Employee owned companies and the American ESOP model.

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Content

Preface

This report is part of the project "ESOPs for Sweden" initiated by Coompanion Stockholm. Coompanion is a cooperative rådgivarorganisation with 25 regional offices around the country. The report funded beyond Coompanion Stockholm by four organizations: the Confederation of Swedish Enterprise, Union, The Menke Group and The Castle.

Report focuses on employee-owned companies in general and the US acquisition model employee stock ownership plan (ESOP) in particular. ESOP- model is a tool to increase the number of employee-owned companies in the economy and has resulted in over ten million Americans now work in companies owned wholly or partly by themselves.

The report deals with staff ownership history, landscape and empirically studied the effects, and the ESOP model structure and scope. Personal ownership is then connected to the three Swedish economic problems pictures. Obstacles and suggestions on ways forward are discussed finally.

The report aims to provide the reader with an overview of employee ownership and staff acquisition and inspire new ways of thinking about work and ownership. It is the author's hope that this report will increase awareness and interest in employee ownership in Sweden and contributing to the enabling of the Swedish model of personnel acquisitions.

The report was written by Patrik Witkowsky previously produced a documentary about economic democracy. On behalf of, among others Coompanion he has worked with staff ownership issues, since, 2015.

The opinions expressed in this report are the author's own and do not necessarily reflect the project owner or financiers. For proofreading and valuable input author wants to thank Mattias Bleicher, Lars Jagrén, Sophie Nachemson-Ekwall, Björn Lundén, Alen Musaefendic, Inger Witkowsky, Leif Tyrén, Nils Säfström, Jacqueline Fritzson, Jan Forslund, Jesper Roine, Chris, Michael, Chris Mackin and David Ellerman.

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Introduction

How would it be if you are a business owner, perhaps at the end of your working life, in a simple and profitable way to sell your business to your employees? How would it be if you worked as an employee of a company that you took with your colleagues, where together you shared on any surplus and the Board appointed? How would it be for you as politicians or citizens of several of the companies in your municipality owned by the people who worked there?

The employees at the company would acquire and operate their own business sounds to many as an almost utopian idea. It is not strange considering that we rarely hear of such examples. The result is that neither the owners or employees tend to consider this as an option. And even if an owner decides to sell the company to its employees, and the employees think it sounds interesting, it is difficult to know how the transaction will be financed in a mutually satisfactory manner.

Why should find a solution to this problem? Is this even an issue?

In Sweden, we are facing a major generational challenge where many aging entrepreneurs have trouble finding buyers of their companies. This could have dire consequences for most smaller cities and towns, and risk hitting hard against it, for the Swedish business sector's behalf, important sector of small and medium enterprises.

More storm clouds related to the lack of employee ownership piling up in addition to the social horizon. The economic inequality is increasing internationally and in our own country. The risks weakening social trust, reduce social mobility and increase tensions between different social groups. Meanwhile, ownership of Swedish business increasingly shifted to mutual funds and foreign investors with short-term focus, which threatens to undermine the long-term value creation in the companies. As this report seek to prove much to suggest that a greater degree of employee ownership in the economy can help to offset some of these tendencies.

Personal ownership has historically had supporters in the most unlikely combination of individuals: industrialists, revolutionaries, deeply conservative politicians, social liberals and trade unionists. The reasons for sympathy has varied. Employee ownership include predicted to reduce the tension between workers and owners of capital, making the work more meaningful, deepen democracy, reduce inequality and increase growth. Thanks to decades of empirical research is speculation no longer as necessary for those who want to advocate for increased employee ownership. As this report will describe the performing employee-owned companies not only as good, but even better, than their conventionally-owned competitors in a variety of areas.

The United States is the country in the world where staff ownership possibly reaped its greatest successes. The reason for this is spelled Employee Stock Ownership Plan (ESOP), a kind of incentive program for employees. Through an ESOP trust purchased shares to the employees, and thanks to the tax benefits introduced are strong incentives for owners and companies to sell shares to such a Foundation. Conventional owned companies has thus been transformed to become employee-owned companies, often 100 percent. ESOP- model perhaps best been a useful tool for owners without interested heirs who want to sell his company and retire. There is then a standardized model to easily sell to employees.

The report focuses mainly on the ESOP model but also makes strikes in other forms of employee ownership that we find around the world. Chapter 1 describes staff ownership concept and briefly overviews we European staff ownership landscape, the history of ideas and in practice. Chapter 2 presents the American experience, historically and today, with the employee-owned company. Chapter 3 explains in more detail how the ESOP model works. Chapter 4 summarizes, mainly through reports of empirical studies, how employee ownership and staff acquisition could affect owners, businesses, employees and lenders. Chapter 5 discusses whether employee ownership could help to bridge the three different socioeconomic problems images in today's Sweden. Chapter 6 discusses the obstacles and opportunities for staff acquisition in Sweden as well as the actors and commentators who raised the issue in recent years. You are also given a set of proposals on what measures can be taken to broaden staff ownership in Sweden.

The chapters are relatively independent of the reader to be able to select individual chapters for interest. If you are interested in staff ownership of ideas and the development of recommended chapters 1 and 2. If you want to focus on the more technical issues related to personnel acquisition recommended Chapters 3 and 6. In order to immerse themselves in the effects of employee ownership may have on individuals, organizations and society recommended chapters 4 and 5.

1. Personal ownership landscape

1.1 What is employee ownership?

This report deals with companies where employees jointly own a significant part of the company where they work. Some of the terms commonly used to describe such a company is medarbetarägt companies, löntagarägt companies, arbetarägt companies, democratically company or worker cooperatives. In this report, the term employee-owned company to be used. It is in the academic literature, no consensus on how large cooperative or shareholding employees need to take for the company to qualify as employee-owned, nor how widespread ownership should be between employees. [1] This report is mainly interested in the company, who owns a significant portion of the company and where the ownership is spread across broad groups of staff. [2] Such an employee-owned company is different from what is in the report, called a conventionally owned companies.

Personal ownership takes different forms depending on the legal form. In Sweden, there are five forms: sole proprietorship, corporation, partnership (or variant partnership), economic associations and non-profit organization. [3]

A sole proprietorship can be considered its personnel as the self-employed is the only one working there. Employees may not own shares in a private firm. In partnerships, limited partnerships and limited liability companies, employees can however own shares and shares, and in the cases fleralet of the employees own a significant portion of the company are considered to be employee-owned. In an economic association can be both shareholders and members. The members control the company according to the principle "one member, one vote". If members are primarily made up of employees, the company is considered to be employee-owned. If the company adopts the so-called seven cooperative

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[1] Personal Ownership researchers Douglas Kruse, Joseph Blasi and Richard Freeman writes that "employee ownership can vary between the workers own the entire company that they own a majority stake or a significant minority, usually by a trust or other legal entity that groups the shares entitled to vote." [my translation]. See Richard Freeman, Joseph Blasi and Douglas Kruse (2010). *Shared Capitalism at Work* : *Employee Ownership, Profit and Gain Sharing and Broad-Based Stock Options.* Chicago: The University of Chicago Press, p. 4.

[2] In many empirical studies also classified companies with small ownership program for employees as employee-owned. See a discussion of the definition of a löntagarägt companies in SOU 1980: 36th

Cooperative investigation. *Working Cooperative Center: progress report,* pp. 49-50.

[3] Issue. "Different business forms".

principles, is now a working cooperative. [4] It is important to distinguish the work cooperatives and other cooperative forms, such as consumer cooperatives and cooperative tenancy associations, whose members are not necessarily employees. A company may therefore be a cooperative without being employee-owned, and a company can be employee-without being a cooperative.

Even non-profit organizations can - even though they have no owners - a little sloppy classified as employee-owned if the members are primarily made up of the employees. In this context it should also be some foundation-owned companies mentioned. Foundations have no owners or members, but is governed by a board of directors or trustees in accordance with the memorandum, which provides the foundation's purpose. Sometimes the purpose of rewarding a certain group of people, so-called beneficiaries. Then destinatärerna consists of the employees, especially if destinatärerna given the right to appoint or direct the board, it is reasonable to consider the foundation-owned company employee-owned. Production Company Tjeders Industrial, based in Malmköping, owned, for example, to 51 percent of an employee foundation, whose board is appointed by the employees. [5]

Some economists call the company whose board is appointed by the people who work in the business of "democracy", an adjective comes from the world of politics. This epithet is suitable for voting rights in the company, like the right to vote in a municipality, not a property right that can be bought and sold to third parties. The right to vote is instead a personal right that is only awarded to individuals who meet certain functional requirements, for example, work in the company. Something that can be seen as the economic equivalent of living in a municipality or state. [6]

Personal ownership is often inserted as a sub-category of the concept of financial participation , which is an umbrella term for all systems that give employees participate in the company's profit or performance. [7] These include, for example, profit-Program and the bonus schemes does not necessarily provide the employees participation or influence in the company.

