires (VICARIO AND DE LA PEÑA, 1901, p. 234-245), mutual insurance brotherhoods for livestock or against livestock risks (VICARIO & DE LA PEÑA, 1901, p. 246-259; Unamuno, 1902, p. 56-63), fishermen's or seafarers' associations (VICARIO & DE LA PEÑA, 1901, p. 260-312), and mutual funeral associations (VICARIO & DE LA PEÑA, 1901, p. 314-317).

All these mutualist institutions were governed by their own regulations, under a system of self-governance and self-management. In the provinces of Álava, Biscay, and Gipuzkoa, they remained even after the abolition of guilds in 1836. The enactment of the Associations Act of 1887 extended its application to them, since it expressly referred to guilds, mutual aid societies, and welfare societies.

Notwithstanding, with the regulation of social insurance in Spain, as the direct antecedent to the Social Security System, a different kind of regulation for mutualism arose, attributing powers in a different way to both aspects between the State and autonomous regions.

In this fashion, if the Spanish Constitution of 1931 granted the Spanish State legislation on the general and social insurance system, notwithstanding that autonomous regions were responsible for executing this legislation, to the extent of their political capacity, in the opinion of the Parliament (see art. 15.8), the Basque Statute of 1936, pursuant to provisions in articles 16 and 17 of the Spanish Constitution, set forth that the exclusive legislation and direct execution of mutual societies fell under the Basque Country's authority (see art. 2. e.).

During the Francoist regime, traditional institutions were regulated by the State. On one hand, social protection of Association members, which had begun to be nationalised with the regulation in 1919 of social insurance for ocean accidents (ARRIETA IDIAKEZ, 2007, p. 71-79) continued to be protected, first by different social insurance, professional mutual societies, and different mutualist institutions of a special nature (ARRIETA IDIAKEZ, 2007, p. 119-130), and then by the Social Security System (ARRIETA IDIAKEZ, 2007, p. 151-158). On the other hand, the Law of Mutual Societies of 1941 regulated the provision with an "eminently social and private spirit, to which end entities that interpret it always adopt the mutualist or civil-association form" (see Memorandum). Article 1 of this regulation left no doubt that it included brotherhoods and mutual funerary associations within its scope of application, and even fishermen's associations in the event that they wished to complement their compulsory social benefits with private and voluntary benefits. Pursuant to this precept, "mutual societies or assistance funds, for the purposes of this Law, are associations who, under this name

or any other, and that are not-for-profit, conduct some modality of social or charity welfare, oriented toward protecting their members or their goods from circumstances or events of a fortuitous and foreseeable nature to which they are exposed by direct contributions from members or from other protective entities or persons.” However, it was established that these associations needed to be governed by their own Bylaws or Regulations, adapted to applicable law, subject to approval by the Ministry of Labour (see art. 2). This is how they remained.

With the establishment of democracy, the Spanish Constitution of 1978 was limited to establishing in article 41, at the end, that aid and benefits complementary to the Social Security System shall be free.

On the other hand, in the Statute of the Basque Country of 1979, exclusive authority is given to the ACBC on mutual societies not integrated into Social Security (see art. 10.23).

Indeed, pursuant to this granting of authority, Law 25/1983 of 27 October on Voluntary Social Welfare Entities was approved. As set forth in the Memorandum, this law seeks to establish a new legislative framework for mutual societies, adapting it to the peculiarities of the Country and modernising the Administration’s actions, seeking to prioritise efficacy, development, and progressivism in the Administration-Mutual Society relationship. For this reason, with a desire to organise and develop such a broad field, the concept of a mutual society was replaced by Voluntary Social Welfare Entity (EPSV, in Spanish), with a will to encompass, but not make uniform, the multiple experiences and institutions of different kinds, whose ultimate not-for-profit objective is to protect members from events that can pose a hazard to their lives, resources, or activity.

In fact, the current Law 5/2015 of 25 June on Basque Civil Law, in referring to its inspiring principles (see Section II, Preliminary Section), after affirming that “the Basque concept of property is modulated by the social role of property and by the principle of solidarity,” establishes that “the laws shall uphold different forms of community, family, and social property, unique to Basque Civil Law, such that they adapt to the social reality of the period in which they must be applied.” In regulating the principles of patrimony law (see Section I9, it refers to “civil societies constituted under one of the tradition forms of associations, brotherhoods, or mutual societies” to subject them to Law 5/2015 and determine that they shall regulate themselves with their own Bylaws and internal regulations, provided that their content does not contravene Law 5/2015, the regulations set forth for its implementation, and supplementary legislation (see art. 16).



With it all, Law 25/1983 was replaced by current Law 5/2012 of 23 February, considering the important events in the European Union (EU) and the country, which advised an in-depth reform (see Memorandum, section I). Events that, at the same time, became challenges.

As such, given the demographic evolution of European society, the EU insisted on the need to seek out formulas to complement and reinforce the classic, inalienable public Social Security Systems, so they represent an instrument to achieve inter-generational solidarity and social cohesion. Moreover, they encouraged boosting and developing complementary formulas under the framework of economic-activity companies or sectors, fomented by collective negotiation (see Memorandum, Section II).

Moreover, in terms of the State, of note is the emergence of national legislation on pension plans and funds that was different from the law to regulate and supervise private insurance. The importance of this lies in the fact that the EPSVs can be considered the ACBC's pension funds, with the particularity that the EPSVs were regulated 5 years earlier and have important specificities, thanks to which, as of 31 December 2019, and pursuant to the information provided by the Federation of EPSVs of the Basque Country, in terms of the EPSVs which are a part of this Federation, have 25,939,000,000 euros, which accounts for over 32.72% of the ACBC's GDP. This percentage is much greater than the percentage of State pension funds and other complementary systems (8.8%).

In short, the current law seeks for EPSVs to adapt to the utmost to the new challenges stemming from evolution of the demographic, social, economic, and financial context, and to strengthen collective pension systems, mainly employment systems (see Memorandum, Section II).

## 8.2. CURRENT REALITY OF VOLUNTARY SOCIAL WELFARE ENTITIES IN THE AUTONOMOUS COMMUNITY OF THE BASQUE COUNTRY

In order to portray the current reality of EPSVs in the ACBC, as follows, we analyse four of their aspects that help us to understand their *raison d'être*.

### **Embodiment of Principles of Social Economy**

Currently, EPSVs, a proper name given to social welfare mutual societies, as seen, beginning with Law 25/1983, constitute a Social Economy entity, pursuant to Law 5/2011 of 29 March on Social Economy (see art. 5.1).

Consequently, they fully embody the general principles that inspire the behaviour of these entities, of which the objective of providing service to members more than obtaining profit, autonomous management, democratic decision-making processes, and prioritising people and work over capital in profit distribution are of note. This is all set forth in the current Law 5/2012 (PÉREZ URALDE, 2012, p. 88) when article 2 establishes the following informative principles of the voluntary social welfare system, to which EPSVs must adapt in their constitution and operations:

- a) Equal rights and obligations for all associates, notwithstanding that contributions and benefits have the relationship that the bylaws establish according to each of their concurrent circumstances.
- b) A not-for-profit status, it being impossible to distribute dividends or amounts to cover a simulated commercial business, nor compensation for the mediation of intermediators or agents in seeking new members.
- c) Transparency at entity management, providing members and beneficiaries with the necessary information, pursuant to provisions in applicable regulations.
- d) Democratic structure and composition of governing bodies, determining that election of these bodies shall be representative of the social collective, and that members shall have access to the information necessary to conduct their roles.
- e) No compensation for participating in governing bodies, notwithstanding that, if executive roles are truly conducted and this is provided for in the entity's bylaws, the assembly may approve provision of compensation.
- f) No limitations of any sort to become a member, pursuant to provisions in the entity's own bylaws in concordance with its purposes.
- g) Efficacy, efficiency, and innovation in managing resources.

Additionally, all these principles are reinforced by other characteristics that are typical of certain Social Economy entities, set forth in articles both in Law 5/2012 and Decree 203/2015 of 27 October, which approves its Regulation. Specifically, its status as not-for-profit (see art. 5 of the Law) and the importance given to the training of members of boards of governance of EPSVs (see art. 55 of the Law) and information to members and beneficiaries (see art. 46 through 50 of the Regulation).

### **Definition of the Voluntary Social Welfare Entity and classes**

Based on the idea that an EPSV is an institution which is not-for-profit and conducts pension activities designed to provide pertinent coverage to

its ordinary members and beneficiaries for the contingencies set forth in law 5/2012 (see art. 5 of Law 5/2012), there are different classes (see art. 7 of Law 5/2012).

On one hand, considering covered contingencies, we can differentiate between the following EPSVs:

- (a) Those that cover *personal contingencies* (see article 24 of Law 5/2012). Specifically, the following contingencies, based on the definitions and characteristics set forth in the Law and in the Regulation:
  - (a.1) Retirement.
  - (a.2) Permanent disability and invalidity for work.
  - (a.3) Death.
  - (a.4) Dependency.
  - (a.5) Long-term unemployment.
  - (a.6) Serious illness.
  - (a.7) Temporary disability.
  - (a.8) Employment support.
  - (a.9) Birth and adoption.
  - (a.10) Marriage or domestic partnerships based on current legislation.
  - (a.11) Medical expenses.
  - (a.12) Official studies.
  - (a.13) Healthcare, surgery, and stays at healthcare centres.
  - (a.15) Other similar aspects related to social welfare.
- (b) Those that cover *other contingencies*, to wit (see article 25 of Law 5/2012)<sup>1</sup>:
  - (b.1) Goods: housing, household items, work instruments, livestock, harvests, forests, watercraft, or any other kind of good linked to employment or professional activity.
  - (b.2) Expenses and services stemming from burial.

On the other hand, considering the nature and bond between members, we can differentiate between the following EPSVs (see art. 7.b of the Law 5/2012):

(a) *Individual voluntary social welfare entities*. These are entities whose members or protectors are financial institutions, who conduct activities to cover personal contingencies, set forth in this law, for ordinary members of them who are natural persons, with no prior link between them that is the deciding, determining factor for their joining said entities.

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<sup>1</sup> If the EPSV covers these other contingencies, it cannot cover personal contingencies (see article 25.2 of the Law 5/2012).

(b) *Employment voluntary social welfare entities.* These are entities whose members have or have had an employment relationship with the patron, or a service relationship for civil or statutory staff, or who are worker-members or a work relationship for cooperative and labour enterprises, with the agreements reached in collective bargaining, company pacts, or a unilateral employer decision being the determining, decisive factor for them to join.

Moreover, voluntary social welfare entities shall be considered employment modality when their ordinary members have some bond related to the practise of their profession.

(c) *Associated voluntary Social Welfare Entities.* These are entities whose members have a non-employment associative bond that is not related to professional practise.

(d) *Undifferentiated Individual voluntary social welfare entities.* These are entities whose members have non-employment bonds and conduct activities to cover non-personal contingencies.

### **Members and beneficiaries of Voluntary Social Welfare Entities**

There can be different classes of members within EPSVs (see art. 16 of Law 5/2012):

- a) Promoting members: natural or legal persons, of all types and kinds, who participate by establishing and making initial contributions for the creation and constitution of an EPSV, and who are a part of their bodies of governance as established in bylaws pursuant to applicable law.
- b) Patrons: legal or natural persons who, with their activity and contributions, participate in the development and maintenance of an EPSV or social welfare plan, without obtaining direct profit, but participate in their bodies of governance pursuant to bylaws.
- c) Numbered or ordinary members: natural persons who can obtain a benefit for themselves or their beneficiaries, pursuant to Law 5/2012. In the event of risk for items, those who hold rights or legitimate interest in the goods that are at risk.

The following modalities for ordinary members may exist:

- (c.1) Active members: persons with the right to a benefit for themselves or their beneficiaries by means of economic contributions they themselves make, or that a third party makes on their behalf.
- (c.2) Passive members: people who, having been active members, become direct holders of the benefit as protected subjects after the contingency occurs.

- (c.3) Suspended members: those who, having been active members, hold a status as non-contributors, both in terms of contributions made by themselves and by third parties on their behalf.

In addition to members, EPSVs care for beneficiaries, who are natural persons who, due to their relationship with the originator, hold the benefit after the contingency occurs (see art.16 of Law 5/2012).

Both members and beneficiaries are entitled to participate or be represented in the EPSV'S bodies of governances, as a clear manifestation of the principles that inspire EPSVs, consisting of equal rights and obligations and the democratic structure and composition of their bodies of governance and, consequently, also the first guiding principle of Social Economy entities that sets forth prioritising people and the social purpose over capital, in terms of democratic and participatory management (see art.4.a of Law 5/2011).

### **Definition of social welfare plans and modalities**

Social welfare plans are defined as agreements which, without their own legal personality, bear contractual, associative, establishment, or regulatory form, with the objective of implementing and regulating both the system for regular contributions and benefits and conditions for acknowledgement of rights, for the contingency of retirement, as well as, if applicable, death, dependency, invalidity, long-term unemployment, or serious illness. They must be formalised with benefit regulations, and financial and individual actuarial capitalisation systems shall be applied to determine these (see art. 8 of Law 5/2012).

Based on this definition, we can differentiate between different social welfare plan modalities (see art. 9 of Law 5/2012).

On one hand, based on the bond between the members, the plans can be:

- a) *Individual social welfare plans*: those that merely require membership, without any prior bond between members.
- b) *Employment social welfare plans*: plans that require an employment, civil, or statutory bond, or worker-members or work within the scope of cooperative and worker-owned companies between their members. For applicable purposes, a social welfare plan may also be classified as an employment plan when its members belong to self-employed workers who have constituted themselves through professional associations, chambers of commerce, or other representative entities who act as promoting members or patrons. Additionally, different

patrons may join an employment social welfare plan and its collective, respecting the characteristics of the welfare plan.

- c) *Associated social welfare plans*: those that require an associative bond between members.

On the other hand, depending on the contribution and benefit system, plans can be:

- a) *Defined contribution social welfare plans*: plans where the contribution of members or how to determine the amount is predetermined, without this having a direct and immediate relationship with the specific contribution that may be received in the future, and without guaranteeing, a priori, the amount of the benefit. Notwithstanding, there may be plans of this type with an external guarantee of the specific amount of each percentage of equity, which in this case are called guaranteed social welfare plans.
- b) *Defined benefit social welfare plans*: plans that specify the amount or how to determine the benefits to be received by passive members or beneficiaries, in the event that, in the event causing pay-out of benefits, the requirements and conditions set forth to this end are fulfilled.
- c) *Blended social welfare plans*: plans that simultaneously combine characteristics of the two previous options.

### 8.3. SCOPE OF VOLUNTARY SOCIAL WELFARE ENTITIES

After showing the reality and *raison d'être* of EPSVs in the previous section, in this section, we offer their true scope in quantitative and qualitative terms, all while highlighting, when applicable, the driving notions revolving around them, or aspects to be improved.

To this end, we consider data taken from questionnaires provided to the two EPSV federations that currently exist in the ACBC, meaning the Federation of EPSVs of the Basque Country, which represents the majority of EPSVs designed to cover personal contingencies, and the Sutareo Federation, which represents EPSVs designed to cover or protect goods.

#### **Voluntary Social Welfare Entities federated to the Federation of EPSVs of the Basque Country**

##### *Definition of their legal nature and main differences with Pension Funds*

Federated EPSVs conduct pension activity, mainly designed to complement the public pensions of associates so that the public pension,

along with the complementary pension, is as close as possible to the last salary received while actively working.

EPSVs and State Pension Funds have the same purpose: to complement the public pension. However, there are some differences between them, since EPSVs are:

- a) The Basque Country's own specific instrument that is regulated by Basque regulations from the Basque Parliament and Government.
- b) EPSVs have their own legal personality and do not require a managing entity to administer their equity.
- c) They are not-for-profit.
- d) Governance bodies consist of their own members and their composition is democratic.
- e) They are supervised and controlled by the Basque Government, and not by the State Administration.

*Organisation of the Federation of EPSVs of the Basque Country and federated EPSVs therein*

One of the basic principles of voluntary social welfare systems is that, in their establishment and operations, EPSVs must adapt the structure and democratic composition of their governance bodies, stipulating that the election of these bodies shall be representative of the social collective, and their members must have access to the information necessary to conduct their roles.

The social collective is represented in employment system governance bodies by at least 50%.

The board of governance, the body responsible for administering, managing, and representing the Entity, must have balanced representation between men and women, considering the percentage of their presence in the entity.

Bodies of governance of EPSVs have immediate and direct access to all information available on the Entity, with transparency being one of the information principles in their management.

The Entity's bylaws may set forth assignation of remuneration or compensation of expenses for members of the board of governance exclusively when conducting executive or administrative functions. In any event, this shall require the express approval of the general assembly.

For the Federation of EPSVs of the Basque Country, all Entities are entitled to information on the operation and status of the Federation and its services and may use an expert's services if they deem doing so pertinent.

The Federation is structured into sections. These sections are work groups that represent the interests of the different groups of federated entities in order to preserve their identity. There are currently 4 sections: employment EPSV, individual EPSVs, associated EPSVs, and undifferentiated EPSVs.

*Voluntary Social Welfare Entities federated with the Federation of EPSVs in the Basque Country in data and the most relevant aspects of their daily dynamic*

(A) Voluntary Social Welfare Entities federated with the Federation of EPSVs of the Basque Country

On 31 December 2019, 60 EPSVs were federated with the Federation of EPSVs of the Basque Country: 1 under the undifferentiated, 2 under the associated, 26 under the employment, and 31 under the individual modalities.

Pursuant to data provided by the Federation of EPSVs of the Basque Country, contributions made to federated EPSVs during fiscal year 2019 exceeded 853 million euros. This amount is broken down as follows:

- (a) Associated EPSV section: 247,000 euros.
- (b) Employment EPSV section: 428 million euros.
- (c) Individual EPSV section: 425 million euros.

On the other hand, benefits received by federated EPSV members exceeded 884 million euros in 2019.

Benefits are received as income, capital, or a blend (capital-income combination, or vice-versa). Notwithstanding, the Federation of EPSVs of the Basque Country indicates that an effort must be made to provide incentive to collect as income, given that the social objective of EPSVs is to complement, with a sufficient amount, periodical pensions paid out by Social Security.

This must all be cross-checked with the information set forth on the Basque Government's Office of Financial Policy's Complementary Social Welfare Report 2018, "*La Previsión Social Complementaria en Euskadi-resumen* (Complementary Social Pensions in the Basque Country-A summary) (second and third section)"<sup>2</sup>.

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<sup>2</sup> The report from fiscal year 2019 is not expected until October or November 2020.



Thus, according to this Report, 77 EPSVs were operating in the ACBC in 2018, providing benefits complementary to Social Security. Of these EPSVs, 2 were associate, 44 were employment, and 31 were individual.

Of the 44 employment EPSVs, 40 have welfare plans whose scope of action is the company, and 4 are sectorial, given that their welfare plans encompass a set of companies (one EPSV for cooperative enterprises belonging to the Mondragón Corporation, another for companies that fall under certain collective provincial conventions in Gipuzkoa, and two EPSVs for workers in the public sector, one for workers at the General Administration of the ACBC, and the other for the Provincial and Local Administration).

As far as the 31 individual EPSVs are concerned, it should be noted that five of them have numbers on the balance sheets above 300 million euros and more than 25,000 members.

Below are the numbers from the balance sheets of all EPSV modalities in 2018:

*Illustration 70. Data according to EPSV type (I)*

MODALIDAD	Número de Entidades	Cifra Balance	%/Total
<b>EPSV con Planes de Previsión</b>			
Asociada	2	21.228.524,55	0,09%
Empleo	44	13.409.480.995,84	54,01%
Individual	31	11.395.309.176,57	45,90%
<b>TOTALES</b>	<b>77</b>	<b>24.826.018.696,96</b>	<b>100%</b>

Fuente: Dirección de Política Financiera

The number of people in EPSVs with welfare plans in 2018 was 1,135,778. When analysing from a gender perspective, men account for 56% and women account for 44% of total members.

*Illustration 71. Data according to EPSV type (II)*

MODALIDAD	Nº de Entidades	Socios Hombres	%Total	Socios Mujeres	% Total	Total Socios/as
<b>EPSV con Planes de Previsión</b>						
Asociada	2	1.267	85,15%	221	14,85%	1.488
Empleo no preferente	44	279.881	57,60%	206.055	42,40%	485.936
Individual	31	353.880	54,58%	294.474	45,42%	648.354
<b>TOTALES</b>	<b>77</b>	<b>635.028</b>	<b>55,91%</b>	<b>500.750</b>	<b>44,09%</b>	<b>1.135.778</b>

Fuente: Dirección de Política Financiera

From the perspective of the size or dimension of EPSVs with welfare plans, the Report indicates that the average number of members per EPSV in 2018 was 14,750; 20,915 on average for individual EPSVs, 11,044 on average for employment EPSVs, and 744 on average for associated EPSVs. That being said, these relatively high averages conceal a high number of “smallholdings” in the EPSV collective, especially with employment. This means that most employment EPSVs, 68% of them, have fewer than 1,000 members and only 6 entities have more than 5,000 members. This “smallholding” is also to be observed in EPSV equity. Indeed, many small entities, almost 86% of EPSVs with welfare plans, have equity lower than average (322 million) and a small number of them are large. And the same happens both with employment EPSVs and with individual EPSVs. 13% of EPSVs (those with more than 25,000 members) hold 80% of equity.