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[4] The principles adopted by the International Co-operative Alliance. See International Co-operative Alliance. "Co-operative identity, values and principles."

[5] mail conversation with Jörgen Lindgren, Chairman of Tjeders personnel foundation. 6 / 12-2017.

[6] David Ellerman (2016). "Rethinking Common Versus Private Property". American Journal of Eco- nomics and Sociology. Vol. 75(2), s. 319-345.

[7] Nils Karlson & Henrik Malm Lindberg (2016). *Financial Participation: A study on the effects of profit-sharing and aktiedelägarskap* . Ratio, p. 8.

Sometimes also refers to staff rule related to employee ownership. This means that employees have an influence, not necessarily as a result of the ownership of the company, but through driftsråd or board. Large groups of employees may also have an influence and a right to performance of enterprises through common ownership, for example pension funds.[8] This report is not about that kind of staff rule or macro ownership, but above all for companies where employees are direct to members.

1.2 A common phenomenon

The employees have some form of ownership or part of the result of their companies are a natural feature of contemporary capitalism. In the US, about 40 percent of all employed some form of financial participation in their companies. [9] For example, shared all of the 100 companies which were linked to the development of the Internet - such as Amazon, Cisco Systems and Microsoft - owned by the employees in one way or another. The leads for these companies felt that such a broad ownership was necessary in order to recruit the industry's most outstanding talents. [10]

The EU's financial participation is not as common, although it increased in the past two decades. [11] Profit sharing system, in which employees receive a share of the profits right in your hand or over time through participating foundations are popular in Sweden. Figures from 2010 showed that almost a fifth of all employees included in some form of profit sharing. Men are overrepresented in these systems. According to a study from 2013 found that one third of all companies with more than ten employees, a program of profit sharing. Although aktiedelägarprogram is relatively widespread. About one-tenth of all companies

[8] The concept of economic democracy are sometimes included, in addition to employee-owned companies, including state-owned enterprises and collective funds such as pension funds or wage-earner funds. View Lars Magnusson (2012), "The ownership through mutual funds - a path to economic democracy", in *Together: a viable economic democracy* , ed. Bo Rothstein. Stockholm: SNS publishers.

[9] Richard Freeman (2015). *Worker Ownership and Profit-Sharing in a New Capitalist Model?.* LO, s. 10.

[10] in 2002, 58 percent of all employees in the US computer industry partner in the companies they arbetade på. Se Joseph Blasi. "Tech Companies Are Shutting Employees Out Of the Stock Market's Boom." Fortune. 12/4 2017.

[11] Eurofound (2017). *Sixth European Working Conditions Survey – Overview report*, Luxemburg: Publications Office of the European Union, s. 99.

with more than ten employees have such a program, mainly oriented to employees in leading positions. [12]

These figures mean that Sweden is above the European average in terms of both profit and aktiedelägarprogram. [13] However, the number of companies where the employees own a significant portion of the shares, and the shares are spread across broad groups of staff, more unusual. At times it can be the most severe effects of these programs can be difficult to discern and concluded that employee ownership will not leave any significant mark on the economy remain close to hand. It need not be. Studying the companies where wide staff group owns a significant portion of the shares - or in some cases, the entire company - is more visible consequences. Although most of these studies emerged the past 30 years, the interest of businesses owned and operated by those who work there an old story.

1.3 New thoughts wander through Europe

During the 1800s the first half created industrialism and capitalism, the emergence of new living and working around Europe. Long working hours, strict factory discipline and unsanitary conditions embossed large parts of the industrial life. In Manchester's poorer districts, the average life expectancy in the mid-1800s
17 years, lower than it had been in Storbriannien 800 years earlier. [14] In such
circumstances, it is hardly surprising that the visions of alternative ownership structures and forms drawn up.

One of the visionaries who launched several social experiments was the British bomullsindustrialisten Robert Owen, who is usually regarded as the cooperative movement's founder. [15] Owen was an important source of inspiration for the first successful cooperative center, which emerged in Rochdale near Manchester. 1844 managed 28 textile mill workers raise a little capital and start a trade shop based on what we now call the cooperative principles. operations

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12 Karlsson & Lindberg, s. 14 ff.

13 Se www.worker-participation.eu. "Sweden".

14 Ha-Joon Chang (2014). *Economics: The User's Guide.* London: Pelican, s. 56 ff.

15 SOU 1980:36, s.54

expanded rapidly, primarily in the form of more consumer cooperatives, but also came to include a library and a work cooperative factories. [16]

On the continent, it was the French revolution's aftermath in vogue among many important thinkers to consider both the labor and consumer cooperatives as the cornerstone of their vision. Among the more hopeful again was the so-called utopian socialists, where Henri de Saint-Simon, Charles Fourier and Pierre-Joseph Proudhon usually considered. The economist and entrepreneur Edme-Jean Leclaire was premature to implement a pioneering profit-sharing systems of their company in 1842. [17]

The influential German economist Karl Marx was ambivalent cooperatives. In a speech to the First International, the European working association that was formed in 1864, he described the existing labor cooperative factories as a bigger success than the previously imposed limitation of the working day to ten hours. In other contexts, he criticized the other hand, the cooperative movement and its supporters to indulge in small experiments without the ability to change society. [18]

Many liberals were both driving in and sympathetic to the cooperative, which they saw as a way for broad public stock to the lift itself out of poverty. In Germany, the lawyer and liberal politician Herman Schulze-Delitz frontman for cooperative [19] and England were inserted thoughts in a liberal narrative during one of idétraditionens most prominent figures: John Stuart Mill. In the book *Principles of Political Economy with some of their Applications to Social Philosophy* (1848), which has never been translated into Swedish, accounts Mill for his optimistic view of employee ownership.

[16] See Gerhard Halfred Von Koch (1898). "If the workers' consumption compounds in England" in *Cooperative classics: Documents from the Swedish consumer cooperative History of Ideas* , ed. Herz, Ulrich (1974) Uddevalla: Bohusläningens AB, p. 20 ff. & Chris Mackin (2017). "Property not Pay: Restoring the Middletown through Ownership". Institute for Work, p. 9.

[17] Carl Bruno Loescher (1941). *Profit sharing and industrial stability*, masteruppsats. Boston: Boston University, s. 11.

[18] Eric Olin Wright (2010). *Envisioning Real Utopias.* London: Verso, s. 234-236.

[19] "Schulze-Delitzsch". *Nordisk familjebok.* Uggleupplagan (1916).

The form of association, as if humanity is to continue to develop, in the end, must be expected to be the dominant, is not the one that exists between a capitalist as chief, and workers without a voice in management, but an association of workers themselves, on an equal basis; joint ownership of the capital by which they accomplish their work, and subordinate officers who are elected and may be dismissed by them. [20]

Mill saw in an expanded employee ownership not only economic benefits, but perhaps even more so that it would raise the whole civilization to a higher moral and cultural level. [21] Like many after him, he pointed to the workers' lack of capital as an obstacle to the ownership structure would spread. As will be accounted for later has the recipe for success behind the successful spread of employee ownership often been bound together with some form of finance for capital disadvantaged groups should be set up or buy a business.

Economic theories regarding profit sharing as a way to reward employees often traced back to the German economist Johann Henrich von Thünen, thoughts which later interested economists as Alfred Marshall, John Bates Clark and James Meade. [22]
Shortly thereafter spread the ideas of Europe's northern parts.

1.4 Sweden met with tanks

The socialist-minded bookseller Per Gotrek and the liberal history professor Erik Gustaf Geijer were two of the early work cooperative sympathizers in Sweden. [23] 1852 also formed the first work cooperative, legal difficulties, in spite of seven skräddargesäller in Stockholm. [24] Between 1865 and 1880 recorded 50 such companies, and they continued to be formed until the 1940s,

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[20] John Stuart Mill (1848/2004). *Principles of Political Economy With Some of Their Applications to Social Philosophy.* Abridged Edition. Indianapolis: Hacket Publishing Company, Inc. , s.199. [Min översättning].

[21] example, see Mill, p. 202.

[22] Marija Ugarkovic (2017), *Profit Sharing and Company Performance* , doctoral. Dortmund University of Dortmund ,, p. 7 and Freeman, et al (2010), p. 7 f.

[23] SOU 1980:36, s. 58.

[24] SOU 1980:36, s. 58.

often associated with financial crises. [25] They were common in the northern coastal cities as well as in Bohuslän, where some of the locals historically worked collectively through the fishing associations. [26] The majority, however, remained small and rarely survived for very long. [27]

Cooperative Union (KF) supported in its infancy, both in word and deed, the working cooperatives. In the long term it was hoped that such activities would constitute the main suppliers of the products sold in the consumer societies. The focus was almost exclusively on the regeneration of the business, rather than acquisition or through employee ownership broaden ownership of the incumbents. When success did not materialize soon waned interest in working cooperative KF. This was not unique to the Swedish cooperative movement, even in England saw its counterparts with lukewarm glance at the work cooperatives. [28] Economic historians have pointed out that the post-war large-scale industry was strong disincentive for small-scale labor cooperatives still had fared in the competition. [29] As the example of the region of Emilio Romagna in northern Italy illustrate - which embraced a more small-scale development model combined with safeguarding the cooperative movement - different economic-policy choices regarding centralizing and economies affect the ownership forms that thrive in a country or region. [30]

Perhaps the main reason for the declining interest in employee ownership was that it challenged the grundbrulten in tvåpartsmodellen that spread in many Western countries in the 1930s and 40s. In this given workers a legal right to organize in unions, while employers were given the right to manage and distribute work. In Sweden made this compromise the backbone of the so-called Swedish model. After Sweden during the 20's and 30's been in the top of the world when it came to the number of strikes, [31] were now a spirit of understanding characterize the relationship between the

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25 Lars Lindkvist (2012). "Employee-owned industrial companies - of course it is possible" in Rothstein 2012, pp. 97-98.

26 Annette Thörnquist (2003). "My own crime: the purchase price system and work cooperatives among Swedish, engelska and Norwegian stenindustriarbetare. "Work history: journal of history, culture and politics, (4): 81-103.

27 SOU 1980:36, s. 59.

28 SOU 1980:36, s. 56 ff. & Thörnquist, s. 81.

29 Lindkvist 2012, s.99.

30 See Section 1.5. International examples.

31 *Today's work* . "From wildcat strikes to consensus." Harald Street. 22/2, 2016.

centrally organized compartments and employers. [32] Here, it was not clear was whether workers' cooperatives, government staff, financial participation would fit. [33]

Parts of the workers and the trade union movement drove However, for increased working interests in industries. It also had the support of some liberal circles which also ideas about equity participation of the employees were aired regularly. Most prominent Swedish Liberals put forth such ideas in the anthology *social liberal view of society* in 1948 that sought to summarize the major social-liberal guidelines of the Swedish post-war society. [34]

Sven Wedén, who became leader of the Liberal Party in the late 60th century, was for most of his career involved in issues related to corporate democracy expansion. During the 50s and 60s he worked out concrete proposals on employees' right to participate in profits, as well as board representation. [35] In another Anthology, *Young Liberals* of 1961, provides among others Gustaf Lindencrona, currently a member of the Royal Academy of Sciences, a defense for an economy with vastly increased staff and staff ownership rule. [36]

Several economic and political factors formed in the late 60s and early 70s, the conditions for the issue to end up at the top of the political agenda. Economist Hans Christian Cars summarized in 1975 the situation in the following way.

In recent years, the issue of workers any right to share in company profits has attracted growing interest. Especially clearly this has been felt in liberal quarters. But the Swedish labor movement, which initially stood very skeptical of any proposal for profit-sharing, have recently increasingly become interested in

32 Lindkvist 2012, s. 101.

33 For an analysis of the trade unions' skepticism towards employee ownership, see Rothstein (2012) "Economic democracy? Reflections on a lost discussion ", pp. 38-44. SOU 1980: 36, p. 65, points out that The Swedish labor law is based mostly on the division employers' workers, a division that is not as clear in the employee-owned company.

34 Folkpartiet (1948). *Social liberal view of society* . Stockholm: Ernst Westerberg's Boktr. AB.

35 His Lindblad (2013). *Love, TB and liberalism: A Biography of Sven Wedén* . Stockholm: Ekerlid, 2013, p. 164 ff.

36 Gustaf Lindencrona (1961). "Industrial democracy" in the *Young Liberals: nine posts in the debate around,* ed. Hederberg, Hans. Stockholm: Bonnier.

workers' opportunities to participate in the capital needed to ensure continued economic growth. [37]

While parts of the labor movement advocated collective wage-earner funds at national level liberals focused mainly on ownership and profit-sharing plans at the company level. Polls from the 70s and 80s showed that people were more sympathetic to the employees themselves would own shares in their businesses than the unions would increase its ownership. [38]Meanwhile discussed ways of expanding sector of the labor cooperative and Participative Enterprises, a vision supported by representatives from across the political spectrum. [39]

The Social Democrats in 1983 introduced a watered down version of the wage-earner funds, which was prompted and was followed by huge protests from the bourgeois side and the majority of heavy family company. Collective funds, along with thoughts on employee-owned company and part-ownership and profit-sharing programs, almost disappeared from the political agenda after this. [40] In the fourth so-called Pepper report, part of a series of reports on financial participation in the EU, writes that in Sweden "[löntagarfondshistorien] still have an impact on the debate on financial participation". [41] Chapter 6 covered the small but nonetheless significant indicators that are currently available on a renewed interest in employee ownership and financial participation in Sweden.

1.5 International examples

Probably the most high-profile example of a comprehensive and effective employee ownership is the cooperative consortium Mondragon Corporation, located in the Basque Country in Spain. 1943 founded the Catholic priest Jose

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[37] Cars, Hans Christian (1975). *Share of profit: a third way to attack democracy and concentration problems in business* . Stockholm: Nordstedt in cooperation with the Swedish civilizations lekonomföreningen, p. 13

[38] Donald A. R. George (1992). "The Political Economy of Wage-Earner funds: Policy Debate and Swe-

dish Experience." Queens Economics Deparment Working Paper No. 839, figur 1 och 2.

[39] SOU 1980:36, s. 60 f.

[40] Magnusson, s. 204-212 & Rothstein 2012, s. 9 ff.

[41] Jens Lowitzsch, Iraj Hashi & Richard Woodward (2008). *The Pepper IV Report: Benchmarking of Em- ployee Participation in Profits and Enterprise Results in the Member and Candidate Countries of the Euro-*

pean Union. Berlin: Inter-University Centre Berlin/Split, Institute for Eastern European Studies, Free University of Berlin, s. 190. [Min översättning]

María Arizmendiarrieta an engineering school for young men, where he in addition to technical knowledge spread philosophical doctrines of participation work. Five of his students started in 1956 a private company manufacturing paraffin stoves, which soon turned into a workers' cooperative. It expanded rapidly and began to spin off divisions into separate companies in a consortium. On Arizmendiarrietas advice is also formed their own cooperative bank, Caja Laboral Popular. Many locals chose to place their savings in the bank, which in turn loaned to new worker cooperatives. A large cooperative skills built up on the bank and the local community. At start-ups helped an expert from the bank, a so-called godfather, workers will examine the project's potential, and in a year or two to support them in the boot process. [42]

Today Mondragon, with everything from grocery business and property for the production of advanced technological equipment. It consists of 260 companies, of which about 100 are work cooperatives, and in 2016 had a total turnover of 12 billion euros. Of the 75 000 employed in the consortium is about half partner. [43] In addition to the commercial core business has also built up an extensive safety net for employees, which complements the public, and a private university with four faculties. There are several centers of innovation where 1700 employees work in research and development. [44]

Another example of an employee-owned company is the John Lewis Partnership in the UK, which includes retail chain John Lewis and the food chain Waitrose. 1929 chose John Spedan Lewis, son of the company founder, to place all of its shares in an employee foundation in exchange for an interest-free bond with a maturity of 30 years. He wanted to perform an "experiment in industrial democracy", where employees would control the company and share the profits. [45] Today the company is owned by its 86,700 employees, has 400 stores and a turnover of 10 billion pounds. [46]

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[42] SOU 1980:36, s. 76 ff. & David Erdal (2011). *Beyond the Corporation: Humanity Working*. London: The Bodley Head, s. 27-31.

[43] In the international competition era has Mondragon, as well as other major companies, received

move parts of its production abroad. Difficulties arising in relation to this is one of the main reasons that only half of today's partner.

[44] Mondragon. Annual Report, 2016.

[45] John Lewis Partnership. “Our Constitution”.

[46] John Lewis Partnership Plc. Annual Report 2017, p 4 ff.