In terms of contributions and benefits of EPSVs with welfare plans during 2018, please see the table below, which is contained in the aforementioned report<sup>3</sup>:

*Illustration 72. Data according to EPSV type (III)*

MODALIDAD	Número	Aportaciones	%/Total	Prestaciones	%/Total
<b>EPSV con Planes de Previsión</b>					
Asociada	2	294.791,13	0,04%	287.430,01	0,05%
Empleo	44	318.631.762,68	43,82%	418.939.071,80	65,98%
Individual	31	408.281.272,49	56,14%	215.696.771,01	33,97%
<b>TOTALES</b>	<b>77</b>	<b>727.207.826,30</b>	<b>100%</b>	<b>634.923.272,82</b>	<b>100%</b>

Fuente: Dirección de Política Financiera

The average amount that people contributed on 31 December 2018 was 1,405.10 euros (1,463.21 euros for men, and a bit lower, 1,327,34€, for women).

In terms of benefits, please see the table below, which is contained in the aforementioned report:

<sup>3</sup> For EPSVs with welfare plans, this table shows contributions and benefits for retirement contingencies, as well as death, dependency, permanent disability, long-term unemployment, or serious illness, meaning the benefits that may be paid out by means of welfare plans. As such, contributions and benefits to grant other social benefits such as temporary disability, employment assistance, or certain medical benefits, etc., given by certain employment EPSVs are not included. These benefits do not fall under the second or third pillar.

## Illustration 73. Data on benefits

JUBILACION					
Número de Asociados			Importes		
Hombres	Mujeres	Total	Hombres	Mujeres	Total
28.573	12.937	41.510	355.954.424,97 €	124.319.642,28 €	480.274.067,25 €
INCAPACIDAD PERMANENTE					
Número de Asociados			Importes		
Hombres	Mujeres	Total	Hombres	Mujeres	Total
4.987	1.667	6.654	34.649.685,26 €	11.013.534,27 €	45.663.219,53 €
DEPENDENCIA					
Número de Asociados			Importes		
Hombres	Mujeres	Total	Hombres	Mujeres	Total
11	10	21	1.028.003,04 €	135.097,72 €	1.163.100,76 €
DESEMPLEO LARGA DURACION					
Número de Asociados			Importes		
Hombres	Mujeres	Total	Hombres	Mujeres	Total
540	394	934	2.647.985,27 €	1.298.542,08 €	3.946.527,35 €
ENFERMEDAD GRAVE					
Número de Asociados			Importes		
Hombres	Mujeres	Total	Hombres	Mujeres	Total
32	29	61	204.076,27 €	233.968,01 €	438.044,28 €
TOTAL SOCIOS/AS PASIVOS					
Número de Asociados			Importes		
Hombres	Mujeres	Total	Hombres	Mujeres	Total
34.143	15.037	49.180	394.484.174,81	137.000.784,36	531.484.959,17
FALLECIMIENTO					
Número de beneficiarios/as			Importes		
Hombres	Mujeres	Total	Hombres	Mujeres	Total
4.263	14.375	18.638	25.141.536,54 €	78.296.777,11 €	103.438.313,65 €
TOTAL SOCIOS/AS PASIVOS/BENEFICIARIOS					
Número de Asociados			Importes		
Hombres	Mujeres	Total	Hombres	Mujeres	Total
38.406	29.412	67.818	419.625.711,35 €	215.297.561,47 €	634.923.272,82 €

Fuente: Dirección de Política Financiera

As concluded in the report, of the total expense in benefits for all EPSVs with welfare plans in 2018, 76% was for the retirement contingency, and 16% was received by beneficiaries as a result of an ordinary member's death. Additionally, 66% of total benefits (419,625,711.35 euros) were received by men, while women received 34% of benefits (215,297,561.47 euros). The average amount of benefits received was 9,362.16 euros. That being said, when we analyse by gender, the average amount received by women (7,320.06 euros) is significantly lower than the amount received by men (10,926.05 euros).

In terms of how benefits were collected, considering employment and individual EPSVs, the Report calls our attention to the fact that practically 50% of benefits received were in the form of capital. In this regard, please see the table below, contained in the report:

*Illustration 74. Data on benefits*

Forma de cobro	Nº socios/as pasivos	Importe	Importe medio anual	Importe medio mensual
Renta actuarial	31.091	232.421.499	7.475,52	623
Renta financiera	13.137	72.559.176	5.523,27	460
Capital	16.392	294.836.165	17.986,59	
<b>Total</b>	<b>60.620</b>	<b>599.816.840,01</b>		

Fuente: Dirección de Política Financiera

However, it should be clarified that, for employment EPSVs, the majority collect by means of actuarial income, which falls more in line with the EPSVs' social purpose, which is to complement, with a sufficient amount, the periodical pensions paid out by Social Security.

In any event, the Report calls our attention to the fact that, in 2018, it is clear that members of individual EPSVs gradually began requesting to collect their benefit as actuarial income.

(B) Promoting members and patrons, and numbered or ordinary members

As stated by the Federation of EPSVs in the Basque Country, it is difficult to calculate the number of promoting members and patrons, given that they may range from 1 to 8,700 (number of companies belonging to 20 sectors that had the sectorial EPSV that forms part of the Federation of EPSVs in the Basque Country, meaning Geroa EPSV, in 2019).

Additionally, on 31 December 2019, considering the number of accounts or positions, since it is very difficult to determine how many are duplicate or members with suspended contributions, there were 1,141,811 numbered or ordinary members, according to the information provided by the Federation of EPSVs in the Basque Country.

Pursuant to the Complementary Social Welfare Report 2018 by the Basque Government's Office of Financial Policy, "*La Previsión Social Complementaria en Euskadi-resumen* (Complementary Social Welfare in the Basque Country-A summary) (second and third section)," ordinary members older than 65 account for only 10.7% of all members. If we only consider the collective with people younger than 65, the average age of associates with welfare plans is 48. This average is identical, both for women and for men. It should be noted that employment EPSVs allow people to join at an earlier age.

From a gender perspective, pursuant to the aforementioned Report, in 2018, women accounted for 44% of total members, and made 40% of contributions. The Report's conclusion in this regard is clear: the

contributions of women as a whole are 4 percentage points lower than the percentage of the number of members.

(C) Information for members

In general, federated EPSVs that have welfare plans must provide ordinary members and beneficiaries with the following information:

- a) The Entity's Bylaws and the Regulation for the plan they have joined and the composition of the bodies of governance.
- b) Amendments to bylaws and regulations and amendments in the composition of the bodies of governance.
- c) The Statement of Principles of Investment, which must include the risk profile (high, medium, or low) due to the assets in which they invest, or the techniques used to manage them.
- d) Specification of the percentage to apply in each welfare plan, for administrative expenses, as well as the percentage out of the plan's equity taken by intermediation expenses for the purchase-sale of transferable securities and the rotation ratio in the portfolio of said securities.
- e) Identity of Entity auditors.
- f) Historical evolution of the welfare plan's equity, annual profitability objectives, and the profitability achieved by the plan, in each one of the past three fiscal years, or the fiscal years that have been completed since the plan has been in existence, if lower than three.
- g) Information on the applicable tax system, both for contributions and for benefits for different contingencies.
- h) Information on estimating future pension rights pursuant to the Basque Government's ministry responsible for social welfare entities (currently, this is the Ministry of Treasury and Economy).
- i) If the EPSV bears social, environmental, ethical, and corporate-governance considerations in mind in its investments. If it does not, it must provide the reasons why it does not.

For welfare plans in the defined benefit system, at least annually, the Entity must send each ordinary member and beneficiary a certification with the direct or allocated contributions from each period, the value at the end of the period of their economic rights, if any, and the amount of benefits paid out during the period. Additionally, they shall send an abbreviated management report, except when they have a telematic relationship with members.

Regarding the information that they must provide to members during the phase prior to retirement, in addition to the information on estimated

future pension rights, entities must provide each member, at least two years before their legal retirement age, or at the request of the member, with information on the options available to members to receive their retirement benefit.

Lastly, the information that must be provided to passive members and beneficiaries during the phase of receiving the pension is:

- a) Entities shall provide information on benefits owed and pertinent payment options.
- b) When passive members and beneficiaries undertake a significant level of investment risk during the phase of receiving the pension, the EPSV shall clearly inform of this circumstance.

#### (D) Fiscal or tax benefits

EPSVs and their members have tax treatment that can be classified as favourable, since its purpose, to wit, complementing the public pension, is considered an important issue for a section of society that deserves beneficial tax treatment.

Specifically, in terms of the content of the tax system applicable to EPSVs, please see the contents of the Federation of EPSVs on the Basque Country's website (<https://epsv.org/fiscalidad/#page-content>).

In this regard, we must specify that the Federation of EPSVs in the Basque Country understands that the current tax system applicable to EPSVs must be revised by observing the current limits to reduction of contributions, or otherwise, by establishing a tax benefit comparable to the existing one, as well as by improving taxation for the revenue paid out as income, so that it is at least as attractive as other forms of collecting payment. Moreover, they consider that tax treatment for preferential employment EPSVs must be improved, insofar as they are an ideal vehicle to generalise Complementary Social Protection in the Basque Country.

#### (E) Redemption feature for economic rights charged to accumulated reserves

Members of federated EPSVs may collect the total or partial amount of their economic rights from contributions made to social welfare plans in the individual or associated modality earlier when they have been members for more than ten years. On the other hand, employment EPSVs stipulate the possibility for early withdrawal only in plans that had this redemption feature when Law 5/2012 went into force, and for the economic rights existing on that date.

Reasons for redemption are normally related to need.

Regarding the number and amount of redemptions, we have referenced the Basque Government's Office of Financial Policy's Complementary Social Pension Report 2018.

*Illustration 75. Data on redemptions*

	EPSV Asociadas	%	EPSV Empleo	%	EPSV Individuales	%	Total EPSV
Número Rescates	7	0,03%	113	0,47%	24.026	99,50%	<b>24.146</b>
Importe de los Rescates	10.203,03	0,01%	2.215.570,07	1,44%	152.120.347,64	98,56%	<b>154.346.120,74</b>

Fuente: Dirección de Política Financiera

From a gender perspective, the percentage of men who cashed in redemption in the year 2018 was 57%, and the percentage received was 62%.

Regarding the special situation stemming from Covid-19, the Director of Financial Policy of the Basque Government handed down the Resolution of 25 March 2020, which authorises collection of unemployment benefits for EPSV members who had been furloughed by force majeure due to the impact of Covid-19.

Pursuant to statements by the Federated Entities, the impact of Covid-19 was greater in terms of requests for information than in actually exercising the right to collect the benefit.

(F) Efficacy, efficiency, and innovation of EPSVs in managing their resources

Pursuant to statements by the Federation of EPSVs in the Basque Country, the following aspects should be highlighted in terms of the efficacy, efficiency, and innovation of EPSVs in managing their resources:

- a) Investments are only made in the interest of ordinary members and beneficiaries, and the majority on markets organised by the OECD.
- b) Assets are allocated in an adequate fashion that is sufficiently stable over time, notwithstanding their correction or permanent rebalancing, within defined margins, based on evolution of the markets.
- c) An adequate diversification policy is enacted, both between different kinds of assets in the portfolio and the different securities within each kind of asset, as a basic element to hedge risk.

- d) The different portfolios are actively managed by means of appropriately selecting securities and taking advantage of different opportunities continuously presented by the markets.
- e) The fund's liquidity is adequately managed, providing for rapid liquidation of assets to handle potential pay-outs.
- f) Strict policies are enacted to manage risks, for internal audits, and if applicable, for actuarial and externalisation purposes (Good Governance).
- g) Investments are managed in a socially responsible fashion that places a very positive value on an active, transparent voting policy, in order to promote Good Corporate Governance, as well as considering the social and environmental effects of company activity.
- h) If applicable, a life-cycle investment strategy is implemented.

#### (G) Socially responsible investment

Federated EPSVs and the Federation itself have undertaken a clear and firm commitment to Socially Responsible Investment, which almost unanimously takes shape in the Declaration of Investment Principles (DPI, in Spanish) of Federated Entities.

Investments by EPSVs and their welfare plans must be governed by the following principles:

- a) EPSVs' assets shall only be invested in the interest of their ordinary partners and beneficiaries. In the event of a possible conflict of interest, the Entity must ensure that the investment is made only in defence of the interest of associates.
- b) The majority of EPSVs' assets shall be invested on regulated markets. The criteria that EPSVs must follow in the implementation of investments shall be security, profitability, liquidity, diversification, spread, currency matching, and adequate timeframes for their purposes.
- c) The EPSVs must hold ownership and free disposal of goods and rights from investments.

Moreover, EPSVs must report to their numbered members and beneficiaries if the Entity has taken social, environmental, ethical, and corporate-governance considerations into account in their investments. If it has not, it must provide the reasons for doing so. When they have a policy in this regard, they must describe it, at least briefly, specifying their exclusion, integration, or engagement strategies. They must also mention the assets to



which this applies and how to verify, if applicable, application of this socially responsible investment policy.

In any event, EPSVs must exclusively invest in assets declared apt by the EPSV regulation (see art. 11.3 of Decree 92/2007), with the investment's purpose being to achieve the best yields possible to adequately honour pension commitments they have entered into with associates and beneficiaries.

#### (H) Educating members

Pursuant to the information provided by the Federation of EPSVs in the Basque Country, within the scope of education, it should be noted that in March 2019, the tenth basic face-to-face training course on Complementary Social Welfare was held, promoted by the Basque Government and organised by the Federation with the collaboration of Deloitte. Additionally, the Federation periodically organises practical courses on managing EPSV investments.

In 2019, the Federation of EPSVs in the Basque Country promoted the publication of educational videos for open viewing in 2020, as well as, with the collaboration of the Basque Government, the publication of a book of collaborations on the 35th anniversary of the first Law on EPSVs, which was also free to access in 2020 on the Federation's webpage ([www.epsv.org](http://www.epsv.org)).

#### (I) Educating members of Boards of Governance of EPSVs in the Federation and of the Federation itself

Members of Boards of Governance of EPSVs in the Federation and of the Federation itself must hold professional qualification and adequate knowledge and experience to guarantee healthy and prudent management of the entity.

#### (J) Improvements that the Federation of EPSVs in the Basque Country brings to the operation of its federated EPSVs

The duties practised by the Federation and that bring clear advantages to federated entities are:

- a) Representation of federated entities to all kinds of bodies and offices in issues related to the general interests of pensions.
- b) Representation of the Complementary Social Pension sector at the Basque Social Pension Council.

- c) Fomenting promotion and education in voluntary social welfare.
- d) Defence of general interests of Federated Entities.
- e) Technical and legal assistance.

Moreover, the Federation has been legally assigned, if applicable, to act to reconcile conflicts that arise between associated entities or between the entities and their members, although it should be mentioned that all conflicts that have arisen as of today were slight and easily resolved.

#### (K) Fomenting and promoting voluntary social welfare

In terms of fomenting voluntary social welfare, the Basque Government collaborates with the Federation on education and dissemination (training courses, workshops, and seminars, etc.), contributing to funding these initiatives.

Pursuant to the information provided by the Federation of EPSVs in the Basque Country, the promotion and dissemination of voluntary social welfare is basically channelled by organising workshops and seminars, regular participation in national and international forums, the intensification of institutional and media relations, and educational work (courses, videos, books, etc.).

Additionally, Federated Entities conduct advertising activity through all kinds of media and advertising formats.

#### (L) Confederation with state and international bodies

The Federation of EPSVs in the Basque Country is a noteworthy member of the *Confederación Española de Mutualidades de Previsión Social Voluntaria* (Spanish Confederation of Voluntary Social Welfare Mutual Societies), it has a representative at PensionsEurope, which is the most important pension association in Europe, and is an observing member of EAPSPI, the European pension association in the public sector.

#### (LL) EPSV as a mechanism to prevent social exclusion

Although promoting employment, and especially people who are socially excluded, is not the EPSVs' purpose, it is also true that EPSVs' protective action includes long-term unemployment as a contingency, this meaning loss of employment or cessation of activity for self-employed workers, who meet the conditions set forth by regulations under the following criteria:

- a) Hold legal status as unemployed, collecting a contributory benefit for a year, unless this benefit ended before a year.
- b) In the event that they are not collecting unemployment benefits at their contributory level, they may receive the pertinent benefit before this deadline has passed.

### **Voluntary Social Welfare Entities federated to the Sutearo Federation**

*Their definition to differentiate them from traditional insurance companies*

While EPSVs federated with the Sutearo Federation are similar to traditional insurance companies in that they respond for possible damages that may be caused to the insured goods as a result of the cases set forth in the contract entered into with the pertinent EPSV, such as fire, explosion, lightning, rain, wind, theft, and loss, and they also manage civil liability arising from damages potentially caused to third parties, their main difference lies in that:

- a) *Sutearos* or brotherhoods federated with the Sutearo Federation are not a company or commercial entity, but rather entities, associations, or groups of mutual aid comprised of, and managed by members.
- b) The decisions of *sutearos* federated with the Sutearo Federation are in the hands of members, who decide conjointly and as an assembly on the scope of aid and standards for operations that govern their day-to-day.
- c) The social purpose of *sutearos* federated with the Sutearo Federation is not to obtain profit, but rather to use the contributions of associates to pay expenses for accidents that may occur and to manage them; the surplus remains in the “market” of each associated person, under their own name.
- d) *Sutearos* federated with the Sutearo Federation are focused on protected farms or homes in the rural environment, firstly due to the fact that this is the area where the first brotherhoods were established, and secondly, because the solutions offered by traditional insurance companies did not meet the needs of this kind of home.

Certainly, this all demonstrates loyal compliance with the first guiding principle of Social Economy entities, regarding prioritising people and the social purpose over capital, insofar as these EPSVs are managed democratically and in a participatory fashion.

The following section delves further in depth into this principle, regarding the organisation of the Federation and each federated *sutearo*.

### *Organisation of the Sutearo Federation and each federated sutearo*

As follows, we differentiate between the eight management bodies in the Sutearo Federation's organisation and each one of the EPSVs federated with it, called *sutearos* or brotherhoods.

#### (A) Federation General Assembly

The Federation General Assembly consists of electors of all federated *sutearos* (one per *sutearo* and another for each 50 associates; as such, at least two per *sutearo* and also a maximum of 6).

The General Assembly is the highest body to address and decide on matters.

#### (B) General Assembly of each *sutearo*

The General Assembly, consisting of all associates, is the highest body of governance of the entity. This is where all matters are addressed, and its decisions are binding for all associates.

Since each *sutearo* is federated, they answer to the Federation on management issues entrusted to it, as well as decisions made by the majority of federated *sutearos*. Each *sutearo* takes part on the Federation General Assembly through representatives or electors in proportion to their affiliation.

#### (C) Board of Directors

This consists of representatives of six *sutearos*, people who hold the presidency and vice-presidency of the Federation, a representative of the Supervisory Board and another representative of the Promotion Board.

Management and a representative of the Office participate, carrying out presentation and secretarial tasks.

The Federation's Management amongst Assemblies lies with the Board of Directors. Their work consists of complying with and enforcing compliance with the General Assembly's decisions and taking responsibility

for proper Federation management and associates in compliance with bylaws and the law.

At least once per year, a broader Board of Directors' meeting is held, consisting of representation for each *sutearo*.

(D) Board of Directors of each *sutearo*

This consists of one person to represent each neighbourhood or zone, submitted by alphabetic order. This number may vary based on the number of affiliates and the division of neighbourhoods or zones. Currently, the number of people on the Board for each *sutearo* varies between 2 and 13.

The responsibility for managing everything that is not the responsibility of the Federation falls on the Assemblies.

In turn, when applicable, they take part in the Federation's Board of Directors.

They attend regional meetings, the broader Federation Meeting, and its Assembly, with the number of representatives for each *sutearo* based on their affiliation numbers.

(E) Board of Promotors

Consisting of eight people, one person per brotherhood or promoting *sutearo*. Their task is to ensure that *sutearos* remain true to their philosophy. If they observe that there is a change in course, they may call an extraordinary General Assembly.

(F) Supervisory Board

This consists of the last three people who held the presidency and the current president and vice-president, one to represent the Board of Promotors and the Manager. Their mission is to supervise the daily operations of the Federation and of *sutearos*, and to act as support and provide assessment to the Governing Board.

(G) Disciplinary Commission

Consisting of five people representing five *sutearos*, whose mission is to resolve conflictive relationships between associates.