Lewis was careful in designing a power-sharing constitution to safeguard democracy businesses survival. Among other things, he saw a free press that is central to this purpose, and today the company publishes its own newspaper, *The Gazette*, for all employees to make their voice heard. Another part of the corporate constitution includes a partnerråd with sixty elected members with the power to dismiss the CEO. A quarterly exposed top executives for a hearing by the Council and the whole conversation is published in *the Gazette* . [47]

In Emilio-Romagna, a region in northern Italy, is also a strong concentration of work cooperatives. 1874 transferred the business owner Giuseppe Bucci its ceramics business to employees. Today the company, Cooperativa Ceramica d'Imola, the international leader in the manufacture of ceramic tile designs, and had 2016 sales of 248 million euros. [48] It has been owned by its employees in 135 of its 200 years and consists of a board entirely appointed by the employees. [49]

Emilia-Romagna has long drawn attention to itself as a dynamic and prosperous region with many small and medium enterprises. [50] in 2005, the region had the highest income per capita in Italy and the smallest difference between rich and poor. Then worked about ten percent of the region's employees in cooperatives, two thirds of which consisted of worker cooperatives. [51] Just as in the Basque Country, the cooperatives in Italy built up their own financial support structures, in the Italian case, the private equity fund Coop Fund, to invest and lend to new cooperatives. [52] Italy is the country with the highest number of work cooperatives

47 Erdal 2011, s. 31 ff.

48 MaterialiCasa. "Italian ceramic manufacturers: 2016 revenues".

49 Erdal 2011, s. 36 f.

50 The Italian kommuistpartiet PCI was the dominant party in the Emilia-Romagna after the Second World War and chose unlike most of his political counterparts in other countries to

seek an alliance with the small and medium enterprises. Because of conflicts with the central government, the region received only 0.75 percent of the Italian aid from the Marshall Plan. This ruled the region against a locally oriented and small-scale economic development model, rather than one based on big industry. See Matthew Hancock (2005). "Local Development in Emilia-Romagna Alterna- tives in Action" and Joe Rinehart (2009), "Building Resilient Sustainable Economies through the Coopera- tive Sector and Flexible specilization: Lessons from the Emilia Romagna Region of Italy".

51 Hancock, s. 2.

52 Coop Fund gets its assets from all cooperatives in Italy are paying three percent of their profits to the fund. See Hancock, p. 7.

in Europe, about 25,000 in number. Spain, 17 000, France, 2600, and Britain around 500-600. [53]

A new rising star in the international business the sky is the Chinese giant Huawei company that manufactures smart phones and telecommunications equipment. The company was founded in 1987 and offered three years into the business employees to buy stock through an employee ownership as a way to raise investment capital. 1997 began to sell shares to employees for a strong rabbaterat price in order to increase motivation among staff. [54]

2016 had sales of Huawei $ 75 billion. [55] 1.4 percent of company stock owned by company founder Ren Zhengfei, the rest is owned by an employee-owned holding company, where 81,000 of its 180,000 employees are shareholders. [56] At the general meeting is two shareholders represented, Zhengfei and the holding company. A committee of representatives of the employees shareholders evaluate and decide on proposals which will come up at the meeting. They have a rotating CEO system, with three presidents who only held office for six months and then hand over to the next.

Having said that, the word "democracy", despite the company's ownership, not a single time in the latest annual report, critics have pointed to a hierarchical culture. This became the subject of Swedish debate when a number of employees at Huawei's office in Kista stated that they had been subjected to threats and harassment by the Chinese leadership. [57]

With good reason may, however, derive part of the company's success to a long-term thinking and a comprehensive system of products, a structure that likely facilitated by eliminating the need to take into account short-term demand from third party owners. [58] In an article in the Swedish newspaper Svenska Dagbladet that carried the headline "collective crush Ericsson - and soon Apple" we read:

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53 Pérotin, Virginie (2015). “What Do We Really Know About Workers’ Cooperatives?”. Leeds Universi- ty Business School, s.3.

54 Zhu Zhibiao, mfl (2013). “Employee Stock Ownership Plans and Their Effect on Productivity: The Case of Huawei”, s. 18-19.

55 Huawei Investment & Holdin Co., LTd. Årsredovisning 2016. s. 8.

56 Huawei, s. 99.

57 *Swedish Radio* . "Chinese companies harass their employees in Sweden." 8/6 2011.

58 *Inc.* “How Chinese Company, Huawei, is Setting Itself Up to Take Over the Tech World.” Travis Wright.2/9 2016.
China has also been criticized from Europe to unfairly benefit their cottage industries through government subsidies. See F *inancial Times* . "EU commissioner attacks China's telecoms subsidies". 27/3, 2014.

The reason for this success is controversial, but in SvD's visit to the headquarters of China's IT Mecca Shenzhen, where Huawei had seized an entire district, revealed the image of a company that is in many ways the antithesis of competitors /.../ While Ericsson organization is as slim as possible, like Huawei have everything within your own company. There is everything from its own "university" for employees and high-tech research facilities, to the staff quarters, restaurants and gyms - all under the umbrella of Huawei. [59]

In Chapter 5, the linkage between staff ownership and long-term treatment further. What this can be said is that comprehensive employee-owned companies in recent decades emerged in separate contexts, and adopted very different guises. Many have proved well suited to cope on their respective markets.

1.6 Swedish example

A Swedish staff ownership story begins with an economist named Jan Wallander, who in 1970 became president of the then-troubled Bank. Wallander initiated an extensive decentralization of the Bank, combined with harsh cuts. [60] 1973 was also established on Wallander's initiative, a profit-sharing foundation named Oktogonen. The purpose of this was to financially reward Handelsbanken's own employees and give an influence. [61] If the bank delivered a good performance in relation to other commercial banks, the funds allocated to the Foundation. These funds were mainly invested in shares in Handelsbanken and thereby give employees a stake in the bank. Already after the first provision was Oktogonen one of the bank's largest shareholder. [62]

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59 *Swedish newspaper Svenska Dagbladet* . "The collective crushers Ericsson - and soon Apple." Peter Alestig. 27/12, 2016.

60 Magnus Henrekson & His Tson Soderstrom (2016), "Jan Wallander in memoriam" . (Economic Debate 44 (8).

61 Andrew Smith (2005). *Profit-sharing foundations: questions about compulsory and optionally managed profit shares.* Master thesis. Lund: Lund University, p. 21.

62 Oktogonen foundation. *Annual Report 2011* , p.7.

The system was controversial within certain economic life revolves since it was introduced in the same period as the wage-earner funds proposal was drafted. It risked creating a precedent in which the LO and the Social Democrats were able to design a national system for löntagarägande. [63] In addition, it was partitioned annual allocation completely equally to all employees, regardless of position and duties.

Today Oktogonen owns ten percent of Handelsbanken's shares, making it the single largest shareholder, together with Industrivärden, and covers 98 percent of the bank's employees. [64] Swedish Dagbladet gave an article about it for the staff advantageous system heading "faithful servants become millionaires." [65] It described how an employee who worked at the bank since 1975, built up a fortune in the foundation of over ten million. The Bank also excels in several other respects. The bank has had a very low staff turnover has been relatively moderate with director bonuses and was appointed in 2010 to the world's safest bank by news agency Bloomberg. [66] The annual report from 2016 notes that the employees' significant ownership contributes to a high level of risk awareness. [67]

Magelungen Development is an employee-owned company which operates in treatment, education and therapy. The company was spun off from the Stockholm County Council in 1993, 13 employees chose to become shareholders. In 2007 the company had 60 partners and 2017, it had grown to 264 shareholders. All permanent employees have the option to buy an item at the meeting when new issues signed, or if employees leave during the year, and sells his post. The price for an equity stake, which consists of 300 stocks, lay at the latest closing at 43,000 crowns. Anyone purchasing an item, which today is about 70 per cent of employees, thus has an equal right to vote at the AGM and receive an equal dividend. Ownership form has been retained in order to see it as a guarantee of good quality and long-term, because the company can not be taken over.

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[63] Ilya Viktorov (2006). *Crisis of Fordism and the wage-earner funds in Sweden,* doctoral thesis. Stockholm: Stockholm University, p. 216 f.

[64] Bank. Annual Report 2016 . p. 13.

[65] *Swedish Daily.* "Faithful servants become millionaires." Joel Dahlberg. 13/3, 2014.

[66] Rothstein 2012, s. 18-19.

[67] Bank. Annual Report, 2016. pp. 80th

now harbors purposes other than maximum returns in the center of the business, which is discussed in more detail in Chapter 5. [68]

Ljuder Nickel Silver Factory is a foundry and machine shop in Hovmantorp Småland. 1980 chose 36 of its 42 employees to buy out the old owner. [69] Today is workers and employees of the Board, 12 of the 15 employees are shareholders and the company has sales of SEK 25 million. A block of shares is 40 000 and you get after purchase extra thousand a month to support the eventual cost of a loan. [70]

Furthermore, there are many employee-owned companies in the education, health care and the majority of lawyers, architects and consulting firms owned by its employees. [71] The last decade has also seen an increase in so-called work integrating social enterprises, which are generally labor cooperative undertakings among others aimed at integrating people who have difficulty getting or keeping a job. In 2014 there were 310 such companies in Sweden with 3,000 employees. [72]

In summary, there are interesting examples of employee ownership in Sweden, although the phenomenon is far more rare than across the Atlantic. The subject of the next chapter is how the US managed to become the world leader in the creation of employee-owned companies.

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68 Daniel Riddez, CEO, & Mia Hübinette, vice president. Mail Conversation 2017-10-25.