## (H) Federation Management and Office

This is also the management team for each *sutearo*, since they have transferred management to the Federation, so all missions entrusted to the Federation's office are also jobs conducted on behalf of each *sutearo*. As such, this is also their management body.

### *Sutearos in numbers and the most relevant aspects of their daily dynamic*

#### (A) *Sutearos* in numbers

The total number of members grouped under the Federation is 4,194, and they have signed 5,069 contracts.

These members are grouped into *sutearos* or brotherhoods, which in turn form part of the Sutareo Federation. It should be noted that all members are active members.

In recent years (2015, 2016, 2017, 2018, 2019), 269 cancelled their membership, for basically the same three reasons: sale of home, moving to the competition, and no interest in continuing.

Regarding the contributions made by *sutearo* members associated with the Sutareo Federation, the average contribution is estimated in relation to the value of the home, which is around 900-1000€ per one million insured.

In terms of benefits received by *sutearo* members federated with the Sutareo Federation, in 2019, the amount received was 1,030,000€. This money was received by direct payment.

#### (B) Information for members

Regarding the Sutareo Federation channelling information toward its members, it should be noted that the Federation provides its accounts for the Federation and brotherhood on an annual basis, as well as all accounting items that generate expense. They also provide all information that affects rights and obligations and preventive measures.

#### (C) Lack of fiscal or tax benefits

Sutareo Federation members receive no tax or fiscal benefits for being such, nor for signing their contracts.

(D) Cooperation, solidarity, and localness as values

The main corporate values of the Federation and different *sutearos* are cooperation, solidarity, and localness, meaning principles for action and elements that set them apart from other traditional insurance companies.

*Sutearos* directly manage disasters. Precisely for this reason, in managing their resources, the greatest example of efficacy, efficiency, and innovation lies in localness, both in the entity's inward management and in managing disasters outward.

We can also see this local aspect with the participation instruments in the Federation and the *sutearos*: participation through the General Assembly and members' contributions via the website, email, and other channels, such that channels for participation are always provided.

(E) Investments that are not socially responsible

The investments that the Federation makes are through FINECO and are not socially responsible.

(F) Lack of training

There is no specific training for its members beyond the aforementioned prevention education, and this even affects the aforementioned bodies of governance, which at this time is creating a great conflict in legal approaches, forcing professionalised boards of governance meetings to be held.

(G) Existing conflicts

Existing conflicts mainly arise as a result of disasters and application of housing-dwelling regulations.

(H) Fomenting and promoting voluntary social welfare

The way that the Sutareo Federation foment and promotes voluntary social welfare is basic, through "word of mouth" and the tradition of keeping homes insured, even if they are transferred.

The only advertising actions that the Federation carries out are intended exclusively for its members and to maintain them.

Public authorities have not provided measures to foment, support, or promote *sutearos* in the Sutearo Federation; more to the contrary, they are encountering increasing difficulties in pursuing their social objectives. The Federation is speaking of the “danger of homogenisation” with the new EPSV Law.

(I) Lack of confederation with state and international organisations

The Federation is not confederated or associated with any organisation, neither nationally nor internationally

#### 8.4. CHARACTERISATION

In this section, we analyse four cases that we consider paradigmatic or worthy of consideration as good practises in terms of the guiding principles for Social Economy entities.

##### **Entities and preferential voluntary social welfare plans**

Under EPSVs and their social welfare plans, of note is the new aspect of Law 5/2012 on EPSVs and preferential social welfare plans, which are set forth as a fundamental element to develop and spread complementary social provision schemes in the future (see Memorandum, section VI).

We can see the intent to spread complementary social provision amongst ACBC’s citizens in the fact that their origin and constitution comes from collective bargaining or company pacts. Moreover, non-discrimination against members joining is a governing principle.

Additionally, we must highlight that they prioritise social aspects above economic aspects. Indeed, banking on this EPSV modality and its social welfare plans means guaranteeing greater replacement income in the event that the protected contingencies occur, as a complement to the benefits paid out by the Social Security System, thereby providing sufficient benefits, and increasing well-being. In this regard, the benefit is preferentially provided as income, redemption for contributions is avoided, and the mobility of economic rights is limited. In short, the benefits have a social purpose and a destination that is clearly defined.

All this is related to the third guiding principle of Social Economy entities, regarding promotion of internal solidarity and solidarity toward society, in that guaranteeing benefits complementary to those received from



the Social Security System not only benefits members and beneficiaries of the preferential EPSV, but also leads to savings in public expenses for social protection, helps in local development, and is a clear example of quality employment.

That said, for an EPSV to be classified by the competent administrative body as preferential, the EPSV in question must be for employment, be established pursuant to Law 5/2012 (see art. 12), and only have preferential social welfare plans (see article 11 of Law 5/2012). Specifically, social employment welfare plans are classified preferential when created pursuant to the procedure set forth in Law 5/2012 (see art. 42) and that meet the following requirements (see art. 14):

- a) **Principle of non-discrimination:** In preferential social welfare plans, the possibility of membership must be guaranteed to all staff employed at least for one year, including staff with a special employment relationship, to all worker-members, or all worker-owners, in the case of cooperatives and worker-owned companies, or the entire collective when self-employed workers are in question.
- b) **Minimum protective action:** This shall cover, at minimum, contingencies for retirement, death, and invalidity or permanent disability that lead to termination of the employment relationship or its equivalent.
- c) **Shared contributions:** Contributions are determined by collective bargaining and must be shared between patron members and numbered members. Notwithstanding, contributions made to a social welfare plan by self-employed or worker-members or worker-owners for cooperatives and worker-owned companies shall be set forth by plan regulations.
- d) **Mobility:** Economic rights can only be moved to other preferential social employment welfare plans.
- e) **Impossibility of redemption:** Coverage shall only be provided for contingencies set forth in regulations, with no possibility of advance return on economic rights.
- f) **Benefits:** Benefits for retirement, death, and invalidity or permanent disability leading to the termination of the employment relationship, shall be received pursuant to bylaws or regulations, and they must be acknowledged and paid as a life annuity, with the possibility of financial income provided they have a minimum duration of fifteen years, barring cases of benefits for orphan's pensions. Exceptionally, these benefits may be received as capital in the situations set forth by bylaws or regulations or when the amount of the benefit as income does not reach the percentages

- or amounts established in regulations. Other benefits shall be received as set forth in the plan's regulations.
- g) Monitoring commission: The agreements that structure a social employment welfare plan that seek to be classified as preferential must establish a monitoring commission with equal composition of parties, unless it is a plan integrated into a preferential EPSV with that single plan and with the equal board of governance. Equality in the monitoring commission, or if applicable, the board of governance, shall not be required for plans or entities for the self-employed or worker-members or worker-owners for cooperatives and worker-owned companies.
  - h) Name: Social employment welfare plans that meet the requirements in this article must add the additional title of “preferential” to their original name.

### **Transparent, democratic, and participatory management in governing bodies of Social Voluntary Welfare Entities**

The management of EPSVs' governing bodies perfectly falls under the guiding principle for Social Economy entities on prioritising people and the social purpose above capital, which takes shape, amongst other aspects, as transparent, democratic, and participatory management (see art.4 of Law 5/2011).

Therefore, EPSVs must have internal control procedures in terms of their organisation and operations, as well as established procedures to control risk management for investments. They must also have structures for participation in controlling their management and solvency. In any event, on an annual basis, the general assembly must take a position on the suitability of internal control mechanisms established by the EPSV by approving the external audit report drawn up for this purpose (see art. 56.1 of Law 5/2012).

In the same fashion, the EPSVs' bylaws shall guarantee effective participation of representatives of welfare plans in governance bodies. To establish the number of representatives and their condition, they shall consider the volume of their equity, number of members, or any other reasonable circumstance or characteristic for representation (see art. 56.2 of Law 5/2012).

It should be noted that, due to the equality principle, individual EPSVs must assign an advocate for associates through the general assembly who, in a professional manner and independent from the patron or promoting member, ensures the rights of ordinary members and beneficiaries, resolving

claims voluntarily submitted to them (see art. 57.2 of Law 5/2012). These advocates shall be independent entities or experts of recognised prestige with economic-financial or legal knowledge of the matter, and expenses for appointment, operation, and compensating these advocates under no circumstances shall be paid by claimants, nor shall this affect the equity in the social welfare plans (see art. 53, sections 2 and 3 of Decree 203/2015).

Additionally, transparency in EPSV management, as a guiding principle of the voluntary social welfare system (see art. 2.c of Law 5/2012) consists of providing members and beneficiaries with necessary information. Moreover, in order to provide the utmost guarantee of this transparency, when there are repeated, serious signs of an EPSV's failure to comply with regulations on transparency and protection of associates or good practises, the Ministry of Treasury and Economy of the Basque Country shall take pertinent measures under the framework of a supervision procedure (see art. 54.4 of Decree 203/2015).

### **Socially responsible investments of funds established by Social Voluntary Welfare Entities**

The EPSVs' board of governance must approve and periodically review a written declaration of investment principles, which shall include the policy on socially responsible investments or the reasons why there is no such policy. However, this obligation is waived for EPSVs with a small volume of funds or due to certain characteristics of their activity (see art. 60.2 of Law 5/2012). In any event, the board of governance must always invest funds prudently, professionally, and responsibly (see art. 54.e of Law 5/2012).

Consequently, this is clearly in harmony with the third guiding principle of Social Economy entities, on promotion internally and with society, favouring commitment to local development, equal opportunity between men and women, social cohesion, integration of people at risk of social exclusion, creating stable and quality employment, a personal-family-work life balance, and sustainability (see art. 4.c of Law 5/2011).

Moreover, in coherence with the aforementioned, pursuant to Decree 92/2007 of 29 May, regulating EPSVs' practise of certain activities, certain EPSVs have the obligation to provide ordinary members and beneficiaries with information on whether the EPSV bears social, environmental, ethical, and corporate-governance considerations in mind in their investments. Moreover, when they do not, they must explain the reasons why they do not. On the other hand, when they have a policy in this regard, they must describe it, at least briefly, specifying their exclusion, integration, or engagement strategies. They must also mention the assets to which this applies and how

to verify, if applicable, application of this socially responsible investment policy (see art. 4.1.i).

Specifically, the following EPSVs are in question (see art. 1, sections 1 and 2):

- a) Those that have social welfare plans, as well as for death, permanent disability, long-term unemployment, or serious illness, whose members have or have had an employment relationship with the patron or are worker-members or worker-owners for cooperatives and worker-owned companies (employment modality) or who, if this is not the case, paying into any kind of Social Security modality or mutual societies alternative to the public system, hold a professional or associated relationship between themselves (associated modality).
- b) Any EPSV whose patron or promotor member is a financial entity that conducts the coverage activities described in the previous section, for ordinary members and beneficiaries who are natural persons (individual modality).

In this regard, the most important EPSVs in the country are committed to Principles for Responsible Investment (PRI). Therefore, they value the inclusion of Environment (E), Social (S), and Governance (G) issues in the fundamental analysis, both in internal management and in selecting external managers, contributing the achieving World Sustainable Development Goals (SDGs). This is the case of the Lagun Aro, Elkarkidetza, and Geroa EPSVS.

As an example, as follows we share the EPSV Geroa's PRI policy for the year 2019 (<http://www.geroa.eus/userfiles/file/docs/ESTATUTOS/PRI.pdf>).

Its policy for fund investment, considering environmental, social, and governance aspects (ESG) has taken shape by banking on companies with a better mid-long term profitability/risk ratio. To this end, it uses ESG rankings, as well as different extra-financial indicators and information on the companies to track their evolution and compare them with competitors. Based on this, EPSV Geroa excludes from its investments companies with severe controversy<sup>4</sup> or who do not comply with the 10 Principles of the United Nations Global Compact of 1999 on human rights, labour, the environment, and anti-corruption.

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<sup>4</sup> Severe controversies are incidents related to factors that have to do with the environment, social responsibility, and corporate governance and that affect the companies. In this regard, EPSV Geroa considers controversies rated as level 5 by the agency Rating ASG Sustainability as severe.

Every year, it conducts a quarterly examination to verify the portfolio's ESG rating. Additionally, it analyses whether any company has been involved in a severe controversy related to these aspects and ensures compliance with the 10 principles of the United Nations Global Compact. In the event of an incident, the Investments Committee may enter into active dialogue with the company to understand and assess the situation, giving them a deadline to resolve it or declare it unsuitable to be kept in the portfolio. In this vein, during fiscal year 2019, two companies were declared unsuitable, so holdings in them were dropped. In the same fashion, EPSV Geroa monitors certain companies which, while not at a severe controversy level and while still complying with Global Compact principles, it keeps under surveillance.

Lastly, Management Entities that have the best PRI practises are selected: companies that have ESG criteria in their investments, prioritising signatories of the 6 Principles for Responsible Investment.

Looking toward the future, in fiscal year 2019, EPSV Geroa has worked to evolve in the PRI field, testing different tools to improve analysis and control over its portfolios. This testing period served to create a more exhaustive policy for the upcoming 2020 year, in which EPSV Geroa commits to keep making progress. In this regard, it has hired the services of an ESG information supplier who is developing a tool to reinforce analysis and control over different ESG aspects in its investment portfolio.

Future improvements include development of a climate module to monitor the portfolio's carbon emissions, as well as risks and opportunities related to climate change to which EPSV Geroa is exposed. In turn, they are creating modules to monitor the impact of their investments on society and the alignment of these investments with the United Nations 17 SDGs.

The main indicators used by EPSV Geroa are set forth in the table below:

## Illustration 76. EPSV GEROA Main Indicators

## Principales indicadores

CLASE DE ACTIVO	POLÍTICA	OBJETIVO	RESULTADO 31/12/2019
Renta fija de deuda pública y organismos gubernamentales	Países con puntuación superior a 70 en ranking "ESG Country Risk"	Min 95%	100%
Renta fija corporativa, renta variable y convertibles	Países con puntuación superior a 70 en ranking "ESG Country Risk"	Min 95%	99,87%
	ASG Ranking de Sustainalytics o RobecoSAM: Puntuación superior a 70.	Min 50%	72,72% (de los que tienen ranking)
	MEDIO AMBIENTE	Informativo	73,22% (Ranking Sustainalytics/RobecoSAM:70) 98,01% (CDP Climate Score = 4)
	SOCIAL	Informativo	72,68% (Ranking Sustainalytics/RobecoSAM:70)
	BUEN GOBIERNO	Informativo	66,97% (Ranking Sustainalytics/RobecoSAM:70) 68,94% (CDP Climate Score = 4)
	Exclusión por comportamiento: Posiciones de aquellas compañías que incumplan alguno de los principios de Global Compact y/o los que tienen una controversia de nivel 5.	0% (salvo que deshacer posiciones sea perjudicial para el socio)	2 Compañías declaradas NO APTAS durante el ejercicio
	Controversias de nivel 4 o valores en vigilancia.	-	26 Compañías en vigilancia
Bonos Verdes/Bonos Sostenibles.	-	5 Bonos (10.000.000€)	
Fondos (Renta fija, Renta variable...) ETF o Inversiones a través de sociedades Capital Riesgo	Las entidades gestoras deben incorporar criterios ASG	Min 75%	97,70%
	Las entidades gestoras signatarias de UNPRI	Min 75%	96,96%
	Exclusión por comportamiento.	0	0 gestoras afectadas
Depósitos, cuentas corrientes, IPF, divisas...	Calificación ASG por Sustainalytics o RobecoSAM.	Min 75%	88,09% *El 91,61% tiene una puntuación superior a 70
Productos estructurados y derivados	Calificación ASG por Sustainalytics o RobecoSAM.	Min 75%	Estructurados 91,82% *El 100% tiene una puntuación superior a 70 Futuros y opciones 100% *El 100% tiene una puntuación superior a 90

\*Ranking de Sustainalytics o RobecoSAM. Puntuación de 0 a 100, siendo 100 mejor puntuación. Mide posicionamiento de las empresas en términos de ASG (Medio ambiente, social, Buen gobierno)  
 \*CDP Climate Score (1-5) siendo 5 el mejor. Mide nivel de compromiso de la empresa con la mitigación, adaptación y transparencia del cambio climático.  
 \*ISS QualityScore: (1 a 10) siendo 1 el mejor. Es el Rating general asignado por el Institutional Shareholder Services (ISS) a las prácticas de gobierno de la compañía.  
 Los porcentajes que se muestran se han calculado sobre las compañías de las que disponemos dato.

## Social provision schemes for the disabled

The possibility of EPSVs with social provision schemes for individuals with a certain degree of physical or sensory disability, as well as disabled persons with legally-declared disability, regardless of the degree (see Additional Third Provision of Law 5/2012), perfectly connects to the third guiding principle of Social Economy entities regarding internal promotion and promotion with society to encourage commitment to local development, equal opportunity between men and women, social cohesion, integration of people at risk of social exclusion, creating stable and quality employment, personal-family-work life balance, and sustainability.

Moreover, contributions can be made to these plans, both to the actual person with disability and to the individuals who are directly related to them up to the third degree, as well as the spouse or individuals for which the disabled person is legally guardian or fostering (see art. 4.c of Law 5/2011).

Lastly, as highlighted by the Federation of EPSVs in the Basque Country, we must not forget that the EPSVs' protective action includes contingencies for permanent disability and dependency, whose beneficiaries normally tend to be disabled.

## 8.5. FUTURE CHALLENGES

EPSVs are a suitable instrument and more than capable of spreading Voluntary Social Welfare in the ACBC far and wide. Especially preferential EPSVs. This is their great challenge, although to overcome it, public authorities and social agents must be firmly involved.

An effort must be made to provide incentive for collecting individual EPSV benefits as income, given that the social objective of EPSVs is to complement, with a sufficient amount, periodical pensions paid out by Social Security.

We must boost creation of employment EPSVs that are larger in size or dimension, in order to increase their equity, diversify investments, and obtain greater and better distribution of funds amongst members and beneficiaries.

The current tax system applicable to EPSVs must be revised by observing the current limits to reduction of contributions, or otherwise, by establishing a tax benefit comparable to the existing one, as well as by improving taxation for the revenue paid out as income, so that it is at least as attractive as other forms of collecting payment. Moreover, we must consider that tax treatment for preferential employment EPSVs must be improved, insofar as they are an ideal vehicle to generalise Complementary Social Protection in the Basque Country.

Greater visibility must be given to EPSVs that do not protect personal contingencies, promoting them and fomenting them because they are a Social Economy entity. Moreover, they must adapt, to the extent possible, to EPSVs that protect personal contingencies, in aspects such as fiscal or tax benefits, socially responsible investments, educating members, and opening up to other similar associations that may exist in the country or internationally, in order to exchange and implement good practises and defend shared interests.

## 8.6. CONCLUSIONS

EPSVs are an updated manifestation of the Basque people's communitarian spirit, whose social purpose is to achieve sufficient protection for members and beneficiaries for events that may put their lives, resources, or activity in danger. Specifically, they are an updated version of social welfare mutual societies and mutual institutions who had this practise in the past.

EPSVs find their legal basis in article 41, *in fine* of the Constitution, in article 10.23 of the Basque Country Statute, in Law 5/2012 and Decree 203/2015.

EPSVs are Social Economy entities because they adapt to the general principles that inspire their behaviour and that are set forth in Law 5/2011 of 29 March on Social Economy.

EPSVs are Basque Pension Funds that are different from said funds pursuant to the particularities set forth in their regulation.

Employment, and especially preferential EPSVs, are the ones that best fulfil the social purpose inherent to all EPSVs, insofar as they allow members to join at an earlier age, with what this entails in terms of contributions, and because mainly, they grant benefits as income, which from a wealth-distribution perspective provides a monthly complement to Social Security benefits. Indeed, the sum of both concepts, meaning private and public, means that obtaining sufficient protection is feasible, with a substitution rate as comparable as possible to income no longer received as a result of the occurrence of the pertinent contingency. Consequently, this EPSV modality must be fomented.

EPSVs that do not protect against personal contingencies have low visibility in society, despite their important social purpose. They are similar to insurance companies in that they answer to damages suffered by insured parties' to their goods but are different from them in how they manage and their not-for-profit nature. We must also highlight their inherent values of cooperation, solidarity, and localness. The Sutearo Federation and its federated *sutearos* are a good example of all this.

While EPSVs that do not protect against personal contingencies are characterised by their democratic organisation and management and by the transparent information they provide to their associates, just like EPSVs that do protect personal contingencies, they lack tax or fiscal benefits, they do not conduct socially responsible investments, there is not adequate training for their associates, they lack institutional support to foment and promote them, and they are not confederated with national and international organisations. This is why, in all these aspects, they differ from EPSVs that protect against personal contingencies.



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## ***Associations in the Basque Country: narrative***

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### 9.1. INTRODUCTION

According to the legal definition, “associations are partnership-based, not-for-profit, private entities, organised to achieve particular or general ends, and are not subject to a specific associate system.”