69 Lindkvist, s. 101 ff.

70 *Today's work* . "They took over their own work." Harald Street . 12/10, 2016.

71 in 1994, there were 150 employee-owned companies in the public sector, with a total of 1681 employees. See DS 2003: 27th *Business and employment in transition.* Stockholm: Fritzes official publications, pp. 84th

72 Jan Edling (2014). "Structural change and social inclusion", Entrepreneurship & Business, s.19.

2 The American experience

2.1 History

Ideas of employee-owned companies and the profit and employee ownership was thus in motion during the 1800s Europe. So also in the United States. In the book *The Citizen's Share*(2014), the authors describe how the constitution fathers saw a scattered ownership of capital necessary for the young republic would prosper both politically and economically. For example, to build after the revolution battered cod industry introduced congress substantial subsidies to the sector. To take advantage of these were required, however, that the fishing industry had a profit sharing scheme that gave the whole crew part of the proceeds of the catch. [73] This was the start of a long American tradition of state authorities reward profit and employee ownership in the private sector.

In the 1800s, advocated and formed work cooperatives of large unions Knights of Labor and the National Labor Union. Between 1870 and 1890 it has been estimated that there were 325 labor cooperatives in the country. [74] workers of these compounds tended to brand common positions with the concept of pay bondage due to the bad working conditions and hierarchical structures prevailing in the larger capital owned industries. Many workers had grandparents who fought for American independence and the republican regime. But now considered a new authoritarian system emerge that conflicted with the American Revolution ideals. [75] A of the working conductors, George E.

[73] Joseph Blasi, Richard Freeman och Douglas Kruse (2014). *The Citizen's Share: Reducing Inequality in the 21st Century".* New Haven: Yale University Press, s. 2 ff.

[74] Derek Jones (1979). "U.S. Producer Cooperatives: The Record to Date," Industrial Relations, Vol. 18(3), s. 342-357, i Mackin.

[75] A view shared by the Frenchman Alexis de Tocqueville, who traveled around the United

States in 1831: "... I believe that the industrial aristocracy that rises before our eyes is the most brutal that ever existed on earth; but at the same time it is one of the most moderate and harmless. However, it is toward this direction as friends of democracy must direct their nervous gaze; whether aristocratic rule and the permanent inequality in social conditions will ever infiltrate the world so it is reasonable to assume that this is the door through which it will arrive. "[My translation]. Alexis de Tocqueville (2003/1835). *Democracy in America and Two Essays on America.* New York: Penguin Group, p. 648th

McNeill, said that cooperative work was a way to "incorporate the republican principles of our industrial system." [76]

It is hoped to incorporate those Republican principles at work came to be repeated by many intellectuals in the country. The well-known educator and philosopher John Dewey argued that greater democracy in the workplace would strengthen even political democracy and at the same time enable people to reach their full potential. [77] An argument echoed into the modern age by prominent political scientist Robert Dahl and Carole Pateman. [78]

Several major industrialists came surprisingly to be a leader in the pursuit of part-ownership and profit sharing program for employees. William Cooper Procter, grandson of one of the founder of the now huge company Procter & Gamble, introduced in the late 1800s one of the first American delägarprogrammen to employees of the company. Procter saw the workers 'lack of accountability and participation in working life as one of the big companies' main problem, which is a participation could help solve. Today is expected between 10 and 20 percent of the shares of Procter & Gamble is still owned by the employees. [79]

Leland Stanford, a railroad magnate and politician who gave his name to the famous University of California, was also a proponent of employee ownership. In old age, he wrote that the "hiring class is not as indispensable in modern industry as the workers themselves possess enough knowledge to organize into cooperatives and to enjoy the full fruits of his labor." [80] He predicted, like John Stuart Mill, a future in which such companies would become the dominant form of economic activity.

Owen D. Young, who among other things was the CEO of General Electric and named Person of the Year in *Time magazine* , announced in 1927 before a distinguished audience at

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[76] Alex Gourevitch (2015). *From Slavery to the Cooperative Commonwealth: Labor and Republican Liberty in the Nineteenth Century*. New York: Cambridge University Press, s. 116. [Min översättning].

[77] David Ellerman (2009). "The Workplace: A Forgotten Topic in Democratic Theory?". Kettering Review.

[78] Se Carole Pateman (1970). *Participation and democratic theory*. London: Cambridge University Press & Robert Dahl (1985). *A preface to economic democracy*. Berkeley: University of California Press. [79] Mackin, s. 11.

[80] Lee Altenberg (1990), *Beyond Capitalism: Leland Stanford's Forgotten Vision*, Sandstone and Tile, Vol. 14 (1) in Mackin, p. 11. [My translation].

Harvard University's business administration faculty their hopes of a future economy, but "hired men."

> I hope the day will come when these large business organizations will truly belong to the people who give their lives and efforts, in which capacity I do not care about. Then they use the capital as a tool, and they will all have an interest in using it to its full economic potential /.../ Then we can once and for all put up with the accusation that industrial organizations are autocratic and not democratic. /.../ Then we will not have any hired people. [81]

Ideas for making employees partner then discussed extensively in the United States around the turn of the century onwards, especially among industrialists and directors. Scandinavian workers started in 1921 the first work cooperative plywood manufacturer, which was to be followed by many similar businesses in the same industry. [82] The same year, the first law, The Revenue Act, which provided profit-sharing and bonus tax benefits. The proliferation of these systems, however modest, largely because of the recession that hit the country in 1929. In the 30's crippled thousands of working closures country's productive apparatus. This resulted among others in the so-called Wagner Act of 1935. [83] Like the Swedish Saltsjöbaden agreement la the basis for a kind economic tvåpartsmodell where ideas about employee ownership was eclipsed.

Business Counsel Louis O. Kelso had not abandoned the visions previously highlighted by the likes of Procter, Stanford and Young. In addition to his legal work, wrote Kelso financial books in which he warned that the community was against a strong division between capitalists and workers. This is because the capital, which was unequally distributed, along with the development of technology was much more productive than work, which was more equally distributed. He was worried about the emergence of communism,

[81] Josephine Young Case, m.fl. (1982). *Owen D. Young and American Enterprise: A Biography*. Boston i Mackin, s. 31. [Min översättning].

[82] SOU 1980:36, s. 81.

[83] Act real name was the National Labor Relations Act but was called The Wagner Act after Robert F. Wagner, who wrote the proposal.

particularly in Europe, and concluded that it needed a more equitable distribution of wealth to avoid movement polititska momentum. Kelso said that the solution to this problem was to give employees a secondary source of income other than salary. This secondary source of income would come from a holding in the companies where they worked. By doing more to capitalists would thus prosperity of productivity growth are distributed more equally. [84]

This could be realized in practice by a so-called employee stock ownership plan (ESOP), or a 'share program for employees'. The idea was that workers would become shareholders in their companies without themselves pay for the shares and without the owners gave away shares. Corey Rosen, who has written several introductory books on ESOP model, writes about Celsus innovation.

> Kelso noted that wealthy people could ... take out loans to make interest-bearing investments, some ordinary workers could not. But if business owners could provide financial security ... employees would be able to take out loans to buy shares in their company. The company would then be able to repay the loan with future revenues. Kelso believed that a combination of tax incentives, a special central bank interest rate for such loans, and the promise of increased productivity would be enough to convince many owners want to do it. [85]

Kelso implemented the first ESOP program at Peninsula Newspaper in 1956. The magazine was already a profit-sharing fund to reward employees, and it was through this that 72 percent of the shares were acquired from three different owners. The share acquisition was made through a combination of loans from the selling shareholders and the Bank. The loans would be repaid with the company's future profits and the company put its assets as collateral. [86] The set-up described in detail in Chapter 3.

1974 was the first legislation that surrounded ESOP's. The Democratic Senator Russell B. Long, the son of a radical Louisana-governor, was

[84] Se Louis O. Kelso & J. Adler Mortimer (1958). *The Capitalist Manifesto*. New York: Random House. [85] Corey Rosen (2014). "An Overview of How ESOPs Work" i Understanding ESOPs. Tredje upplagan. National Center for Employee Ownership. E-bok. s. 4. [Min översättning].

[86] Jeffrey R. Gates & Jamal Saghir (1995). "Employee Stock Ownership Plans: Objetives, Design Options and International Experience", The World Bank, CFS Discussion Paper Series, Number 112, s. 3.

interested Celsus ideas. Instead of redistributing wealth through the state could ESOP's contribution to a more even distribution through a more diversified ownership of the companies. As a historical coincidence Long managed to get into a formulation of ESOP's in the context of a major pension reform that was negotiated in the early 70s. [87] This effect was. It has been estimated that in 1975 there were 1500 ESOP's, which included 250,000 employees. [88] During the following years, legislated by the US Congress, with support from both Democrats and Republicans on a range of tax breaks for ESOP's. This resulted in the continued rapid spread of the programs.

2.2 Examples and scope

The National Center for Employee Ownership (NCEO) provides current statistics on the US staff ownership. With the broadest measure calculates the that about 32 million Americans currently hold shares or options in the company where they work. There are more than a third of all employees in companies. The larger the company is, the more common it is. Not surprisingly, it is much more common among high than low wage to have shares or options in their own company. [89]

Looking at the clean ESOP's, which unlike traditional part-ownership and option programs often control significant shares of the companies' shares, currently has 6700 companies such programs, which include 10.6 million workers. [90] This means that about nine per cent of private sector employees in the country working in companies owned wholly or partly by themselves. [91] These figures have been kommentarorer to point out that more privately employed Americans today are connected to the ESOP program than to a trade union. [92] programs cover the entire 14 million Americans, including former employees. Since a large number of listed companies have an ESOP, with foundations

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[87] Mackin, s. 14.

[88] NCEO. "A Statistical Profile of Employee Ownership".

[89] NCEO. "Data Show Widespread Employee Ownership in U.S."

[90] Fidan Ana Kurtulus & Douglas Kruse (2016). *How Did Employee Ownership Firms Weather the Last Two Recessions?: Employee Ownership, Employment Stability, and Firm Survival: 1999-2011.* Kalamazoo, Michigan: W.E Upjohn Institute for Employment Research, s. 5.

[91] Dennis Campbell, John Case & Bill Fotsch. "More than a paycheck". Harvard Business Review. January-February Issue 2018.

[92] Martin O'Neill & Thad Williamson (2002). *Property-Owning Democracy: Rawls and Beyond.* Blackwell Publishing Ltd.. E-bok, s. 271.

which only takes a few percent of the company's shares, the sifforrna be seen as somewhat exaggerated. If you remove the companies from the statistics there are approximately 6000 companies with a total of three million employees. [93] For over 4000 of them are the employees the majority shareholder. [94] Most have been in small and medium-sized companies where an aging owners decided to sell the company to the employees.

Together manages ESOP- foundations 1.3 trillion US dollars in assets, eleven trillion Swedish crowns. It is two and a half times more than Sweden's GDP. If you include other programs similar to the ESOP's, such as profit-sharing trusts that own a significant share of the company's own shares, there is an additional 2900 program that includes 1.1 million Americans. [95]

Among these companies, we find, for example, WL Gore & Associates, based in Newark, Delaware, which produces the water-repellent fabric Gore-Tex. The company, which currently has 10,000 employees, implemented an ESOP already in the 70s. Through it owns the employees today, a majority of the shares. [96] The company has also been recognized for its flat organization, which helped it ended in fifteenth place on the Great Place to Work Institute *:* s list of the "World's Best Places to Work 2017". [97]

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93 Mackin, s. 12.

94 NCEO. “ESOP Facts”.

95 figures are from the NCEO. "A Statistical Profile of Employee Ownership".

Since the early 2000s, the number of ESOP programs decreased slightly, however, the number of participants has increased. One reason appears to be that the US Congress at the beginning of the millennium introduced tough laws to curb abuse of the ESOP program, which had occurred years before. Managements had been persuaded by consultants that went to reward only the lead through the ESOP's. When the tougher laws introduced quickly disappeared, many of these programs were not very many people. The number of participants has increased, although the number of applications declined, believed to be that ESOP companies are growing faster than conventional companies and that since the beginning of the 2000s increasingly acquired other companies. See Corey Rosen. "Observations on Employee Ownership: Why Has the Total Number of ESOPs Gone Down But Participation and Assets Gone Up?". NCEO. 20/2 2015.

96 National Center for Employee Ownership. “The Employee Ownership 100: America’s Largest Ma-
jority Employee-Owned Companies”

97 Great Place To Work. “World’s Best Workplaces 2017: Building Future-Focused Cultures.” & *Forbes.*
“At W.L. Gore, 57 years of authentic culture”. Daniel Roberts. 5/3 2015.

America's 15 largest employee-owned companies

Rank	Company	City	Start date	Business	Employees
1	Publix Super Markets	Lakeland	1974	Supermarkets	188,000
2	Penmac	Springfield	2010	Staffing	24,470
3	Amsted Industries	Chicago	1986	Industrial components	18,000
3	Houchens Industries	Bowling Green	1961	Supermarkets & other services	18,000
5	WinCo Foods	Boise	1985	Supermarkets	17,790
6	Lifetouch	Eden Prairie	1977	Photography	15,440
7	Parsons	Pasadena	1974	Engineering & construction	15,000
8	Alliance Holdings	Abington	1995	Holding company	12,460
9	HDR, INC	Omaha	1996	Architectrue & engineering	10,500
10	Black & Veatch	Overland Park	1998	Engineering & construction	10,200
11	EmpRes Healthcare Management	Vancouver	2009	Post-acute long term care	10,000
11	W.L. Gore & Associates	Newark	1074	Manufacturing	10,000
13	Austin Industries	Dallas	1986	Construction	9,000
13	Davey Tree Expert	Kent	1979	Tree & environmental services	9,000
15	Graybar Electric	St. Louis	1929	Electrical equipment wholesale	8,500

National Center for Employee Ownership. "The Employee Ownership 100: America's Largest Majority Employee-Owned Companies". https://www.nceo.org/articles/employee-ownership-100 [hämtad 2018-01-21].

Among the larger companies wholly employee-owned, we find the agency Penmac Staffing Services with 24 000 employees, the production company Amsted Industries, with 18,000 employees, photography company Life Touch with 15 000 employees, construction and architectural firm HDR, Inc. with 10 000 employees.

The largest ESOP company is Publix with 188 000 employees. Publix is 100 percent owned by its employees and has been in *Forbes Magazine* attention to, because of their form of ownership managed to take market share of the dominant Wal-Mart in the country. [98] Today the company is the seventh largest private company in the country with sales of $ 34 billion. [99]

ESOP companies are found in diverse industries, but are particularly common in the manufacturing industry, construction, engineering and architectural industry and in the financial system. As shown in the figure below are scattered across the country, but

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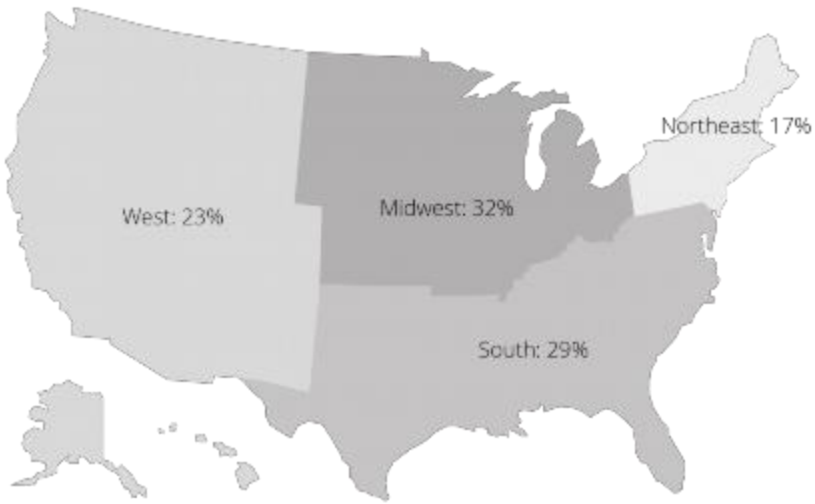
[98] *Forbes*. "The Wal-Mart slayer: How Publix's People-First Culture Is Winning The Grocer War." Brian Solomon. 24/7 2013.

[99] *Forbes*. "America's Largest Private Companies: 2017 Ranking".

has its greatest extent in the Midwest region, which includes cities such as Chicago, Indianapolis, Columbus and Detroit. [100]



National Center for Employee Ownership. "A Visual Guide to Employee Ownership". http://www.esopinfo.org. [hamtad 2018-01-21].

If we look instead at work cooperatives, that is owned by the employees and embrace the cooperative principles, the numbers are more modest. The number of such companies is estimated to be about 350 pieces, with 5000 employees and 500 million dollars in sales [101] The large home care company Cooperative Home Care Associates, based in New York, is the largest with around 2,000 employees. [102,] One of the major differences between work co and ESOP companies is that the former tends to form as staff owned businesses while the latter has been transformed from conventional personnel to run business.