The right to association is an essential element to give legal shape to collective initiatives. This fundamental right (art. 22 of the Constitution) entails the State’s recognition and support of collective interests at the highest legal level.

There are two characteristics that are commonly attributed to associations:

- Association entails the joining of people to carry out a shared purpose that must be determined and legal.
- An organisation is necessary (which may be established with great freedom) to foment collaboration amongst associates to achieve the established shared purpose.

Moreover, Law 5/2011 of 29 March on Social Economy includes associations who conduct economic activity within the category of social economy organisations. In other words, not all associations are part of Social Economy, but only those who conduct an economic activity pursuant to the principles of Social Economy set forth in this law, to wit: the priority of people and the social purpose over capital, application of profits obtained from economic activity mainly based on work contributed and service, promotion of internal solidarity and solidarity with society, and, lastly, independence from public authorities.

One of the characteristics of Social Economy associations, as well as of associations in general, is their broad diversity, along with their scope. This means it is difficult to classify them, which has also contributed to the non-existence of direct interlocution, in the form of a representative entity or federation, with Social Economy associations. However, and in order to tell this story and to contrast the data and information that has been collected, an interlocutor has been identified. An interview was conducted with this individual, to learn first-hand the family's current situation, in addition to their short- and mid-term challenges.

In this case, the interlocutor is Mikel Barturen, coordinator of Sareen Sarea, an association that is home to networks of Third Social Sector entities in the Basque Country, consisting of citizen-initiative, not-for-profit organisations that promote the general interest and defence of rights of all people, with special focus on those who are in a situation of the greatest vulnerability.

## 9.2. CURRENT REALITY OF ASSOCIATIONS

### **Main socio-economic data of associations**

To discover the current reality of social economy associations in the Autonomous Community of the Basque Country, as follows, we provide general socioeconomic figures on this kind of entity.

In this regard, we must mention that it is difficult to exactly quantify the magnitude of Social Economy associations and provide their socioeconomic numbers. This is because Public Administrations do not collect data on this systematically-differentiated economic sector, since, on one hand, neither the Registry of Associations of the Basque Country (through Open Data) nor EUSTAT differentiate Social Economy associations from other associations, and on the other, Social Economy Statistics drawn up by the Office of Social Economy of the Basque Government only collect data on Associations of Public Interest.

As such, we find ourselves in a situation where either the Social Economy associations sector is overrepresented (if all associations registered in the ACBC are considered), or the sector is underrepresented (if only Associations of Public Interest are considered). As we can see on the tables below, the differences are huge, since the registry of associations of the Basque Country includes all associations registered every year, but in this file, countless entities coexist which, even though they have no real,

effective activity and/or fall under “abandoned” status, they are still in the registry, since they have not formally dissolved or transformed. What is more, there is no way to know in this registry which Associations conduct some sort of economic activity, and which do not (which is essential if we wish to consider them as part of the Social Economy, according to Law), so we see numbers of around 25,000 associations in the Autonomous Community of the Basque Country. This number is obviously out-of-date (see Table below).

At the other extreme, to the contrary, we have the numbers used by the Basque Government in their Biannual Social Economy Statistics, which only include associations catalogued as “Public Interest.” This references associations “that contribute, by means of conducting their activities, to achieving the general interest or the common good, significantly enacting values of generosity, altruism, solidarity, and pluralism, and also comply with the requirements set forth to this end in applicable regulations<sup>5</sup>.” In this fashion, we understand that these associations comply with the criteria set forth in general national law on Social Economy. Unlike the general registry of all associations, using this criteria considerably limits the number of associations that would fall under Social Economy, since classifying for this “public interest” category is discretionary and occurs after the interest association applies for it, so it is clear that not all associations in the sector are included under this special type of associations.

However, since there is currently no registry of Social Economy associations, in this work, we will discover the socioeconomic reality of Public Interest Associations, since these are the entities on which we have the greatest information, with the consideration that the reality of Basque Social Economy associations is greater and more varied.

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<sup>5</sup> Administrative registry of Public Interest Associations: [https://www.euskadi.eus/web01-a2aderre/es/contenidos/informacion/ra\\_aso\\_util\\_pub/es\\_registro/utilidad\\_publica.html](https://www.euskadi.eus/web01-a2aderre/es/contenidos/informacion/ra_aso_util_pub/es_registro/utilidad_publica.html)

*Illustration 77. Total associations registered with the Associations Registry (ACBC, 2012-2019)*

Sectorial Distribution of Associations in the Autonomous Community of the Basque Country, 2011-2019									
	General Cultural	Specific Cultural	Political and Socioeconomic	Family and Consumption	Educators	Youth	Neighbourhood	Charity-Care	Total
<b>2011</b>	<b>10.442</b>	<b>1.357</b>	<b>3.410</b>	<b>756</b>	<b>1.604</b>	<b>537</b>	<b>1.132</b>	<b>1.193</b>	<b>20.431</b>
Alava	1.944	201	623	102	223	73	161	251	3.578
Biscay	5.243	664	1.738	394	834	247	602	602	10.324
Gipuzkoa	3.255	492	1.048	260	547	217	369	340	6.528
<b>2012</b>	<b>10.837</b>	<b>1.426</b>	<b>3.619</b>	<b>774</b>	<b>1.623</b>	<b>551</b>	<b>1.163</b>	<b>1.244</b>	<b>21.237</b>
Alava	2.004	209	655	109	226	80	165	260	3.708
Biscay	5.448	700	1.844	401	840	252	617	630	10.732
Gipuzkoa	3.385	517	1.119	264	557	219	381	354	6.796
<b>2013</b>	<b>n.d.</b>	<b>n.d.</b>	<b>n.d.</b>	<b>n.d.</b>	<b>n.d.</b>	<b>n.d.</b>	<b>n.d.</b>	<b>n.d.</b>	<b>20.747</b>
Alava	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.
Biscay	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.
Gipuzkoa	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.
<b>2014</b>	<b>11.170</b>	<b>1.433</b>	<b>3.732</b>	<b>713</b>	<b>1.494</b>	<b>544</b>	<b>1.189</b>	<b>1.266</b>	<b>21.217</b>
Alava	2.058	214	685	97	191	70	164	264	3.743
Biscay	5.649	694	1.937	371	796	250	656	653	11.006
Gipuzkoa	3.463	525	1.110	245	507	224	369	349	6.792
<b>2015</b>	<b>11.547</b>	<b>1.510</b>	<b>3.928</b>	<b>723</b>	<b>1.513</b>	<b>547</b>	<b>1.212</b>	<b>1.331</b>	<b>22.311</b>
Alava	2.133	225	705	98	192	70	166	276	3.865
Biscay	5.838	730	2.031	378	807	253	670	685	11.392
Gipuzkoa	3.576	555	1.192	247	514	224	376	370	7.054
<b>2016</b>	<b>11.882</b>	<b>1.552</b>	<b>4.235</b>	<b>741</b>	<b>1.508</b>	<b>519</b>	<b>1.255</b>	<b>1.367</b>	<b>23.059</b>
Alava	2.153	220	739	111	201	67	165	283	3.939
Biscay	6.005	772	2.215	390	806	246	695	704	11.833
<b>2017</b>	<b>12.147</b>	<b>1.603</b>	<b>4.418</b>	<b>736</b>	<b>1.506</b>	<b>534</b>	<b>1.239</b>	<b>1.385</b>	<b>23.568</b>
Alava	2.240	220	772	102	190	77	172	286	4.059
Biscay	6.142	808	2.330	386	805	259	671	706	12.107
Gipuzkoa	3.765	575	1.316	248	511	198	396	393	7.402
<b>2018</b>	<b>12.250</b>	<b>1.611</b>	<b>4.712</b>	<b>733</b>	<b>1.505</b>	<b>519</b>	<b>1.233</b>	<b>1.391</b>	<b>23.954</b>
Alava	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.
Biscay	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.
Gipuzkoa	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.
<b>2019</b>	<b>12.767</b>	<b>1.677</b>	<b>4.962</b>	<b>749</b>	<b>1.531</b>	<b>536</b>	<b>1.268</b>	<b>1.436</b>	<b>24.926</b>
Alava	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.
Biscay	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.
Gipuzkoa	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.

n.a. Not available

Source: OVES/GEEB, based on the Basque Government's Open Data

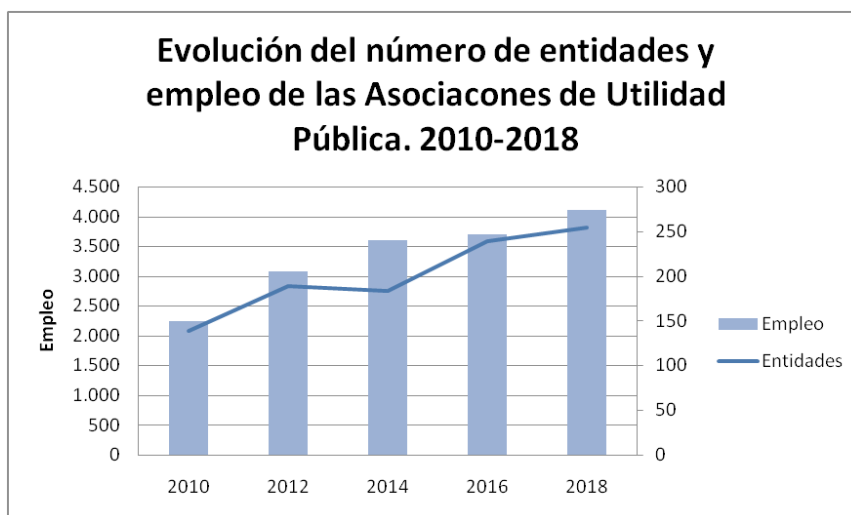
*Illustrations 78. Main Numbers of Public Interest Associations (ACBC, 2010-2018)*

ASSOCIATIONS*	2010	2012	2014	2016	2018
Entities	139	189	184	239	254
Employment	2.235	3.078	3.593	3.704	4.103
GAV	112.415.956	114.248.935	44.587.734	34.612.142	142.589.542

\* Public Interest Associations

GAV: Gross Added Value (€)

Source: the authors, based on different Social Economy Statistics from the Office of Services of the Office of Labour and Justice of the Basque Government.

*Illustration 79. Evolution in the number of entities and employment with Public Interest Associations (ACBC, 2010-2018)*

Source: the authors, based on different Social Economy Statistics from the Office of Services of the Office of Labour and Justice of the Basque Government.

As we can see on the Table and Graph above, Associations of Public Interest in the Autonomous Community of the Basque Country have moved upward in terms of the number of entities and agglutinated employment. In this fashion, in just 8 years, numbers have almost doubled, by increasing the number of entities by 82.7% and annual remunerated employment at no less than 83.6%.

In this fashion, considering the evolution of Gross Added Value generated by this kind of entity, we see that between 2010 and 2018, there was also a considerable uptick (although not comparable with the evolution of the other two variables), in this case at 26.8%.

After having presented this brief summary of general socioeconomic numbers, in the third section, devoted to driving notions and differential characteristics of social economy associations, we will view other complementary numbers that will help us to understand these features.

### **Articulation of the Basque associative movement**

We have already mentioned that a great variety of associations has traditionally existed, both within Social Economy and outside of it. This has led to the creation of numerous federations and groups over time, based on the scope of action and/or approximation to a political vision or way of understanding society.

As we saw in the previous section, we must also highlight that it is difficult to classify Social Economy associations, since the Registry of Associations in the ACBC's general classification is too broad<sup>6</sup>, which means within one "same" type of association, there are very different organisations, and it is impossible to identify which associations conduct which type of activity, and much more so, if they do so under Social Economy criteria and principles.

This means that we find an ecosystem of Social Economy associations that is more or less disperse, in some cases not belonging to any federation, and in other cases articulated throughout different networks, grouping entities, etc., based on their situation, idiosyncrasy, and strategic objectives, but which need not be exclusively from the Social Economy sector.

A clear example of this is Sareen Sarea, where several associations participate that would be catalogued under Social Economy with other associations that, in principle, would not be a part of the sector. It should also be noted that representative entities of Social Economy families also participate in this network, as we will see in the following section.

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<sup>6</sup> The Registry of Associations of the Autonomous Community of the Basque Country makes the following classifications: General Cultural, Specific Cultural, Political and Socioeconomic, Family and Consumption, Educators, Youth, Neighbourhood, and Charity-Care.



### *Sareen Sarea*

Sareen Sarea is the association that is home to networks of Third Social Sector entities in the Basque Country, consisting of citizen-initiative, not-for-profit organisations that promote the general interest and defence of rights of all people, with special focus on those who are in a situation of the greatest vulnerability.

The social foundation for Third Social Sector organisations in the Basque Country consists mainly of volunteers, individuals and groups affected by different conditions of exclusion, disability, dependency, or lack of protection, associates, and remunerated professionals.

These entities conduct activities of general interest within the scope of social intervention, meaning social services, access to employment, and any other activity conducted to facilitate the effective exercise of civil, economic, social, and cultural rights to all people, under equal and non-discriminatory conditions.

The Basque Third Social Sector consists of 3,500 entities with headquarters or activity in the ACBC, encompassing 125,000 volunteers and 36,000 employees, which accounts for 2.2% of our region's GDP, with approximately 38% being associations with economic activity, 6% being foundations with economic activity, and 4% being special employment centres, Work Integration Social Enterprises, and social-initiative cooperatives. Activity devoted to social services predominates with all of them (numbers from the *Libro Blanco del Tercer Sector Social de Euskadi* (White Paper on the Third Social Sector of the Basque Country)).

Historically, all these organisations have made for a disperse, atomised reality. In recent years, they have been making an effort to organise into networks and federations to help gain in presence, recognition, ability to dialogue, and political influence. This is why Sareen Sarea came about as the highest expression of this convergence, and in order to move forward toward a fairer and more solidary, more cohesive, and participatory society.

Currently, it contains these fifteen networks, which include several networks recognised as Social Economy Networks<sup>7</sup>:

1. Astialdi Sarea
2. ONGD Euskadi (Development NGO coordinator in the Basque Country)
3. EAPN Euskadi (European Anti-Poverty Network of the Basque Country)

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<sup>7</sup> These are the cases of EHLABE, GIZATEA, and REAS Euskadi, as well as ONCE, pursuant to provisions in Law 5/2011 of 29 March on Social Economy.

4. EHLABE (Euskal Herriko Lan Babestuaren Elkartea)
5. Elkartean
6. EuskoFederpen (Regional Federation of Provincial Associations of Pensioners and Retired of Alava, Guipuzcoa, and Biscay)
7. FEDEAFES (Basque Federation of Associations of Family Members and Individuals with Mental Illness)
8. FEVAS (Basque full inclusion)
9. Gizatea (Association of Work Integration Social Enterprises of the Basque Country)
10. Harresiak Apurtuz
11. Hirekin (Federation of Social Initiative and Intervention Entities of the Basque Country)
12. Hirukide
13. Lares Euskadi
14. ONCE
15. REAS Euskadi (Alternative & Solidarity-based Economy Network of the Basque Country)

#### *Third Sector Observatory of Biscay*

The Third Sector Observatory is a centre for information and documentation, applied research, and promotion, that is specialised in the Third Sector, is not-for-profit, and is independent. It seeks to strengthen the Third Sector and drive innovation and improve management of organisations.

By means of this instrument, which is managed and designed with the participation of the organisations and networks themselves, the intent is to contribute to knowledge of the reality of Biscay's Third Sector and to strengthen it, raising visibility and driving its social contribution and helping to improve it through research projects and spaces and instruments for information, debate, and reflection. To this end, the Observatory undertakes the commitment to socialise knowledge through dissemination. Different agents participate in this project, which at the same time is independent from all of them. This forms a community driven by exchange and collaboration within the sector.

The Third Sector seeks to establish itself as an organised expression of civil society and an instrument to give shape to social participation and solidarity, contributing to social cohesion, the active exercise of citizenship, and democratic quality.

The Observatory defines the Third Sector of Biscay as consisting of an ensemble of active initiatives by civil society, with autonomy in management

and independence, not-for-profit, and in general, voluntary in nature, which points its activity toward social intervention in the broad sense of the term. This implies that their purpose is to improve the social environment through a wide diversity of areas. As such, a large part of associations in the Historic Region of Biscay fall under this definition.

### **Evolution of associative law in the ACBC**

The right to association is a fundamental right set forth in high standards, such as the Universal Declaration of Human Rights and the Spanish Constitution. Art. 20.1 of the Universal Declaration proclaims that all persons are entitled to peaceful freedom of assembly and association, and that no one can be forced to belong to an association. As far as the Constitution is concerned, of note is art. 22, which regulates fundamental rights and public freedoms and sets forth the following: “1. The right to association is recognised. 2. Associations that pursue ends or use means classified as criminal are illegal. 3. Associations constituted under this article must be registered in a registry for the sole purpose of making them public. 4. Associations may only be dissolved or suspended in their activities by means of a grounded legal ruling. 5. Secret and paramilitary associations are prohibited.”

The specific regulation on the right to association in Spain is set forth in Organic Law 1/2002 of 22 March that regulates the Right to Association. However, by means of their Autonomy Statute, certain Autonomous Communities hold exclusive competency in this matter, which is the case of the Autonomous Community of the Basque Country. In 1979, art. 10.13 of the Basque Country’s Autonomy Statute granted the Autonomous Community exclusive competency over Associations that are educational, cultural, artistic, charitable, for care, and similar in nature, provided they mainly conduct their activity within the region.

Given the relevance of associationism as a formula to express a desire to assemble and connect with other people to achieve shared ends, in 1988, the Basque Country approved the Law of the Basque Parliament 3/1988 of 12 February on Associations, the first in the Country to regulate this matter. This regulation is inspired by the defence and promotion of associative freedom and pluralism, and acts as a tool to guarantee, protect, and foment Associations. One of the most noteworthy aspects of this Law is its open spirit and will to adapt its articles to the reality of the times. Also of note is the new element it introduces regarding the possibility of both public and private legal persons who can establish Associations.

Years later, the State’s approval of Organic Law 1/2002 that regulates the Right to Association forced legislators to draft a new Law, in order

to adapt to requirements in the organic regulations and to develop the previous Law's contents. This Organic Law operates like the general law of association, meaning as a shared system, and its main objective is to implement the right to association set forth in the aforementioned art. 22 of the Constitution.

As a result, in 2007, the Basque Parliament approved the Law 7/2007 of 22 June, on Associations in the Basque Country (currently in force), which repealed regulation 1988 and whose purpose was to adapt to requirements in the organic regulation and to perfect and implement in the contents of the Law of 1988, in light of the experience gained over the years. The current Law rests on the concept of the right to association as a fundamental right and public freedom protected by the Constitution, as well as the principle of civil freedom. In terms of content, it reproduces and adapts organic precepts and precepts that are directly applicable to the entire State.

This regulation highlights the collective dimension of the right to association, which entails the implementation of an ideal organisational structure to channel desire for community participation in purposes of general or particular interest through different kinds of activities. Moreover, it entails acknowledgement of the important social role that they plan as an expression of a dynamic, plural, and responsible civil society.

At this point, we must mention a few of the new aspects introduced by this regulation:

- It sets forth a definition of associations with a clarifying purpose, which under no circumstances should be interpreted as a closed definition.
- It includes associations devoted to cooperation in humanitarian development and action and that work to improve living conditions in impoverished countries under the scope of application of this law.
- It references the principles of democracy and respect for pluralism that must be prioritised in the organisation and internal operations of associations.
- A typology of open and flexible associations is established.
- It recognises the capacity of public legal persons to establish associations or to join them, but it establishes cautionary measures to prevent the public sector's interference.
- It configures a flexible body of governance.
- It contemplates the possibility that the bylaws provide for recovery of equity contributions, in the event of dissolution or voluntary separation.

- It establishes a typology for associated persons that follows the traditional classification criteria, with the sole new aspect being children members.
- It establishes a brief, specific, and concise list of rights and duties of associates, so it is possible to conduct and complete them by means of bylaws, in accordance with the association's needs and the will of its members in exercising their freedom to self-organise. Said list of rights and duties sets forth the minimum mandatory content for legal bylaws for associates.
- For the first time, it regulates the merger of associations, as well as the transformation of associative entities not subject to this law into associations governed by it, and vice-versa.
- It proclaims the social value that associationism represents for the Basque Country and formulates detailed regulations on the requirements and procedure for recognition of public-interest associations. This recognition is configured as an institutional declaration that takes shape through a decree that is discretionary in nature, as mentioned in section two.

### 9.3. DRIVING NOTIONS

As singular entities, associations have their own specificities and characteristics that set them apart from other kinds of social economy organisations, but which, in turn, have the same essential features as other families. This means we can speak of a sector that is differentiated from purely capitalist companies and organisations. These are the points they share with the other Basque Social Economy families, the four “driving notions” identified in this shared story: the central role of people, the democratic nature of organisations, the business dimension, and the commitment to the community to which they are connected.