2.3 Political

Tax legislation surrounding the ESOP model has received support from representatives from different parts of the political spectrum. As already described, it was Democrat Russell Long who first succeeded in making the ESOP model for some

100 NCEO. "A Visual Guide to Employee Ownership".

101 United States Federation of Worker Cooperatives."Worker Ownership."

102 Cooperative Home Care Associates. "About".

of the US pension system. However, it was later, when he managed to gather a broad coalition of both parties that the tax incentives were added. [103] This wide support have survived. In 1987, Ronald Reagan gave a speech in which he talked about employee ownership as the "next logical step" and "a road that suits a free people." [104] At the same time advocated ESOP's of civil activist and pastor Jesse Jackson, as a candidate for the Democratic presidential candidacy 1984, 1988. [105]

The model is supported today by Bernie Sanders, the democratic socialist, because he sees it as a way to create a more equitable distribution of the country's wealth, and a strategy to retain jobs and businesses in the country. [106] At the same time find ESOP's one of his main supporters of Republican Congressman Dana Rohrabacher. He sees it as a way to make employees more motivated and engaged in their business thriving. 2017 la Rohrabacher along with Democrat Colin Peterson presented a bill which they called "ESOP's on steroids" in order to "employers and employees to partners instead of rivals." [107]

In summary, a broad coalition of politicians in recent decades gathered to support an idea with roots far back in American history; namely the idea that companies work better if employees are shareholders. This has resulted in a law that has contributed to a great proliferation of employee-owned enterprises, mainly among small and medium enterprises.

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103 Mackin, s. 14.

104 “Reagan on Employee Ownership” (2008). Project Economic Justice [Youtube]

105 Corey Rosen & Karen Young (1991). *Understanding Employee Ownership*. Ithaka, NY: Cornell Uni- versity Press, s.8.

106 Bernie Sanders U.S Senator for Vemont. Pressmeddelande. ”Legislative Package Introduced to Encourage Employee-Owned Companies”. 11/5 2017.

107 Congressman Dana Rohrabacher. Pressmeddelande. ”Rohrabacher Pushes Employee Ownership to Colleagues.”

3 How does an ESOP work?

The idea that employees should have a stake in their companies, as explained in the previous chapter, historically favored by a range of stakeholders with diverse interests and world views. However, it has proved difficult to achieve a wide sector of employee-owned companies in a country or region. The problem often seems to have been linked to the lack of knowledge and capital among the masses of workers.

In the US, however, the so-called ESOP model möjliggört for shareholders and companies to simply sell the shares to an employee foundation, an arrangement that is rewarded by tax legislation. For this reason are also a number of counterclaims of companies that form an ESOP, such that it will benefit the broad groups of staff. These offsets do, combined with the ESOP programs implemented within the framework of the US pension system is quite complicated. The essence, however - the debt-financed acquisition staff - is not it. There is also what is of most interest from a Swedish perspective. This section describes ESOP- model's design in order to give the reader a better understanding of the arrangement and easier than behold whether it is possible to create a Swedish equivalent. [108]

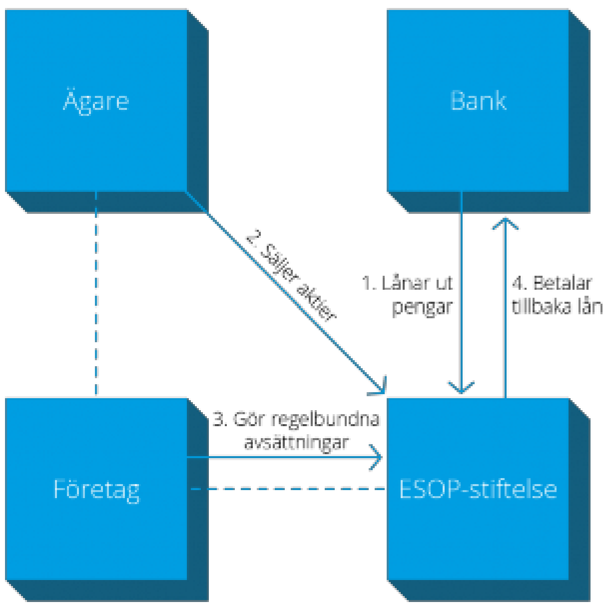
3.1 Briefly

In addition to the cultural aspect, there are two key factors underpinning the ESOP model spread in the United States. The first factor is that the tax system has been modified to promote the ESOP program, especially by making it beneficial for owners to sell to employees. The second factor is that employees do not buy the company's own money, but through a foundation that can pledge its assets to access acquisition loans. ESOP consultant Christopher Mackin writes that "in the United States, it is possible for groups of employees to take ownership of all the

[108] Main sources for this chapter consists of two books from those NCEO: Sixth Edition *of leveraged ESOPs and Employee Buyouts* (2013) and the third edition of *Understanding ESOPs* (2014).

one percent to one hundred percent of their business without risking a single dollar of its own capital. "[109]

There are essentially two types of ESOP program. One is not leveraged and builds on the company, much like Handelsbanken, continuously allocates money or shares to an employee foundation. The second type, which is of most interest to this report purposes, is a leveraged ESOP- programs. They make up about three quarters of all ESOP transactions. [110]The most common approach for a leveraged ESOP explained in simplified form in the figure below.



Company personnel forms a foundation, a so-called ESOP foundation, which takes an acquisition loan from the bank. [111] Acquisition loan used to purchase shares of the old owner. The loan is repaid by the company annually allocates a certain amount of money to the foundation. If the company manages to maintain good profitability in the coming

109 Mackin, s. 15.

110 Corey Rosen (2014b) "Financing an ESOP" i *Understanding ESOPs: A primer on employee stock ownership plans and how they can empower and enrich business owners and employees alike.* NCEO. E- bok.s. 79.

111 Actually, it is the company that takes the loan and borrow further funds to the Foundation. of educational reasons, however, it is easier to talk about the foundation borrower.

years, it follows that both the old owners and the bank gets paid, while the employees will take over ownership without actually paying for the shares. At generational usually the old owner also act lender by accepting part of the payment over time. It is often said that employees buy shares of the company's future revenues. [112]

3.2 From wheat to bread

The process starts usually with an owner or director is interested in starting an ESOP. A series of questions are as important to investigate in order to proceed with the process.

3.2.1 Calculated company turn a profit in the coming years and if so, by how much?

3.2.2 How big mortgage pass now on top of current spending?

3.2.3 What are the shares worth?

If the company has the right conditions, which primarily involves the expected profitability in the coming years and a low level of debt, the board of directors choose to implement an ESOP. The Board of Directors appoints as a Foundation trustee to approve a contract that stipulates that the Foundation will be managed in the interests of employees. They usually external lawyers who design the agreement also forms an ESOP trust, in English an 'employee stock ownership trust'. [113]

The money for the acquisition borrow foundation up on the capital market, usually from the company's ordinary banking. The Bank evaluates the company and is reviewing its credit ratings. The assessment takes particular account of the company's ability to generate sufficient revenues to meet the repayment of the ESOP loan. As there is a risk that the firm's failure to perfect the entire repayment requires the bank

112 Rosen (2013). "A Primer on Leveraged ESOPs", s. 4.

113 The English concept of a trust is a legal entity within the Anglo-Saxon common law and has no direct equivalent in the Swedish company law. See Klest, David. "Sweden: trusts and foreign Foundation- funded

dations in Swedish tax law. "Trusts & Trustees, Vol 17 (6), July 2011. For simplicity, we will be here to translate the trust to 'foundation'. Per Ahlstrom uses the term 'fund' instead of foundation in his book *In his own hands: if löntagarägande in the US & Canada* . Stockholm: Education publishing Brevskolan 1998.

As usual collateral for the loan. Shares Foundation buys are insufficient for this purpose. Instead tendererar bank want to take a pledge of the company's assets, such as buildings or machines. It also happens that the selling owner will make available part of the securities he or she reinvests the purchase price, as security for the acquisition loan. The selling owner issues also often called a vendor to enable the Foundation to do a larger share purchases. It means that he is acting as a lender to the Foundation by accepting part of the purchase price after the bank loan was repaid. The Foundation can buy everything from one percent of the company's shares to 100 percent. It is common that the acquisition will take place gradually, where for instance a third of the shares purchased in the first phase. Once these are paid off will acquire a foundation to third, also on. The Foundation may purchase shares from both owners of the company itself, depending on the purpose.

The Foundation in turn consists of two parts. The upper part is a "suspense account", a 'collective collection account' where the acquired shares ports in a first stage. As the acquisition loan payable by the released shares from the collection account, and falls into the lower part, the employees' personal accounts. Employees are eligible for their personal account by working at the company for a specified period.

If all the shares are eventually sold to the Foundation and the loan is repaid all shares owned by employees through the ESOP Foundation. The company is then a wholly employee-owned company. The Foundation's primary role is to ensure that it gets enough money from the company to finance the buyout of the old employees, including new employees in the system and that its managers are voting at the AGM in accordance with the interests of employees and directorates.

3.3 A pension scheme

An ESOP is a pension program, which makes the system both complex and costly to administer. Per Ahlström, who in the 90s was studying North American staff ownership models, then pointed to the unfortunate:

> as in the US associate staff ownership of the pension system, which creates unnecessarily strong locks both in terms of personal and business point of view. A simpler legislation would also make a Swedish system cheaper and more manageable. [115]

A Swedish ESOP model would thus not have to be a part of the Swedish pension system.