The first driving notion, the central role of people, references various issues. One that stands out is the primacy of people and their work over capital, as well as the kind of employment generated by this type of entity: quality and stable, and that provides for the most comprehensive development possible of the people at the organisations. This mainly takes shape through dignified labour conditions, organisations that are based on the aforementioned central role of labour, or where the exclusive purpose is focused on the socio-occupational integration of people at risk of exclusion or of the disabled. In this regard, we must mention that, in the specific case of associations of public interest, 73.5% of remunerated employment

per year falls on women, and the vast total majority of contracts (for both genders) are permanent (70.4%), as opposed to temporary (29.6%).

As far as the democratic nature of organisations is concerned, these are entities based on democracy when establishing their organisational model, where the main hallmark of identity of Social Economy entities is that everyone has equal decision-making ability when making important decisions. Insofar as they distribute income, capital, and power in the fairest fashion amongst people at the entity, they are established as more egalitarian organisations, creating less inequality than other kinds of companies, and this can also be observed in less unequal regions.

All these elements translate to specific business practises that are founded on this same idea of “relation amongst equals:” inter-cooperation policies on second-degree networks, policies of worker ownership (or their representative associations), in capital, in profits, and in management, transparency and information policies, and internal compensation solidarity.

The third driving notion, the business dimension, reminds us that this kind of organisation has a significant economic impact, since they channel society’s experiences by conducting some sort of economic activity. What is more, they stand apart from other purely capitalist organisations because they put the collective project’s long-term sustainability above more short-term or circumstantial interests. This is related to how one understands competitiveness: based on the logic of survival and the resilience capacity of entities in times of crisis, as opposed to ousting adversaries from the market niche by reducing costs.

Lastly, Social Economy organisations are also characterised by their strong commitment to their community, which means that the organisations remain in the region, with *deep regional roots*. They are therefore strategic players in regional sustainability, understood in its triple facet: economic, social, and environmental. These are entities that create local jobs and wealth, firstly, and distribute it in a fairer fashion, as mentioned. On the other hand, these are entities that provide social cohesion in the region since they encourage relations between people and local organisations. Thirdly, they generate social capital, because they nurture an associative culture, they bring a participatory and collaborative culture, and they foster trust amongst people.

*Illustration 80. Driving Notions of Social Economy*



Source: the authors

As follows, after presenting a summary of the main features that all Basque social economy families share, we will now analyse in depth how associations put these driving notions into practise, so as to identify and showcase the peculiarities of these organisations.

### **Associations guarantee the primacy of people and the social purpose over capital**

This means autonomous and transparent, democratic, and participatory management, that prioritises decision-making more based on people and their labour contributions and the services provided to the entity or based on the social purpose, than based on their contributions to corporate capital.

In other words, these are entities that do not pursue the distribution of economic profit, and their very legal status mandates the obligation to reinvest any potential profit into the organisation's mission, so they do not individually distribute profits to participating people and/or entities.

### **The central nature of their activity consists of meeting the needs of people**

Closely related to the primacy of people above capital, we must remember that associations are not-for-profit entities consisting of different people who have freely joined them and that are organised to achieve individual or general purposes. As such, any economic activity that they conduct can never be the Association's ultimate objective; rather, this shall always be subordinate to meeting the needs of people.

In this regard, as affirmed by the sector, what moves associations is not obtaining capital, but rather conducting social action for people, meaning that the objective is mutual aid. One of the clearest examples in our region is the disability sector, where affected individuals or their family members have come together to create organisations, so that, through them, they can meet the collective's needs. They take action on, improve, and meet needs that require a response they cannot find in public institutions or on the ordinary market. A response provided by social initiative.

### **They directly contribute to the comprehensive development of associates**

The fact that entities are associate-orientated directly contributes to the comprehensive development of said associates. Moreover, along with this, many associations in our region have the main purpose of using social intervention initiatives to promote social inclusion and the effective exercise of rights for people who are in vulnerable situations. This reinforces the idea that they contribute to the development of people.

### **They promote internal solidarity and solidarity with society**

Associations tend to be organisations that are committed to society, which means that the objective of this kind of organisation is to provide a response to a social need, typically defending general interests. This purpose of meeting general needs goes beyond the needs of associates, reaching non-associate third parties or society as a whole.

### **They are deeply locally rooted**

Associations are deeply locally rooted and have a strong commitment to local development: the ultimate objective of these organisations is to meet the interests of associates and/or general interests that are normally related to local interests.



These are organisations with strong local roots that seek to meet the needs of a community, generally the community where they are established. As stated by the interlocutor, these entities do not relocate; most associations in our region are small and local and regional in nature. Moreover, they consume services and products from companies in their own community.

We must not forget that they come from society, and since their very beginning, they hold a bond and stable commitment to the region and people or communities for whom their activity is intended. In many cases, they have been directly established by the same people for whom their activity is intended.

### **Associations are democratic and participatory organisations**

Associations are democratic and participatory organisations. These are democratic organisations, since the sovereign body is the General Assembly, which consists of all associates. Each associate has at least one vote in the General Assembly, although weighted voting systems may be established in specific cases. Additionally, they can be characterised as participatory organisations since all associates are entitled to participate both in the organisation's governance and in its activities.

Lastly, and along with the tools necessary to properly participate, information and transparency (toward and for associates) in accounts, and conducting the association and representatives' bodies activities, this is an obligation inherent to the idiosyncrasy of this kind of organisation.

This is one of the most well-known characteristics of associations. As the sector confirms, the democratic participation system is the essence of these entities. A democratic system not only amongst associates, but the people with whom they work, the intended targets of the action, can also participate in areas that are related to the response to be given to their needs. They can be the protagonists of the work, especially in spheres such as exclusion, disability, etc.

Associations use participatory procedures for decision-making, not based on ownership of capital, and that involve, to different degrees, the collectives that form a part of the organisation. As such, they have a democratic management style, and in many cases, a strategy for the relationship with interested parties.

### **Social economy associations have a business aspect, since they conduct some sort of economic activity**

The business dimension of associations means that, to be a part of the social economy, they must conduct an economic activity, although it is true that conducting this activity is never the association's ultimate purpose.

In our region, we can highlight several examples of associations with great economic activity, such as Gorabide, a not-for-profit association formed by families and orientated toward supporting people with intellectual disabilities in Biscay. It has over 500 workers and a budget higher than 30 million euros per year. In addition to workers, they have volunteers and family members.

These cases are directly related to the idea of meeting needs in that part of life of people; in this case, employment. This is a tool to include people in society, where once again, people are the centre that the entity revolves around.

It should be noted that the money is reinvested for the entity's own purposes, since profits are not distributed amongst members.

### **They guarantee independence from public authorities**

Regulations are clear in this case, and art. 22 of the Constitution prevents the intervention of public authorities in the operations of associations. Administrations may not adopt preventive measures that interfere in the life of associations.

These organisations must be independent and sovereign in their own decisions, meaning that they are autonomous, private, and not participated in by public authorities or other agents. In this manner, they are institutionally separated from the administration and self-governed.

## **9.4. SUB-FAMILIES AND PARADIGMATIC EXAMPLE**

As we have seen in previous sections, social economy associations form a broad and diverse family, so it is difficult to establish a clear-cut classification of different sub-families of associations. In any event, and at the risk of simplifying, we can distinguish between different functional (but not exclusive, since in many cases associations can fall under several groups) spheres, which we believe make for the majority of Basque social economy associations.

Thus, we would have associations who mainly target their activities toward:

- Personal development and full inclusion of vulnerable collectives, as well as protection of human rights (children, youth, the elderly, etc.).
- Environmental and animal protection.
- The active promotion of social transformation (transformational).

We have already mentioned that there are currently no different networks that agglutinate the different sub-families of social economy associations beyond Sareen Sarea, which includes not only associations, but also foundations, and other kinds of third social sector entities in the Autonomous Community of the Basque Country.

For this reason, in this section, we will focus on only presenting one paradigmatic case, but that includes all the driving notions in its activities that we identified in the previous section that constitute the specificity of this kind of singular entity. This is the case of the “*Karabeleko etxalde agroekologikoa* Association.”<sup>8</sup>

#### *Karabeleko etxalde agroekologikoa* Association

Karabeleko is a not-for-profit Association that took shape as an experimental farm in ecological agriculture, located in Hernani. It was created based on collaboration between three different agents: AGIFES<sup>9</sup>, Blasenea,<sup>10</sup> and Kimu Bat<sup>11</sup>. The project came about thanks to an order that AGIFES placed with Kimu Bat to build a small garden, and the existence of a large plot of land owned by this association in Hernani that they did not know what to do with. This first point of contact led to the idea to create an experimental agro-ecological farm to act as occupational therapy for people with mental illness, and that could work as an experimental agroecological laboratory at the same time, incorporating Blasenea in this aspect.

Its main objective is to foment ecological agriculture and share a culture of ecological horticulture production and consumption. It was established as an experimentation centre open both to the public and to professionals from the ecological horticulture sector.

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<sup>8</sup> <https://www.karabeleko.org/eu>

<sup>9</sup> *Asociación Guipuzcoana de Familiares y Personas con Problemas de Salud Mental* (Association of Guipuzcoa of Family Members and People with Mental Health Issues): a not-for-profit entity since 1985 whose objective is to standardise and integrate people with mental disorders into the community, reclaim quality services (social, employment, healthcare), and promote the quality of life for people with mental health issues and their families.

<sup>10</sup> A family company that has been exclusively devoted to the production of ecological vegetable, aromatics, and small-fruit plants since 2006.

<sup>11</sup> Kimu Bat is a worker-owned company with corporate headquarters in Azepeitia. It has been operating for over 30 years in the landscaping and gardening sector.

It is also a centre for psychosocial rehabilitation for individuals with mental illness and other collectives at risk of exclusion, to help these people to integrate into society and the workplace. Moreover, they foment social awareness of mental illness, contributing to the removal of societal barriers for this vulnerable collective.

Lastly, we should mention that this is an economically sustainable project, mainly creating wealth by its own means. To this end, it adapts to new social challenges and needs, following values and principles (see Experience Sheet) that fall under the aforementioned driving notions.

In this fashion, this specific experience means that we can see how social economy associations have huge potential to deal with a society and socioeconomic context that increasingly excludes disadvantaged collectives and prioritises individuality.

*Illustration 81. Experience Sheet: Karabeleko agroecological farm*

<b>Description of the entity and objectives</b>	Not-for-profit association devoted to fomenting ecological agriculture and psychosocial rehabilitation for people with mental illness and other collectives at risk of exclusion.
<b>Promoting entity</b>	<ul style="list-style-type: none"> <li>➤ AGIFES</li> <li>➤ Kimu Bat</li> <li>➤ BlasEnea</li> </ul>
<b>Start-up</b>	<ul style="list-style-type: none"> <li>➤ 2014</li> </ul>
<b>Values upholding the project</b>	<ul style="list-style-type: none"> <li>➤ People-centred</li> <li>➤ Democratic governance and participation</li> <li>➤ Opportunities for people with mental disorders</li> <li>➤ Personal relationships</li> <li>➤ Environmental sustainability</li> <li>➤ Knowledge development</li> <li>➤ Boosting the local horticultural sector</li> <li>➤ Transforming society</li> </ul>
<b>Driving notions it actively engages with</b>	<ul style="list-style-type: none"> <li>➤ The primacy of people and the social purpose over capital</li> <li>➤ Meeting the needs of people</li> <li>➤ Contributing to the comprehensive development of associates</li> <li>➤ Promoting internal solidarity and solidarity with society</li> <li>➤ Local roots</li> <li>➤ Democratic and participatory organisation</li> <li>➤ Business dimension</li> <li>➤ Independence from public authorities</li> </ul>

Source: the authors

## 9.5. FUTURE CHALLENGES

While the characteristics that the Basque Country's associations have, and that were set forth in previous sections, are a solid and important asset for them to continue and to promote them, we must remember that they are not exempt from difficulties, both their own and from the outside, when contending with a changing context.

In this regard, we shall provide details on the main challenges in the future for Basque social economy associations below, mainly gleaned from dialogue with the sector:

- One of the main challenges identified, which has been a subject of debate, is the type of volunteers at the associations and their relationship with the operation. In this regard, the entities are certain that volunteer contributions are essential at associations, and that they are not there to replace job positions, meaning they do not conduct a professional's work. The sector recognises that they are vigilant to ensure that this type of deviation does not occur, which could devalue the great contributions made by volunteers.
- On the other hand, reference is made to the risks stemming from economic dependence on public authorities. The associations acknowledge that this risk exists and that there may be an issue. This is why the importance of creating networks is highlighted, such as Sareen Sarea, to take collective action and buffer and handle this sort of issue.
- Associations were also affected by the Covid-19 crisis, which is why they needed to reframe future challenges, which are currently being debated in a more deliberative, profound fashion.
- As stated, most of them are experiencing a moment of uncertainty. They have had to reinvent themselves and adapt to this new scenario in record time. Moreover, we must remember that many associations in our region work with people, which means that the changes required for new requirements in the social context must be made in orderly and careful fashion.
- From the "micro" perspective of associations, at the first level, challenges in adaptation to, and the use of new technologies, remote service, and remote work, have been identified, which are especially difficult for small entities and/or that work with collectives that are not familiar with this type of technology.
- On the other hand, speed in decision-making in a constantly changing environment and the ability to adapt to these changes is another issue.

- From the point of view of social intervention (in terms of associations devoted to this specific field), one of the most important challenges is maintaining essential services, and especially sustaining the project mid- and long-term. Given the foreseeable income crisis, public and private funding may be affected, so tackling this situation is now a huge challenge.
- Lastly, another great challenge is public, citizen, and institutional awareness; in other words, considering the value of the contribution made by many of these entities devoted to social intervention, and even more so in a situation such as the one we are going to experience. As such, raising visibility for the sector is an essential task.

## 9.6. CONCLUSIONS

Here we present the main conclusions stemming from the *driving notions* we have identified, and their value and specific contribution as part of the Basque Social Economy, as well as their challenges.

The world of associationism has a long tradition in our society, and since the creation of the first incipient experiences, they have travelled a long road, adapting to changes in society.

As we have seen throughout this work, social economy associations are currently characterised by their breadth and diversity in terms of size and the fields they work in, in addition to their main inherent features.

But beyond this palpable diversity, we have indicated the characteristics that are inherent to them, that make social economy associations an important asset to tackle society's needs and challenges. In this regard, we have verified that associations are democratic and participatory organisations that guarantee the primacy of people and the social purpose above capital, and directly contribute to the comprehensive development of people.

On the other hand, in addition to promoting internal solidarity (in terms of payment, equality in decision-making, equal opportunity, etc.), by means of vast regional implementation and strong roots in communities in regions, they promote solidarity with society.

Finally, we must remember that social economy associations are entities that conduct some type of economic activity, meaning that they have a business dimension, but they place the emphasis on creating sustainable projects that last over time, all while maintaining autonomy

and independence from public authorities, despite the funding that they receive from them.

Therefore, we can conclude that these associations are organisations which, on one hand, given the capacity they have demonstrated over time, and on the other, the potential that their intrinsic characteristics bear, are called to play an active role in improving society, insofar as they are the main way to channel civil society's impetus and desire for change.

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## ***Foundations in the Basque Country: narrative***

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### 10.1. REALITY OF FOUNDATIONS IN THE BASQUE COUNTRY

#### **Basic notions. Origin and definition**

Foundations in the Basque Country have historically played a relevant role in social life because of the activities that they conduct and their important social effects. Originally, foundations appeared alongside charity and pious-service activities associated with the Catholic Church. In the 19th century, foundations were considered “dead hands” given the disentailment and separation laws, under which trusts, patronages, and any use of assets, as well as pious works, all declined, prohibiting their future foundation (OREJAS CASAS, 2019). When the Civil Code came in force, a new stage began for foundations, who saw themselves as an instrument for individuals to participate alongside public authorities to meet citizens’ demands by fulfilling purposes for the general interest, replacing the concept of charity with public interest.

Additionally, the Constitution of 1978 set forth the right to foundations for purposes of the public interest in its art. 34. Since this was not exclusive competency of the State (art. 149 Spanish Constitution), the Statute of Autonomy of the Basque Country’s art. 10.13 established exclusive competency on foundations and associations that are educational, cultural, artistic, charity, caregiving, and similar in nature, as long as they mainly conduct their activities in the Basque Country. The first Law on Foundations in the Basque Country is from 1994 (EUSKADI, 1994) and was

the first regulation that gave the Basque foundation sector a comprehensive legal system, even before the first national law on foundations. This law was replaced in 2016 (EUSKADI, 2016) and is still in force.

Foundations can be defined as organisations constituted as not-for-profit entities which, at the desire of their founders, have placed their equity in long-term fashion at the service of public-interest purposes these founders have defined. Promoting a purpose of public interest means, on one hand, that the activity must contribute to human well-being in terms of Human Rights, social action, educational, cultural, and sport actions, or foment equal opportunity, to name a few listed in art. 4-1 LVF (Basque Foundations Law).

On the other hand, foundation activity must benefit generic collectives of natural or legal people, and not with the main purpose of providing their services to the founder or founders or patron or patrons, their spouses, or family members. In any event, criteria to select the beneficiary collective must be objective and impartial (art. 4-2 and 3 LVF).

In this line, one might assert that foundations generate interesting social advantages, since their unique legal form, along with their mission, allows foundations to fulfil a special, unifying role in fomenting social innovation activities. They act as a bridge between public and private institutions and NGOs, and as a springboard in the search for resources, and, to a certain extent, as a social entrepreneur. They can (with more ease than many other kinds of organisations) test new concepts and ways of doing things (ADAM & LINGELBACH, 2015; QUINN ET AL., 2014).

## **Legal System**

Art. 10.13 of the Basque Country's Autonomy Statute (EUSKADI, 1979) recognises the Autonomous Community's exclusive competency over foundations that are educational, cultural, artistic, charitable, for caregiving, and similar in nature, provided they mainly conduct their activity within the Basque Country. Historically, Basque institutions have had competency in regulation, directly related to provincial competency for charity work, and this was maintained until they gained express recognition in the Autonomy Statute.

Under this competency framework, the first Law of Foundations in the Basque Country was proclaimed in 1994 (Law 12/1994 of 17 June), which was substantially amended by Law 9/2016 of 2 June, which is in force today.

The Protectorate and Registry of Foundations in the Basque Country are two administrative bodies that are independent from one another and who exercise duties in assessing and controlling foundations in coordinated

fashion, as well as duties related to registering legal businesses and documents that must be filed with the Registry and other duties set forth in the Law of Foundations of the Basque Country (art. 2-2). At this time, both figures are conjointly regulated by a Decree from 2019 (EUSKADI, 2019), which replaced existing Decrees from 2007 and pursuant to the regulation from 1994 (EUSKADI, 2017 a, EUSKADI, 2017 b).

The Protectorate of Foundations of the Basque Country is configured as an administrative body to assess and provide technical support to foundations. It must facilitate and promote the proper exercise of the foundation's rights, ensuring the legality of foundations' constitution and operations, as well as effective fulfilment of the desires of the founder or founders and the foundation's purposes (art. 6.1, EUSKADI, 2019).

Moreover, the registry of foundations (art. 34, EUSKADI, 2019) is a legal registry that acts as a public service for those who are interested in discovering the content filed there. Its main purpose is the registration of foundations referenced under Law 9/2016 on legal documents and businesses related to foundations.

From the perspective of organisation of the Basque Government's ministries, Foundations are part of the attributions assigned to the Ministry of Public Governance and Self-Government, according to the Decree that sets forth the organic and functional structure of this ministry (EUSKADI, 2017). In turn, within this ministry, this matter falls on the Vice-Ministry of Institutional Relations (art. 8), and also in turn, on the Office of Relations with Local Administrations and Administrative Registers (art. 10-1 section J). Both the Consulting Commission for the Protectorate of Foundations and the Basque Ministry of Foundations are under or linked to this Ministry of Public Governance and Self-Government (ex article 61 LFV).

Foundations receive grants and subsidies from different public administrations (Basque Government, Provincial Councils, Town Halls), not so much because of their legal formula but because of the public-interest activities that they hold: cultural, athletic, employment promotion, etc.

Along with aids and grants, Provincial Councils have established a specific tax scheme for foundations and associations declared of public interest, as well as their federations and associations, given their not-for-profit nature and purposes of the general interest. Moreover, they recognise a tax system for patronage, defined as "private participation in conducting public-interest activities." (ARABA, 1993 and 2004; BIZKAIA 1992, 2019 a, 2019 b; GIPUZKOA 1993, 2004 a, and 2004 b)

In summary, the requirements to access the special taxation system, both for corporate tax and for economic-activity tax (exemption), are

shared by the three provincial regulations, summarised on the table below, and they must all be fulfilled:

*Illustration 82. Requirements to access the special taxation system*

Requirements
<ul style="list-style-type: none"> <li>• Devote 70% of all income to the public-interest purpose and reinvest the rest.</li> <li>• Economic activities outside their purpose or statutory purpose must not exceed 40% of total income.</li> <li>• Founders and direct relatives may not be beneficiaries of a not-for-profit association directly. The tax system may also not be used for personal benefit.</li> <li>• Patron, bylaw representative, and member of the governing body positions shall not be compensated.</li> <li>• On an annual basis, an economic report must be drawn up that specifies income and expenses throughout the fiscal year.</li> </ul>

Source: the authors, based on provincial tax regulations.

Regarding tax incentives for patronage, the three provincial regulations establish that these incentives are applicable to donations and contributions to not-for-profit entities to which the differentiated tax system that regulates them are applicable. Moreover, the three Councils recognise the following institutions as beneficiaries:

*Illustration 83. Beneficiary entities of tax incentives for patronage*

<ul style="list-style-type: none"> <li>• Public Administration entities in each region, whether provincial, national, from the autonomous community, or local.</li> <li>• Their universities and centres.</li> <li>• Euskaltzaindia-Royal Academy of the Basque Language, as well as the Institute of Spain and Royal Academies integrated into it, as well as institutions of the Autonomous Communities with their own official language that have purposes similar to Euskaltzaindia's.</li> <li>• The Cervantes Institute, the Ramon Llull Institute, and other institutions with similar purposes in the Autonomous Communities with their own official language.</li> <li>• Eusko Ikaskuntza Society of Basque Studies and Euskal Herriaren Adiskideen Elkarte-Bascongada Royal Society of Friends of the Country.</li> <li>• The Spanish Olympic Committee and the Spanish Paralympic Committee.</li> <li>• The Spanish Red Cross and the Spanish National Organisation for the Blind.</li> </ul>
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Source: the authors, based on provincial tax regulations.

### **Basque Confederation of Foundations. FUNKO**

The organisation that groups and represents the foundations in the Basque Country is called FUNKO, Basque Confederation of Foundations, and it was created in 2003 at the initiative of 10 people to boost and drive foundations. Its purpose is to act as a platform for Basque foundations to meet and cooperate, conducting actions of interest, facilitating interrelations amongst its associates and work groups, workshops, and other sectorial projects that have been created.

At this time (October 2021), there are 45 affiliated foundations, and together they provide employment to approximately 5,000 people and with an economic activity of 255 million euros. In general, these are the largest foundations in the country, since, although they account for 7.4% of the total number, they provide 38.33% of total employment.

Funko's purpose is to "act as a channel and meeting and cooperation place for Foundations, establishing its own voice in favour of sectorial interests and interlocution with public authorities from a pluralist standpoint," in dialogue with other interlocutors based on cooperation and solidarity. It seeks to act as an instrument for joint reflection, to make decisions to the sector's benefit, and to act as a representative voice to Public, Provincial, Autonomous, National, and Community Administrations. More details can be viewed on these objectives on the table below:

*Illustration 84. Objectives of the Basque Confederation of Foundations (FUNKO)*

- Act as a channel and meeting and cooperation place for Foundations, establishing its own voice in favour of sectorial interests and interlocution with public authorities from a pluralist standpoint.
- Act as a voice to represent the Foundations sector and dialogue with other interlocutors with the perspective of strictly defending sectorial interests, based on cooperation and solidarity.
- Jointly delimit associated Foundations' unitary strategies, to better conduct their foundational activities.
- Achieve maximum Foundation participation and maximum affiliation, based on plurality.
- Act as an instrument for joint reflection, to make decisions to the sector's benefit, and to act as a representative voice to Public, Provincial, Autonomous, National, and Community Administrations.
- Drive and coordinate initiatives, as well as sectorial projects that meet the Foundations' shared interests.
- Boost and drive the foundation phenomenon, as an instrument of expression for civil society.

Source: the authors, based on information taken from [www.funko.eus](http://www.funko.eus)

Additionally, FUNKO organises educational and training events that are open to all foundations, acting as a forum to exchange ideas between Basque foundations and also for collective action with the Basque Government and other levels and bodies. It also provides legal, accounting, and tax consulting services to its associates.

### Statistical Data

According to official data, in 2018 (the latest data available from 2020), the Basque Country has a total of 605 Foundations, which account for almost 51% of other forms of social economy (OFES, in Spanish). The table below shows all entities that fall under this OFES concept and data on each of their relative weight in comparison with the rest.

*Illustration 85. Number of OFES entities (Basque Country 2018)*

Type of entity	Number of entities	% of total OFES
Foundations	605	51
Public Utility Associations	254	21
Voluntary Social Welfare Entities (EPSV)	155	13
Agricultural Transformation Societies (ATS)	84	7
Work Integration Social Enterprises	43	3,6
Special Employment Centres	37	3,1
Fishermen's Associations	14	1,2

Source: the authors, based on Social Economy Statistics 2018

If we use the search engine for the Registry of Foundations of the Basque Country as a reference, it returns 742 as the number of entities. This divergence is because the registry includes all foundations registered that have not been closed, whether or not they are operative. In fact, a good number of them were detected in this situation, and an analysis is being conducted on those that continue to operate.

Regarding the evolution of numbers with foundations, official social economy statistics show these data from 2010. We can see their progress on the table below, with 3.5% growth during the period.

*Illustration 86. Evolution in number of foundations and their relative when compared to the rest of OFES (Euskadi 2018-2020)*

Year	Number of entities	% out of total OFES
2018	605	51,00
2016	608	50,20
2014	619	51,55
2012	615	50,20
2010	585	53,80

Source: the authors, based on Social Economy Statistics 2018, 2016, 2014, 2012, 2010

In terms of employment, 46.2% of remunerated employment in OFES is associated with foundations, which in 2018 had 13,045 compensated jobs per year. Regarding their evolution in comparison with the previous statistic (2016), there was a 10.4% increase in this number. By gender, 39.9% are contacts for men and 60.1% are for women. Additionally, 76% are permanent jobs and 24% are temporary.

We have compensated employment indicators, beginning since there was a registry with the official social economy statistics (2010), along with segregation by gender and type of contract, set forth in the table below:

*Illustration 87. Number of jobs at foundations, segregated by gender and type of contract (Basque Country 2018-2020)*

Years	Num employees	% by gender	% contract type
2018	13.045 46,2% total OFES	60,1% women 39,9% men	76% permanent 24% temporary
2016	11.811 45,8% total OFES	57,6% women 42,4% men	78,9% permanent 21,1% temporary
2014	10482 45,1% total OFES	60,9% women 39,1% men	82,4% permanent 17,6% temporary
2012	12.315 46,6% total OFES	Not available	Not available
2010	12.448 % total OFES (not aviable)	Not available	Not available

Source: the authors, based on Social Economy Statistics 2018, 2016, 2014, 2012, 2010

Along with compensated employment, OFES mobilise a volunteer collective that was estimated in 2018 at 25,236 people, of which 26.6% would fall under structural volunteers and 73.4% sporadic helpers. The foundations have a total of 5,322 volunteers (21% of all OFES volunteers), which along with volunteers in public utility associations (19,878 people, 78.8% of total), account for 99.8% of total volunteers in OFES in the Basque Country. With foundations, most volunteers are women (55.6%), although out of all OFES, the greatest percentage of volunteers are men (62.4%). A large portion of volunteers who collaborate with foundations are structural in nature (48.0%). The evolution of these indicators is shown on the table below.

*Illustration 88. Number of volunteers in foundations segregated by gender and type of relationship (Basque Country 2018-2020)*

Years	volunteers	% by gender	% by relationship
<b>2018</b>	5.322 21% OFES	55,6% women 44,4% men	26,6% structural 73,4% sporadic
<b>2016</b>	4.342 % OFES not available	58,8% women 41,2% men	58% structural 42% sporadic
<b>2014</b>	10.730 56,6% OFES	52,9% women 47,1% men	64,4% structural 35,6% sporadic
<b>2012</b>	Not available	Not available	Not available
<b>2010</b>	3.553 % OFES not available	Not available	Not available

Source: the authors, based on Social Economy Statistics 2018, 2016, 2014, 2012, 2010

In terms of billing, OFES account for a global figure of 2.2 billion euros (9.5% greater than in 2016). In the same year, the foundations invoiced over 566 million euros, 28.2% more than the previous record in 2016. Moreover, they receive an ensemble of subsidies for 468.3 million (66% of all subsidies received by OFES), which account for 34.4% of their billing.

Moreover, and in terms of economic results, foundations have generated positive financial results of almost 145 million euros, and a Gross Added Value (GAV) of 219 million euros, accounting for 84% of all GAV generated by OFES. The evolution of these items is shown on the table below.



*Illustration 89. Economic data on foundations (Basque Country 2018-2020)  
(numbers in millions of euros)*

Years	billing	Subsidies	Financial results	GAV
2018	556	468,3	145	219
2016	442	465,6	Not available	158
2014	524	431	Not available	267
2012	610	Not available	-22,8	361
2010	875,6	442	-15,7	360,7

Source: the authors, based on Social Economy Statistics 2018, 2016, 2014, 2012, 2010

## 10.2. DRIVING NOTIONS OF FOUNDATIONS IN THE BASQUE COUNTRY

### Foundations as part of the Social Economy

Regarding their relationship with the social economy, foundations form a part of it, although, just like with associations, only those that are independent and conduct economic activities (art. 5 Law 5/2011 of 29 March on Social Economy). Their not-for-profit nature and their focus on general-interest purposes in society means that autonomous foundations (not at the service of a governmental office) with economic activity do indeed form a part of the social economy. The activity of this sort of foundation tends to be geared toward serving families and promoting the shared social, cultural, and economic good.

On the other hand, these entities fulfil the requirements sets forth in art. 4 of the aforementioned Law on Social Economy:

- Prioritising people and the social purpose over capital, since this is equity placed at the service of public interest, which must benefit generic collectives of natural or legal persons. Moreover, the management model is autonomous and transparent, democratic, and participatory, and this leads to prioritising decision-making that is more people-based. This model is correlated by art. 28 “principles of management and operation” in the Basque Law on Foundations.
- Profits obtained from economic activity are mainly allocated based on the work contributed and the service or activity conducted by members and, if applicable, to the entity’s social purpose. In this case, if equity management provides positive financial returns, at

least 70% of them should be applied to the foundation's purpose, and the leftover 30% to strengthening its economic reserves (art. 29-2 Basque Law on Foundations).

- Promoting internal solidarity and solidarity with society, favouring commitment to local development, equal opportunity between men and women, social cohesion, integration of people at risk of social exclusion, creating stable and quality employment, a personal-family-work life balance, and sustainability.
- Independence from public authorities.

### **Foundations share features of the social economy as a whole in the Basque Country**

Indeed, Foundations fulfil the shared characteristics of all Social Economy entities, as defined in the Story on Social Economy in the Basque Country (several authors, 2019), which in summary would be:

#### *Central role of people in foundations*

Foundations are organisations based on the central role of people. The fact that this sort of organisation is not-for-profit entails the principle that people are prioritised over capital, since the activity (whether economic or not) that it conducts never seeks to make an investment profitable in order to distribute the profits it may reap; rather, the objective is to provide a response, with the foundation's equity, to the needs of society in general (and of people and collectives in particular). In fact, foundations' social purpose is normally focused on personal development (e.g., including the disabled, education, sport, culture, etc.), both for beneficiaries and for workers

#### *Democratic nature of foundations*

Foundations are structured into democratic organisational models, which translates to practises related to decision-making, inter-cooperation policies, and transparency and information.

The patronage is the highest body at foundations (art. 13 LFV), as the body of governance and representation. Its purpose is to fulfil the foundation's purposes and diligently administer the goods and rights in the foundation's equity, and it operates under the principles of democracy.

Social economy organisations are independent from public authorities, and they must not be controlled by governmental bodies or political parties. Most foundations, except for those created by different State agencies or

other public administrations, are independent in this regard. As such, they fulfil the requirement for autonomy.

Foundations are organisations that also seek inter-cooperation. While there are no inter-cooperation mechanisms of widespread applicability, there are referential examples that demonstrate the potential of inter-cooperation for this sector. In fact, very powerful collaboration processes occur at different levels. Firstly, amongst foundations, whether members of FUNKO (for example, the Network of Museums) or with other foundations. In the same fashion, they collaborate with other entities that conduct similar tasks, although under a different legal formula, such as Associations, who are provided more than anything with training services.

On the other hand, transparency in management is another characteristic of foundations that nurtures their democratic nature. The very characteristics of foundations mean that they must be transparent organisations, binding themselves to their own principles of operation.

The foundation sector is convinced that transparency is necessary and positive, since, in addition to other matters, it provides for better communication with society. Funko promotes and helps Foundations to implement transparent management to benefit all citizens. In this vein, compliance certification for foundations improves their transparency and confidentiality, as well as their management structures and processes (WORLD COMPLIANCE ASSOCIATION, 2020). The first to obtain this certification in the Basque Country was the San Prudencio Foundation, which at this time is providing the compliance implementation service at companies.

In this case, there are also several examples of good practises related to transparency in managing foundations. Some of them have outside recognition of transparent management, as innovative experiences in implementing information systems about the social value they create, as we will see in section 4.2. This is the case, for example, in the museum sector, which of all Autonomous Communities is most transparent in the Basque Country with its three leading museums: Bilbao Fine Arts Museum, the Bilbao Guggenheim Museum, and ARTIUM, Basque Centre-Museum of Contemporary Art. Moreover, the latter is recognised as the most transparent museum in the country (FERNÁNDEZ SABAU ET. AL, 2018)

Lastly, while it is true that only members of the foundation's patronage are legally enabled to vote on formal and binding decisions, foundations are organisations that foment participation in managing their workers and seek out the informal participation of their beneficiaries, acting as natural examples of participatory organisations

### *Business dimension of foundations*

Although the economic dimension is not the ultimate purpose of the foundations, we can state that their contribution to the economy is relevant. According to the latest official data (SOCIAL ECONOMY STATISTICS, 2018), in 2018, foundations generated a gross added value of more than 219 million euros, creating 13,045 jobs. Moreover, these foundations are known to be very sustainable organisations, with few cases of bankruptcy.

In fact, there are foundations in the ACBC that could be considered sectorial role models. For example, Teknalia is one of the leading research centres, and the Lantegi Batuak Foundation is one of the most important employment centres in the ACBC. The most charismatic museums, such as the Guggenheim, the San Sebastian Aquarium, and the Fine Arts of Bilbao, are also foundations.

### *Foundations' commitment to the community*

Foundations are organisations with deep roots in the region. Known for low outsourcing, these roots are also known for constantly (re)-investing equity and profits into the community. In fact, it is mandatory that the foundations' equity be devoted to the public interest, so investments are in harmony with society's needs.

In this line, foundations are bound to reinvest at least 70% of their profits (in practise, this percentage is normally higher) for foundational purposes, using the rest to increase reserves. Lastly, in the event of liquidation, leftover equity is not normally distributed amongst individuals, and this leftover equity is allocated to not-for-profit public or private entities who seek public-interest purposes. These particularities demonstrate foundations' true commitment to their environment.

On the other hand, these are organisations that promote social cohesion (this is the purpose of many foundations that work in culture, social services, or the Basque language, etc.), social capital (they weave networks of relationships, promoting the participation of people and offering orientation to foment greater commitment to society), and social transformation (in search of a fairer, more inclusive, and more advanced society).

## 10.3. CHARACTERISATION

Within all foundations as a whole, we can find a wide variety of entities in terms of their social purposes, their origins, or their dimensions.

Firstly, we find variety in foundations in the social purpose they seek, in harmony with the wide range that is not an exhaustive list in art. 4-1 of the LFV, with the shared element being to serve the public interest. Thus, we find foundations that conduct activities in culture, job placement, education, promoting the Basque language, museum activities, cooperation for development, business, sport, and technology, to just name a few.

The Basque statistics service EUSTAT provides distribution by area of activity in coherence with the sections into which the Registry of Foundations is organised:

*Illustration 90. Number of foundations by area of activity (ACBC, 2018) (latest data available 20 November 2020)*

Activity conducted	Number	% out of total
Education and research	241	35,92
Charity-caregiving and employment	189	28,17
Cultural, youth, and sport	141	21,01
Other areas	100	14,90
<b>Total</b>	<b>671</b>	<b>100</b>

Source: the authors, based on the MINISTRY OF PUBLIC GOVERNANCE AND SELF-GOVERNMENT (2018)

Secondly, within the scope of foundations, we find a wide variety of founders or founding entities. We find companies, financial institutions, athletic clubs, public administrations, or individuals who wish to give all or part of their equity to a certain social purpose.

Lastly, and in terms of their size, the average size of foundations in numbers of employees is 21.4, according to social economy statistics from 2018. The data are very similar to public-utility associations (16.2) and Work Integration Social Enterprises (16.7).

Under OFES, the largest entities are special employment centres, with an average number of employees of 269.9. What we do see in different statistical registries are increased sizes of foundations over time, just like other entities (16.9 in 2014 and 19.4 in 2016).

Additionally, numbers from 2010 indicate the existence of a large business collective that does not have compensated staff or associated wages and salary items. 42.2% of foundations in the sample are in this situation, with another 30.8% having up to 15 employees, and 13.3% between 16 and

50 employees. Only 13.6% of Foundations have more than 50 compensated employees. While this breakdown is not provided in following official statistics, the degree of stability in foundations, and the discrete growth in size in terms of employees, leads us to believe that the distribution would be similar. In fact, we see that the 45 foundations associated with FUNKO (7.4%) account for almost 40% of total employment in the sector, which means that 92.6% of foundations account for 60% of employment.

#### 10.4. CHALLENGES

##### **Raising visibility and the extent of society's knowledge of foundations**

In the social economy survey, one of the items measured is the assessment of outside social perception of social economy. This section tends to provide interesting data. In the one from the last year (2018), “Only one out of every four social economy enterprises perceives a positive assessment from Basque society in terms of the role they play and their contribution to the socioeconomic development of the Basque Country.” While this result refers to cooperatives and worker-owned companies, it can be extrapolated to all social economy entities, and consequently, to foundations.

In general, society has heard of foundations and could perhaps mention a few, but society would find it difficult to point out their identifying features or fundamental characteristics, meaning what sets them apart from other similar figures. Barring perhaps cooperation foundations for development (Mundukide, Alboan), or foundations that banks use to channel their social work or athletic clubs because of the clubs' connection with citizens, there are perhaps not many more examples. And this is despite the fact that citizens are oftentimes users or beneficiaries of their work. The image tends to be positive, it is associated with a social purpose, with entities that have an impact, and that create social value... But even on this point, we must communicate the social value created by foundations to society, which would help to understand how they are public-interest entities in the fullest dimension, which leads us to the following challenge.

##### **Measure and share the social value created by foundations**

By their very nature, foundations are entities with social purposes and of the public interest. It is therefore fundamental that they measure their

impact beyond classic statistical dimensions, such as jobs, income, or added value (AV). The fact that economic value and social value are separated entails a problem, both socially and in terms of internal management, and since social value is not documented, it is undervalued (RETOLAZA ET AL, 2014). As such, it is vital to document the social impact of foundations, both through their economic activity and with their own specific social value in environmental, social, labour, community issues, etc.

We find different systems to measure impact, such as GRI (Global Reporting Initiative), or SDGs can be turned into a measurement mechanism, or systems to monetise social value. Regardless of the system used, the suggestion has been given to foundations to learn to “manage impact,” which means managing systems, processes, culture, and capacities related to measuring social impact (HEHENBERGER ET AL, 2020)

Thus, for example, Lantegi Batuak applied the methodology to calculate the integrated social value it generates. This can be viewed for the period from 2007 through 2011 (RETOLAZA ET AL, 2014) and also annually on their webpage. This mechanism furthermore allows them to communicate easily and directly, making the information simple to understand and to share with society. For example, (LANTEGI BATUAK, 2020)

Last year, the Integrated Social Value was 207M€, and over 1.5B€ in the past 10 years.

For each public euro received, Lantegi Batuak contributes approximately 13€ to society, helping to make the region more cohesive and to develop Biscay’s business and social fabric.

Another relevant example is the Valle Salado de Añana Foundation (2018), committed to a model that considers current and future economic, patrimonial, social, and environmental repercussions. Their model takes the World Charter for Sustainable Tourism’s principles (2015), which includes the 17 Sustainable Development Goals.

Mundukide, the Aquarium of San Sebastian, Alboan, Gureak Group, BBK Fundazioa, and more, are models of good practises.

Some foundations are bound to draw up transparency reports, acting as private entities who receive public grants or subsidies over the course of a year that are greater than 100,000.00€ (SPAIN, 2013). These reports and sharing them on webpages also help to discover and value foundations in terms of their organisation and legal structure, governing bodies, and certain economic information.

In the same fashion, some foundations must draw up a non-financial information report (SPAIN 2018) whose objective is to contribute to

measuring, supervising, and managing the performance of enterprises and their impact on society, as well as sustainability, combining long-term profitability with social justice and environmental protection. Their content, set forth in art. 49 of the Code of Commerce, must generally include the information necessary to understand the company's evolution, profits and losses, and situation, and the impact of their activity on at least the following:

- environmental issues, such as pollution, circular economy, waste prevention and management, sustainable resource use, climate change, and biodiversity.
- social and staff matters, including measures which, if applicable, have been taken to encourage the principle of equal treatment and opportunity between women and men, non-discrimination and inclusion of disabled persons, and universal accessibility.
- respecting human rights, applying due-diligence procedures, preventing risks of violating human rights and, if applicable, measures to mitigate, manage, and repair possible abuse, amongst other content.
- the fight against corruption and bribery, measures taken to prevent corruption and bribery; measures to fight against money laundering, contributions to not-for-profit foundations and entities.
- society itself, in relation to their commitment to sustainability, suppliers, and subcontractors, consumers, and tax information by country.

We can see a template of this report for the Gureak Group (GUREAK, 2019). In addition to complying with regulations, it is a shining expression of the social value they create.

### **Keeping foundations as key agents to achieve Sustainable Development Goals (SDGs)**

The UN General Assembly adopted the 2030 Agenda for Sustainable Development, with 17 Goals and 169 targets that encompass economic, social, and environmental matters. This is an action plan for people, the planet, and prosperity, and that also seeks to strengthen world peace and access to justice. States commit to mobilising the resources necessary to reach them, although this Agenda entails a shared universal commitment. To this end, along with the administration, enterprises, and organisations in civil society, foundations are key players in moving forward with the Agenda's goals.



The United Nations Development Program (UNDP) acknowledges the essential contribution of foundations to several different areas that fall under the domain of SDGs. For example, areas related to the well-being of people (health, education, gender equality, fighting poverty, and hunger), the environment (water and sanitation, responsible production and consumption, land ecosystems, and life below water), dignified work, reducing inequalities, and fighting for peace and justice, to name a few.

Funko promotes specification of SDGs and proposes integrating them into foundation and association management, in all actions they conduct, sharing the results they have obtained through reports.

As an example, we might mention the Aquarium of San Sebastian, which sets forth the SDGs as part of its strategic planning, establishing these goals in consideration of its essence as a foundation (FUNKO 2020):

- SDG 14 (life below water) Raise awareness and sensitivity in society regarding the underwater environment by exhibiting, preserving, and researching flora, fauna, and heritage in different oceans and seas, placing special emphasis on the Cantabrian Sea.
- SDG 11 (sustainable cities and communities) Share our maritime and fishing traditions and memory based on safeguarding, exhibiting, and sharing collections of great historical and emotional value.

## 10.5. CONCLUSIONS

Foundations are organisations constituted as not-for-profit entities which, at the desire of their founders, have placed their equity in long-term fashion at the service of public-interest purposes these founders have defined. With the Basque Country, this is an exclusive competency, and at this time, Law 9/2016 on Basque Foundations is in force.

Public authorities support foundations based on their public-interest purposes and the social value they create through different policies: law, grants and subsidies, and a specific tax scheme.

As a representative entity, the purpose of the Basque Confederation of Foundations, FUNKO, is to drive and promote foundations.

Within OFES (other forms of social economy), foundations account for 51% of total entities, 46.2% of compensated employment (especially permanent staff, and with a greater percentage of women), and a volunteer collective of over 25,000 people.

In economic terms, the last year on record (2018), foundations invoiced over 566 million, creating a gross added value of 219 million, 84% of everything generated by OFES.

There are two driving notions of note. On one hand, the fact that foundations are part of the Social Economy and fulfil the requirements set forth in the social economy law, and on the other, they are aligned with the features of social economy in the Basque Country: (1) the central role of people, (2) democratic in nature, (3) the business dimension, and (4) commitment to the community.

There is broad casuistry within foundations in terms of the scope of their activity, size, and founding persons or entities.

At this time, foundations are facing a series of challenges. Firstly, to raise their visibility and the extent to which society is aware of them. Secondly, to measure and share the social value created by foundations, since if this is not documented, it is undervalued. And thirdly, their nature as a key player in terms of SDGs.

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## ***Solidarity-based economy in the Basque Country: narrative***

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### 11.1. INTRODUCTION

A solidarity-based economy arises as a proposal to revitalise certain elements that, in different social economy experiences, it is believed have degenerated. In a certain way, this could be understood as a way to re-politicise social economy and “bring it back” to its founding principles, since its promoters believe that, in the maturation process for different social economy experiences internationally, this evolution has leaned toward standardisation with capital companies, to the detriment of their differentiating characteristics. Special focus is placed on the need to revitalise participatory, democratic, and fair distribution practises internally. More externally, there is talk of the need to reposition social economy in terms of the community and the region, since beyond acting as more democratic and fairer business realities, social economy should play a more driving role in social transformation processes, proposing development models that are alternative to the capitalist model, in concordance with their values, such as cooperation, solidarity, participation, social justice, etc. (ETXEZARRETA ET AL, 2012)

The protagonism of social transformation is key for the solidarity-based economy, as stated in the *Declaration for a Transformative Solidarity-based Social Economy*<sup>1</sup> (Bilbao, October 2018): “Solidarity-based social economy aspires to build a socioeconomic system that places people, communities, and their environmental surroundings at the heart of all its processes. A system whose

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<sup>1</sup> Under the 4th *Global Social Economy Forum* 2018 meeting, held in Bilbao.

objective is to guarantee the sustainability of life in all its aspects, and to promote fair, inclusive, democratic, and sustainable well-being for all people (women and men) and peoples all around the world. This is why (...) we are raising our voice to denounce capitalism, which commodifies and threatens our lives and the life of the planet. Heteropatriarchal capitalism that foments discrimination against women and excludes diversity. We commit to working with other social movements to transform the economy through alternative and social initiatives in financing, production, commercialisation, and consumption. By transforming the economy, we transform regions and communities, and thereby promote a new cultural, social, and political model.”

### **Definition**

There is no consensus on the definition of Solidarity-based Economy, although most experts recognise that the concept combines three complementary dimensions: the first, which is more theoretical, underlines the critical view of the current economic model, advocating “building an alternative paradigm,” the second is focused on developing practises based on alternative and transformational values and principles, and the third highlights the specific type of company necessary to do so: democratic, participatory, self-managed, and collective. (PEREZ DE MENDIGUREN ET AL, 2015; GÓMEZ ET AL, 2016; VILLALBA ET AL, 2019)

While other social economy families are expressly legally recognised by the Law 5/2011, this law does not expressly reference the solidarity-based economy<sup>2</sup>. Even so, the solidarity-based economy in the Basque Country is identified as a social economy subsector (ASKUNZE, 2016), bringing together many different organisations (cooperatives, associations, and foundations, but also limited liability companies) that seek to promote the “economy at the service of people,” as well as “life sustainability.” As such, it comes as no surprise that, historically, many of these initiatives came from production sectors that were beneficial to the environment (with activities related to recycling, ecological agriculture, etc.), or with a special focus on “human communities struck by economic crises” at risk of social exclusion (for example, Work Integration Social Enterprises), or as a result of the collaboration of a group of people interested in testing “another way of viewing work and obtaining economic resources based on cooperative, social, and solidarity-based principles” (ASKUNZE, 2007). Today, the solidarity-based economy still boasts an important presence in these fields.

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<sup>2</sup> This lack of specific countrywide regulation contrasts with regulations in European and American countries.

In short, what unites them is not their legal form, but rather the principles and values “to govern society and relations amongst all citizens: **fairness, justice, economic brotherhood, social solidarity, and direct democracy,**” as set forth in the *Social Economy Charter*, whose last revision in 2011 sets forth the following cross-cutting principles:

*Illustrations 91. Cross-cutting principles of REAS*

- Autonomy as a principle of freedom and exercise of co-responsibility.
- Self-management as a methodology that respects, involves, educates, equals opportunities, and makes empowerment possible.
- A liberating culture as the foundation for creative, scientific, and alternative thought that helps us to seek, research, and find new ways of living together, producing, enjoying, consuming, and organising policy and economy at the service of everyone.
- The development of people in all their dimensions and capacities: physical, mental, spiritual, aesthetic, artistic, sensitive, relationships, etc., in harmony with nature, above all imbalanced economic, financial, warlike, consumerist, transgenic, and anomalous growth as is being pushed in the name of a “fictitious” development.
- Rapport with nature.
- Human and economic solidarity as the principle for our local, national, and international relations.

Source: REAS (May 2011) *Charter of Solidarity-based Economy Principles*

This all takes specific shape in the form of six principles shared by all organisations that belong to solidarity-based economy, thus acting as the element that brings them all together, as we can see:

*Illustration 92. Principles of Solidarity-based Economy*

1. PRINCIPLE OF FAIRNESS
2. PRINCIPLE OF WORK
3. PRINCIPLE OF ENVIRONMENTAL SUSTAINABILITY
4. PRINCIPLE OF COOPERATION
5. PRINCIPLE OF “NOT-FOR-PROFIT PURPOSES”
6. PRINCIPLE OF COMMITMENT TO THE LOCAL SETTING

Source: REAS (May 2011) *Charter of Solidarity-based Economy Principles*

## Representation Networks

Solidarity-based economy in the Basque Country comes together in REAS Euskadi, which was born in 1997 as a network. Considering data<sup>3</sup> from their Social Audit in 2020, they group 80 entities, of which one-third are cooperatives (26), another third associative (26), closely followed by Limited Liability Companies (many times, single-member) (23), and a residual presence of foundations (5).

In sectorial terms, 20% of organisations are in the healthcare and caregiving sector, followed by education and research (15%) and housing and environmental management (12.5%), with initiatives related to agroecology, renewable energies, socio-occupational integration, ethical finance, fair commerce, critical and transformative consumption, and more. They mobilise 22,521 people in the Basque Country, of which 3,255 are workers and who have obtained 144 million euros in income.

In turn, REAS Euskadi is part of REAS *Red de Redes* (Network of Networks), along with another 13 regional networks<sup>4</sup>, to which we can add another four sectorial networks: the *Coordinadora Estatal de Comercio Justo* (State Fair Commerce Coordinator), the *Mesa de Finanzas Éticas* (Ethical Finance Table), the *Unión de Cooperativas de Consumidores y Usuarios de Energías Renovables* (Union of Renewable Energy Consumer and User Cooperatives), and the *Asociación Española de Recuperadores de Economía Social y Solidaria* (Spanish Association of Social and Solidarity-based Economy Recovery Operators) (AERESS). In the Basque Country, they hold a close collaboration with Gizatea (Association of Work Integration Social Enterprises) and with Olatukoop. Internationally, they are part of the Intercontinental Network for the Promotion of Social Solidarity Economy (RIPESS).

Moreover, REAS drives 7 Social Markets (one of them in the Basque Country), seen as networks to produce, fund, distribute, and consume “differently,” open to collaborative work with consumers, other networks, and social movements, seeking to conjointly develop an alternative to the conventional market.

### 11.2. SOLIDARITY-BASED ECONOMY AS PART OF THE SOCIAL ECONOMY

Both academia and solidarity-based economy itself recognise that solidarity-based economy “is born from the shared connection with Social

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<sup>3</sup> From 2019

<sup>4</sup> Almost one per Autonomous Community, barring Cantabria, Asturias, and Castilla-La Mancha, as well as Ceuta and Melilla.



Economy” (PEREZ DE MENDIGUREN ET AL, 2009; ETXEZARRETA ET AL, 2012), and the principles that govern its practise bear this out.

### **Central role of people in Solidarity-based Economy**

Solidarity-based Economy focuses its activity on quality of life and development of people, placing them at the centre of the economy and revising the concept of “work,” going beyond employment, broadening it, and including all activities, whether actually compensated or not, but necessary to caring for life.

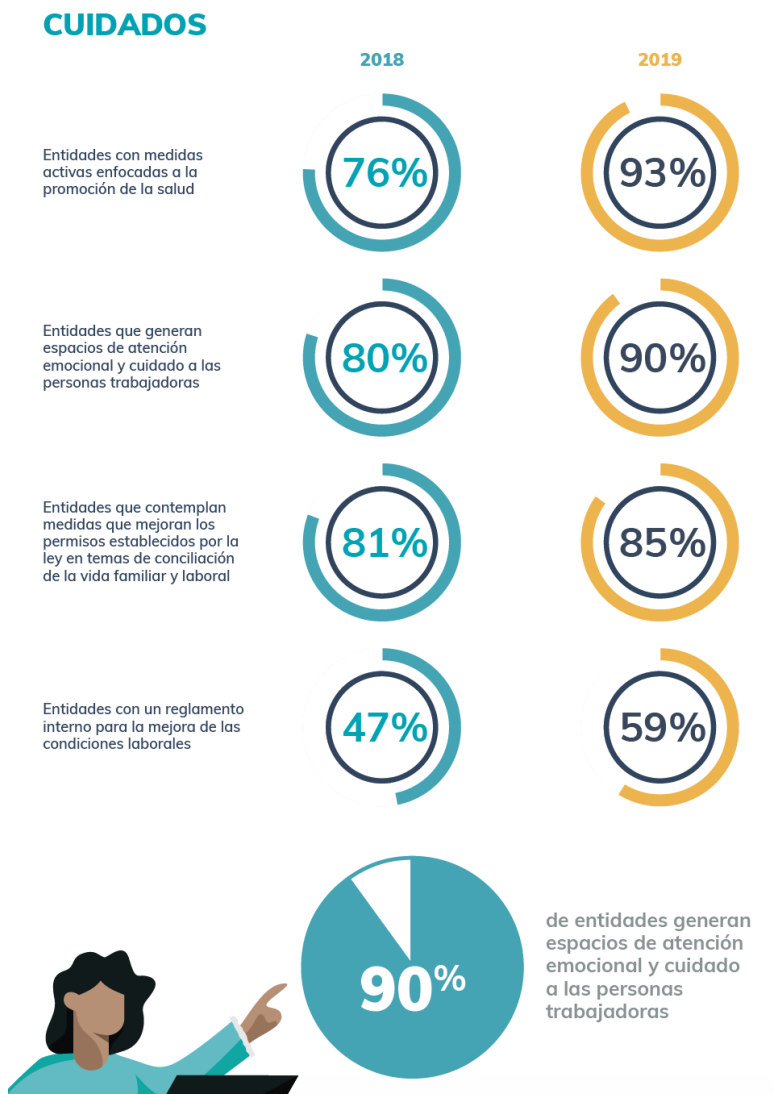
#### *Illustration 93. Principle of Work in the Solidarity-based Economy*

- We consider that work is a key element in the quality of life of people, of the community, and of the economic relations between citizens, peoples, and States. This is why REAS conceives of work in the broad institutional and social context of participation in the economy and the community.
- We affirm the importance of recovering the human, social, political, economic, and cultural dimension of work to develop personal capacities, producing goods and services to meet the true needs of the population (our needs, the needs of our immediate surroundings, and the needs of the general community). For this reason, for us, work is much more than employment or an occupation.
- We see that these activities can be conducted individually or collectively and can be compensated or not (volunteer work), and the worker may be hired by another or assume ultimate responsibility for producing goods or services (self-employment).
- Within this social dimension, we must highlight that without the contribution of caregiving work, fundamentally carried out by women, our society could not sustain itself. This work is still insufficiently acknowledged by society and is not fairly distributed.

Source: REAS (May 2011) *Charter of Solidarity-based Economy Principles*

With this principle, they defend both the policy dimensions of work (in terms of “full access to social opportunities to obtain resources” and rights as the worker) and the economic dimensions (in terms of decent compensation and quality employment) for everyone, also for those with “accumulated difficulties,” since decent work is a “factor for inclusion and social integration” as well as a “pillar for the self-esteem of people related to all dimensions of their lives.” They devote a space in their annual assessment and social audit processes (NAVEDA, 2016; REAS-EUSKADI, 2018) to assess each entity’s actions, both on these issues and in relation to the other principles to plan their improvement.

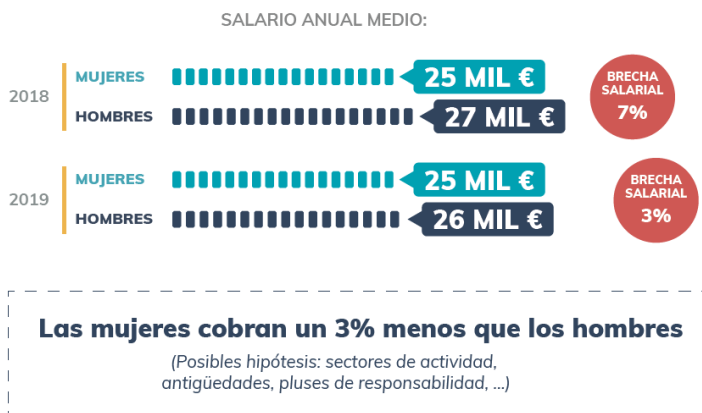
Illustration 94. Caregiving actions with the worker collective in REAS-Euskadi



Source: REAS-Euskadi(2020) *Social Audit 2019*

Illustration 95. Salary equality in REAS-Euskadi

**IGUALDAD SALARIAL**



Source: REAS-Euskadi (2020) *Social Audit 2019*

**Democratic nature of the Solidarity-based Economy**

The democratic nature of these entities, on one hand, is connected to the principle of fairness, “with mutual acknowledgement of differences and diversity based on equal rights” and real opportunities for all.

*Illustration 96. Principle of Fairness in the Solidarity-based Economy*

- We consider that fairness introduces a principle of ethics or of justice in equality. This is a value that acknowledges all persons as subjects of equal dignity, and protects their right to not be forced into relationships based on domination, regardless of their social condition, gender, age, ethnicity, origin, capacity, etc.
- A fairer society is a society where all people mutually recognise one another as holding equal rights and possibilities, and one that takes differences between people and groups into account. For this reason, it must fulfil the respective interests of all people in a fair fashion.
- Equality is an essential social objective where its absence entails a deficit in dignity. When related to acknowledgement and respect for difference, we call it “fairness.”

Source: REAS (May 2011) Charter of Solidarity-based Economy Principles

In its commitment to transformation, the solidarity-based economy in the Basque Country is tightening bonds with Feminist Economy to “build inhabitable organisations.” To this end, it has started up the BIZIGARRI process in REAS-Euskadi to create an “organisational change in favour of gender fairness.”<sup>5</sup> With this, they have proposed that by 2022, “they incorporate feminism into the identity definition” and make progress “in driving feminist practises,” becoming “an organisation with fair, interconnected, and creative structures that are able to influence the entity, and with a co-responsible, cohesive, and horizontal work team that is attentive to caring for people.” (REAS-EUSKADI, 2019, p.12)

In fact, this aspect is already one of the key criteria to belong to the Network, in valuing caregiving work, fundamentally conducted by women, requiring minimum conditions in employer and permanent contracts, and providing schedule flexibility for work and family-life balance, amongst others<sup>6</sup>.

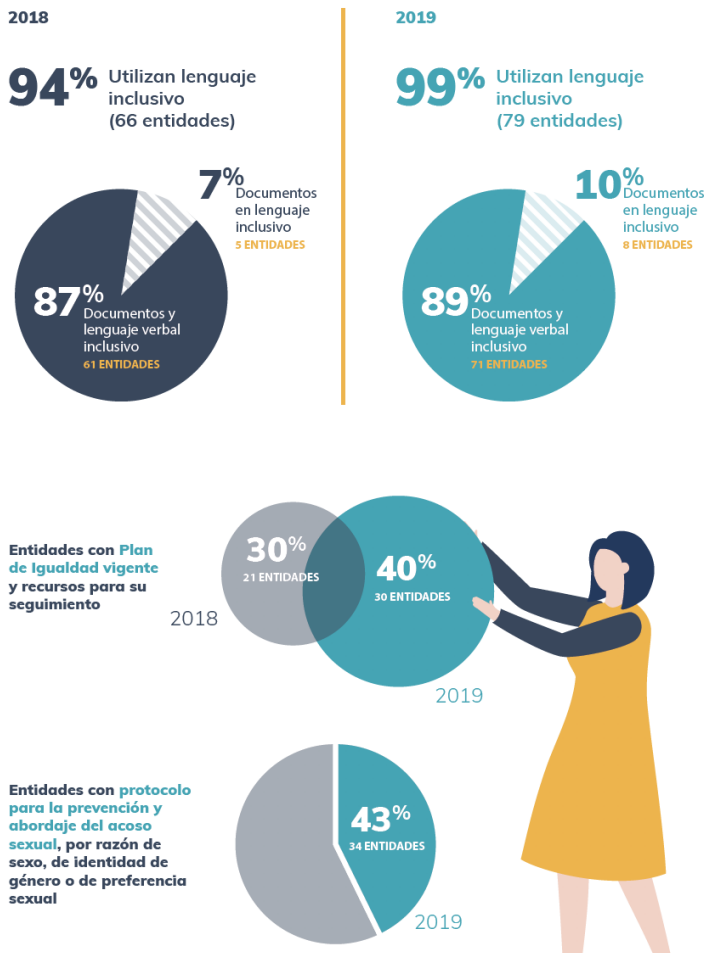
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<sup>5</sup> Decree 197/2008 of 25 November on aid to cooperative entities to promote organisational change processes in favour of gender fairness, defines this as “reflective actions within the organisation to transform existing manners of doing and thinking, in order to eliminate gender inequalities that occur in any of the organisation’s operational spheres.”

<sup>6</sup> In fact, ever since it began, differentiated data have been collected in terms of gender, but the Social Audit in 2018 was the first time that a feminist reading was given to this audit.

Illustration 97. Actions for Equality in REAS-Euskadi

## LENGUAJE NO SEXISTA

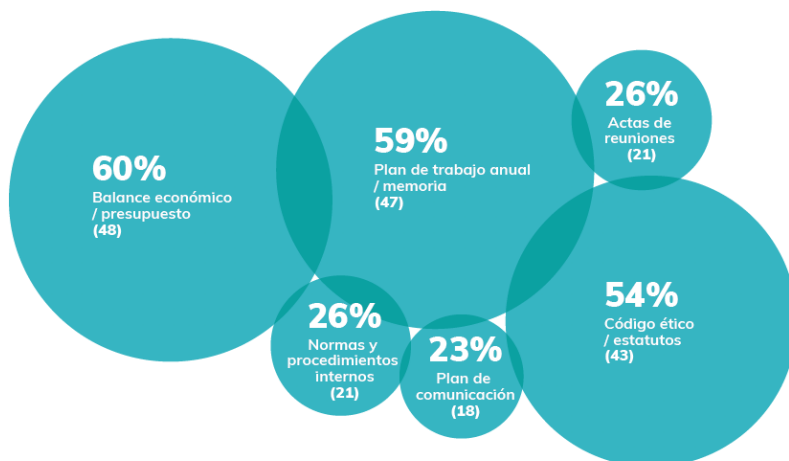


Source: REAS-Euskadi (2020) Social Audit 2019

Fairness also requires “participatory operation and with assemblies open to all members and workers, where all relevant decisions to be made are consulted.” To this end, solidarity-based economy entities are transparent with their information, advocating “accessible, clear, and frequent information” so that people may “know, opine, and participate with knowledge of reality and take opportune measures that favour the common good.”

Illustration 98. Public information and transparency (I) in REAS-Euskadi

Entidades con información pública disponible sobre:



Source: REAS-Euskadi(2020) *Social Audit 2019*

Illustration 99. Public information and transparency (II) in REAS-Euskadi

## TRANSPARENCIA



**ENTIDADES QUE HACEN PÚBLICOS LOS SALARIOS (40 de 64)**

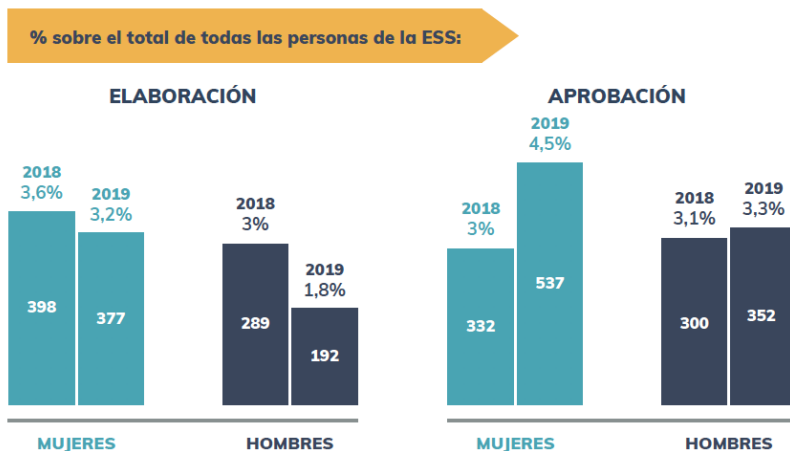
\*A las 16 entidades con 1 o ninguna persona trabajadora, esta pregunta no aplica.

Source: REAS-Euskadi(2020) *Social Audit 2019*

*Illustration 100. Participation and transparency in REAS-Euskadi*

## PARTICIPACIÓN

EN EL PLAN DE GESTIÓN Y PRESUPUESTO ANUAL



Source: REAS-Euskadi (2020) *Social Audit 2019*

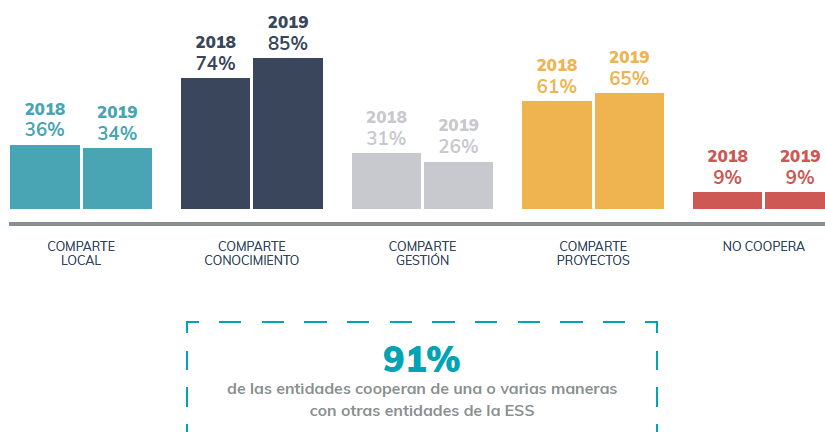
This democratic function is not limited to the confines of each entity; rather, they advocate for a culture of cooperation, “promoting cooperative enterprises and a model with horizontal, participatory, democratic, and trust-based networks” with everyone who shares these values. We have already seen that this principle has been widely developed by the Solidarity-based economy in the Basque Country.

*Illustration 101. Principle of Cooperation in the Solidarity-based Economy*

- We seek to favour cooperation instead of competition, inside and outside our organisations related to the Network, seeking collaboration with other entities and public and private bodies...
- We seek to collectively build a societal model based on harmonious local development, fair commerce relationships, equality, trust, co-responsibility, transparency, respect, etc.
- We begin with the notion that Solidarity-based Economy is based on a participatory and democratic ethic, that it seeks to foment learning and cooperative work between people and organisations, through collaboration processes, conjoint decision-making, and the shared undertaking of responsibilities and duties, all while guaranteeing the utmost horizontal structure possible while respecting the autonomy of all, without creating dependencies.
- We understand that these cooperation processes must be spread to all spheres: local, regional, and autonomous community, nationwide, and international, and must normally take shape through Networks where these values are lived and encouraged...

Source: REAS (May 2011) *Charter of Solidarity-based Economy Principles*

*Illustration 102. Inter-cooperation (I) in REAS-Euskadi*



Source: REAS-Euskadi (2020) *Social Audit 2019*



## **Business dimension of the Solidarity-based Economy**

The Solidarity-based Economy advocates for economic activity (production, funding, distribution, and consumption) as an instrument at the service of life, and not capital and profit. This is highlighted in the corresponding Principle:

### *Illustration 103. “Not-for-profit” principle in Solidarity-based Economy*

- The purpose of the economic model that we practise and seek to follow is the comprehensive, collective, and individual development of people, and the means to do so is the efficient management of economically viable, sustainable, and comprehensively profitable projects, whose profits are reinvested and redistributed.
- This “not-for-profit nature” is closely linked to how we measure balance sheets, which consider not only economic aspects, but also human, social, environmental, cultural, and participatory aspects, and the final profits and losses statement is comprehensive benefit.
- Our activities therefore devote possible profits to improving or broadening the social purpose of projects, as well as to supporting other solidary initiatives of public interest, thus participating in the construction of a more human, solidary, and fair social model.

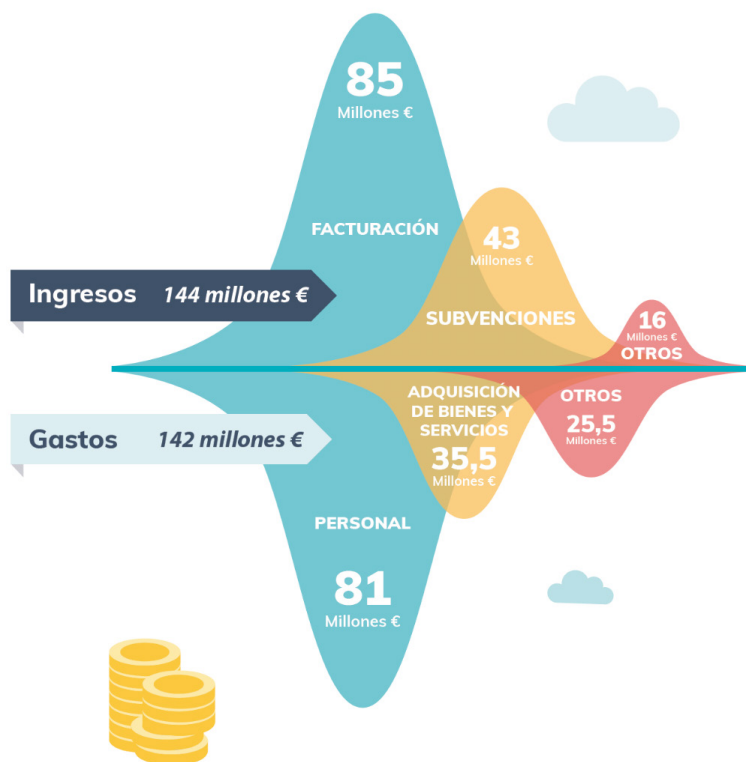
Source: REAS (May 2011) *Charter of Solidarity-based Economy Principles*

Therefore, Solidarity-based Economy entities do not distribute profits, but rather reinvest them into these projects so that they are “economically viable, sustainable, and comprehensively profitable.” Moreover, they seek to produce “socially useful” goods and services, with an autonomous company model<sup>7</sup> that is different from the conventional model. This “comprehensive profitability” combines economic, social, and environmental profits (BALLESTEROS ET AL, 2013) (along with human, cultural, and participatory aspects) to assess “any production initiative implemented to contribute desirable benefits without harming any other dimension, nor producer or consumer collectives.”

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<sup>7</sup> In fact, the Social Audit reserves a space to analyse diversification of each entity’s income as a guarantee for independence and autonomy.

Illustration 104. Income and Expenses in REAS-Euskadi



Source: REAS-Euskadi (2020) *Social Audit 2019*

*Illustration 105. Profit distribution in REAS-Euskadi*



Source: REAS-Euskadi (2020) *Social Audit 2019*

### **Solidarity-based Economy's commitment to the community**

Solidarity-based Economy seeks to establish “cooperative and non-competitive relationships,” also with the environment.

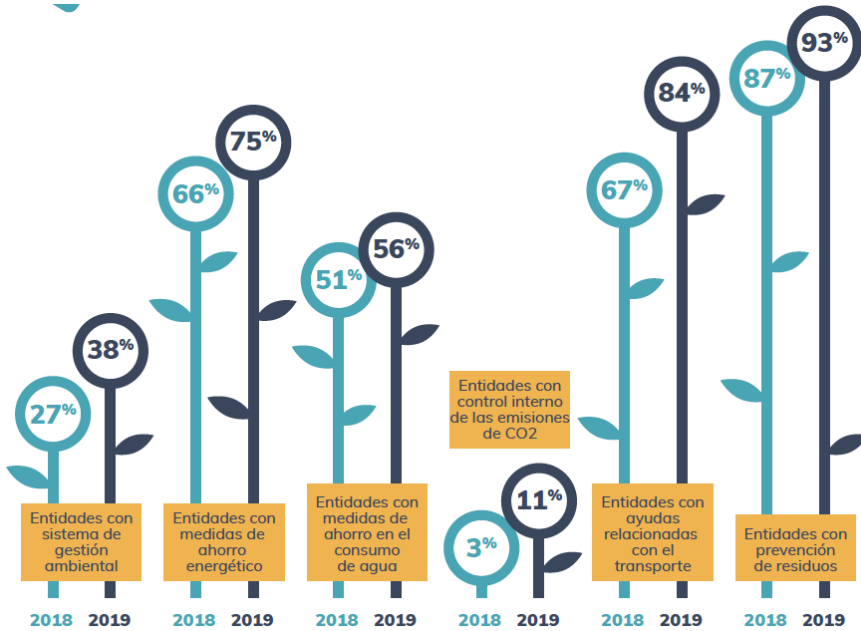
*Illustration 106. Principle of Environmental Sustainability in Solidarity-based Economy*

- We consider that all our productive and economic activity is related to nature, which is why our alliance with her, and recognition of her rights, is our starting point.
- We believe that our good relationship with Nature is a source of economic wealth and good health for all. This is why we have the fundamental need to integrate environmental sustainability into all our actions, assessing our environmental impact (ecological footprint) in an ongoing fashion.
- We seek to significantly reduce the human ecological footprint of all our activities, moving forward toward sustainable and fair production and consumption methods and promoting the ethics of sufficiency and austerity.

Source: REAS (May 2011) *Charter of Solidarity-based Economy Principles*

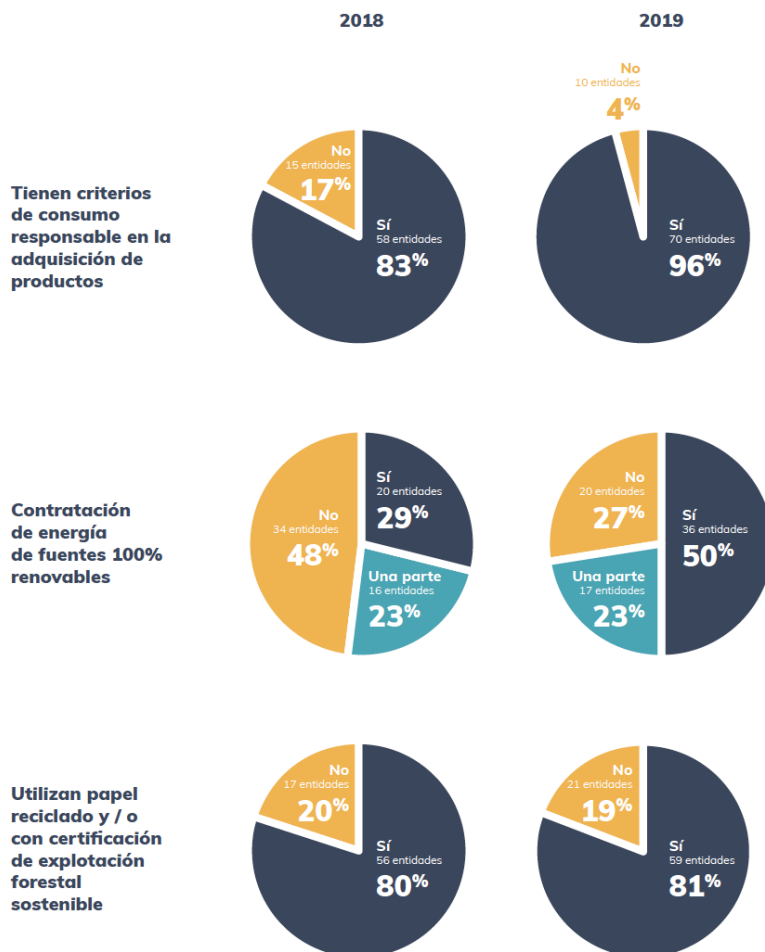
For this reason, they advocate for responsible consumption “as an attitude coherent with the two-fold ethical criteria of social fairness and environmental sustainability” and clean production, present in the sectors of renewable energies (Goienar), bioconstruction (Zurtek), recycling (Berziklatu, Kooperera), and agro-ecology (BalmasedActiva, ENHE, Ekoizan, Garbinguru, Goilurra, Ortutik Ahora, Sustraiak), in defence of food sovereignty.

*Illustration 107. Environmental management in REAS-Euskadi*



Source: REAS-Euskadi(2020) *Social Audit 2019*

Illustration 108. Responsible consumption in REAS-Euskadi



Source: REAS-Euskadi (2020) *Social Audit 2019*

All Basque Solidarity-based economy experiences have a strong component of deep roots in their surroundings, of commitment to people, and commitment to their communities, especially with impoverished communities.

*Illustration 109. Principle of Commitment to the Local Environment in Solidarity-based Economy*

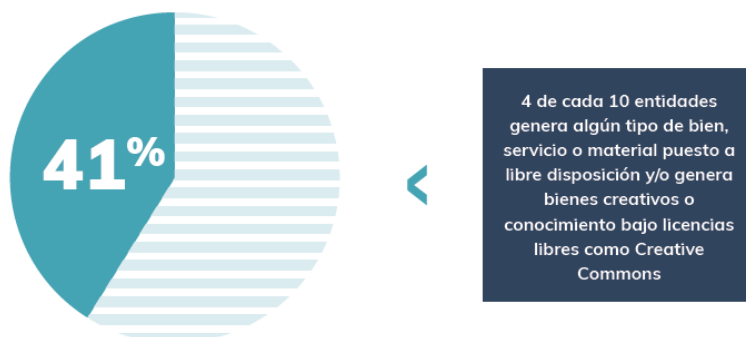
- Our commitment to the environment takes shape through participation in local sustainable development and community development in the region.
- Our organisations are fully integrated into the region and the social environment where they conduct their activities, which means involvement in networks and cooperation with other organisations in the nearby social and economic fabric in the same geographic area.
- We understand this collaboration to be a path, so that specific positive and solidary experiences can generate transformation processes in the structures that create inequality, domination, and exclusion.
- Our commitment to the local environment leads us to take shape in broader dimensions to seek out more global solutions, interpreting the need to continuously leap between micro and macro and local and global levels.

Source: REAS (May 2011) *Charter of Solidarity-based Economy Principles*

This commitment plays out as cooperation and collaboration<sup>8</sup> on conjoint projects to “co-create shared initiatives” that encourage creating and strengthening the social fabric. In short, networks with transformation strategies, networks “in interrelation with different social movements that address multiple issues, as well as with different collectives who promote critical economic positions (ecologists, feminists, etc.),” that seek to have a significant political influence on the environment.

*Illustration 110. Contribution to the common good in REAS-Euskadi*

## APORTACIÓN AL PROCOMÚN



Source: REAS-Euskadi (2020) *Social Audit 2019*

<sup>8</sup> What RAZETTO calls the “C factor.”

Within this context, solidarity-based economy is creating the social market as an alternative space for production, commercialisation, and consumption, but also as a political project for transformation and a paradigm shift “toward a more sustainable and responsible Alternative Economy model” that foment responsible consumption, but also responsible public procurement. To this end, they are combining four key elements: a desire to transform market conditions, combined with an involved community, both consumers and enterprises, shaped through a democratic process based on transparency, and that implements tools for visibility, commercialisation, and access to responsible consumption (CRESPO ET AL, 2014, p.103-104). In the Basque Country, the Social Market consists of a network with 76 entities under REAS EUSKADI and OlatuKoop. In 2016, it received the Basque Government’s Elkarlan Award for Projects that Co-Generate Public Value.

*Illustration 111. Inter-cooperation (II): social market in REAS-Euskadi*



Source: REAS-Euskadi (2020) *Social Audit 2019*

### 11.3. CONCLUSIONS

— **The Solidary-based Economy contains a proposal to transform capitalism**

This proposal is not limited to increasing distribution of profits, but rather for its organisations to generate profits by driving economic

activities based on principles such as cooperation, not-for-profit, reciprocity, inclusion, feminism, environmental sustainability, fairness, and commitment to the community and the region.

— **Solidary-based Economy is acknowledged as part of Social Economy**

Although not explicitly mentioned in Law 5/2011 on Social Economy, it is acknowledged that its origins lie in Social Economy and the principles governing its practise demonstrate this.

— **These are people-focused organisations, with special emphasis on inclusion**

Of note is their concern for building organisations, structures, and inhabitable methods of operation for both women and for men, placing life at the centre, and redefining work and caregiving. The Bizigarri process is proof of this, with a potential multiplying and transformative effect, not just for Solidary-based Economy.

— **The Solidary-based Economy applies the principle of cooperation and collaboration, building networks with democratic operation**

Social Economy organisations have a democratic operation, which transfers to all the networks that they weave, not just with their own organisations but also with other organisations and social movements, to build together a real and transformative alternative to the conventional economy.

— **It groups not-for-profit organisations that produce socially-useful goods and services that seek comprehensive profitability**

Solidary-based Economy entities do not distribute profits; rather, they reinvest them to create economically viable, sustainable, and comprehensively profitable projects that combine economic, social, and environmental benefits, without harming other dimensions and collectives.

— **Basque Solidary-based economy experiences have a strong component of deep roots in their surroundings, of commitment to people, and commitment to their communities.**

An example of this commitment is initiative around the Social Market.

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