The US Congress decided to introduce ESOP's in the law in 1974 as part of a major pension reform that bore the name of the Employee Retirement Income Security Act, abbreviated ERISA. ESOP program therefore regulated as a business affiliated pension programs, as well as the more traditional pension program known as a 401 (k) planes.

However, there are some important differences between an ESOP and a 401 (k). While a 401 (k) uses its funds to invest in the stock market and in other securities, investing an ESOP mainly in their own company. An ESOP can borrow money, as a 401 (k) can not. In none of these company-related programs ensure whether the company or the state of a particular level of payments to the employees. Payments to employees are instead completely dependent on the development of the securities and pension fund decided to invest in. This differs from the more traditional pension programs, so-called "defined benefit plans", where the company and ultimately the state guarantees employees a certain level of

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[114] sources are primarily Corey Rosen chapter "A Primer on leveraged ESOPs" and Mary and Neal Joseph Hawkins chapter "ESOP underwriting Considerations", both in the book *leveraged ESOPs and Employee Buyouts*(2013). Sixth Edition. Red. Corey Rosen. NCEO, 2013.

[115] Åhlström, s. 193.

payments.[116] Such programs, however, have become increasingly rare in the United States, probably because many employers regarded the as too expensive and risky, while union density decreased avsvevärt.[117]

3.4 Designs and tax benefits

There are four main reasons for why a company chooses to form an ESOP. The first and most common reason is in order to facilitate a change of ownership as a business owner wants to make an exit. Another reason can be considered business strategy, for example, if one wants to spin off or acquire a company or alternatively buy back shares from the market. A third motive is to get access to cash by the Foundation to receive loans and purchase newly issued shares from the company. The fourth is simply to motivate employees.[118]

Tax incentives that have been designed to make the ESOP's more attractive to owners, businesses and employees, as well as to facilitate the repayment of the loan. Briefly summarize the tax incentives that follow.

3.4.1 For companies: Allocation of shares and cash to an ESOP trust are deductible, as well as dividends to the ESOP.

3.4.2 The ESOP Foundation: An ESOP Foundation is a tax-exempt entity. This means that the provisions and dividends from the company need not taxed before they can be used as payment on the acquisition loan.

3.4.3 For employees: Employees can defer taxes on dividends and capital gains on their shares by transferring money to other retirement programs.

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[116] Gary B. Hansen & Frank T. Adams (okänt år). *Esops & You: The Sacco Guide for Women & Men in Businesses with Employee Stock Ownership Plans.* Matthews: Sunbelt Graphics, s.10 & Rosen 2014, s. 1. [117] Barbara Butrica, Howard Iams, Karen Smith and Eric Toder (2009). "The Disappearing Defined Benefit Pension and Its Potential Impact on the Retirement Incomes of Baby Boomers". Social Secu- rity Bulletin Vol 69(3) & Don McNay. "Why the Decrease in Unions and Defined Benefit Retirement Plans Hurts Us All". *Huffington Post.* Blogginlägg. 30/8 2014.

[118] Rosen 2014a, s. 6.

3.4.4 For shareholders: Some shareholders selling a ESOP can defer capital gains taxes by reinvesting the purchase price in domestic securities. At the owner's death, the estate needs to pay any capital gains taxes at all. [119]

What tax incentives are available to owners and businesses are dependent on the type of business that the ESOP-producing company is registered as. [120] Staff takes payments especially after they have left the company. Payments will then be taxed as ordinary income. If one is not reached retirement age will be a penalty tax of ten percent if you do not want to transfer money to other retirement programs. [121]

The provisions and dividends from the companies to the ESOP trusts are tax deductible facilitate loan financing of share acquisitions significantly. If an ESOP trust borrow three million to buy shares, do not now serve the five million, underestimate away two, and use the remaining three to repay the loan. Since the provisions are tax deductible, it is enough three million. [122] Because the Foundation is a tax-exempt entity may also entire amount used for principal and interest on the loan.

These various tax benefits have been preceded by political discussions where förespåkarna explicitly wanted to encourage greater employee ownership in business. Some states are also government loan guarantees to facilitate loan acquisition as well as advisory and information centers to support and spread knowledge about ESOP's. [123] Overall, this has had a strong impact on the growth of its extensive staff ownership.

119 NCEO. "ESOP Tax Incentives and Contribution Limits".

120 In the United States there are two types of incorporated C corporation and S corporation. A similar C Corporation the Swedish limited company which is subject to economic double taxation, which means that the company only pays corporation tax and then pay the owners of capital tax on dividends. An S corporation pays no corporate tax, however, the owners are taxed for dividends. See *Forbes* ' C or S Corporation Choice is Critical for Small Business ". Robert Wood. 3/5 2012.

121 Scott Rodrick (2014). "ESOP Distribution and Diversification Rules" *i Understanding ESOPs*, Tredje edition. NCEO. E-book, p. 108 ff.

122 Scott Rodrick (2014) "Selling to an ESOP in a Closely Held Company" i *Understanding ESOPs*, Tredje upplagan. NCEO. E-bok, s. 26.

123 Rosen 2014b, s.92.

3.5 offsets

The legislation surrounding the ESOP's is a framework. This means that companies have some flexibility when it comes to the design of the programs. However, there are limits, government counterclaims that have been added to ensure that the tax code actually rewards employees on a wide and equal basis. It has resulted in the ESOP's, in contrast to many other employee ownership, come to benefit broad groups of staff. However, it has also made programs rather expensive and therefore rare in companies with fewer than ten employees. [124]

Full-time employees are included in the rule of the program after a year in the workplace. If you have worked for at least a thousand hours last year, inräkat vacation days, must be included. [125] If the company allocates shares directly to the Foundation distributed immediately to the employees' personal accounts. If the foundation purchased stocks with borrowed funds, they end up first in the collection account and then as installment transferred to the employees' personal accounts. Stock distribution occurs annually and design will vary depending on the ESOP program, but must be made of a so-called fair formula. [126] Usually allocated shares in relation to the wages of employees, but also other distribution methods exist, as the shares are allocated according to the number of hours worked or completely equally among all employees. There is also a cap on how much a previous owner who himself works in the company can get allocated to their individual account. [127]

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124 Rosen 2014a, s.7 ff.

125 There are a few exceptions: employees who are under 21 years, employees who are not registered in the country, employees working in a different industry than the parent company, and in some cases employees have collective agreements. The latter because employees with collective agreements usually negotiated

other retirement agreement with the employer. See Rosen 2014A, p.10 f. & Kevin Rusch. "Excludable the Employment ees in an ESOP." ESOP Partners. 13/12 2012.

126 Åhlström , s. 131.

127 Rosen 2014a, s. 12.

Example

Sam is working on now Widget Inc. whose ESOP program benefits shares based on the employees' salaries. Sam has in 2018 an annual salary of 40,000 dollars. The total salaries among all participants in the Widget Inc. ESOP is 800,000 dollars during the same year. This means that Sam gets 5 percent of the company's contributions to the foundation the year (40 000
\ 800 000 = 0.05) If the company makes provisions on the $ 100, 000 transferred shares
worth 5, 000 dollars from collecting account to Sam's account (0.05 x 100 000 = 5 000).

An important concept among lawyers working with the ESOP's is "vesting". It's about the qualification period that employees must have worked for a company before shares in their personal accounts will be theirs. It usually takes place gradually and usually employed fully qualified for three to six years. [128] That they have qualified for their accounts does not mean that they can sell the shares when they so wish. If an employee is dismissed or choose to stop the company may wait to initiate payment for six years, then the entire amount is paid within five years. [129] That it is permissible to wait as long as the payment is due to the ESOP Foundation in unlisted and some smaller listed companies is connected to buy back old employee shares at a 'fair market price. [130] The obligation can entail high costs for the foundation, and indirectly for the company. If the employee retires, dies, or crippled the company must however pay the amount on their personal account to them or their families later than the following year. The payout is then thus the value of the qualified shares in the employee's personal account. [131]

3.6 Control

Even if a company's shares are owned by employees or are placed in the ESOP Foundation's collection account, it does not mean that employees necessarily control

128 Rosen 2014a, s. 12.

129 Rosen 2014a, s.13.

130 price set by an independent assessor.

131 Rosen 2014a, s. 9 ff.

company. In general appoints the Board of Directors Foundation trustee, at least until the acquisition loan is paid off. Such managers can be hired from an agency that provides professional foundation management or a bank, but it can also be an employee. Since the foundation in turn has the right to vote at the meeting by its shareholding occurs often slightly strange structure of the board of directors appoints a foundation trustee, who in turn appoints the board of directors. Foundation trustee, however, is legally obligated to manage the Foundation in the participants' interests, which means the employees, not the company or the owners. It should, for example, prevent the foundation pay extortionate price for the shares. [132] It happens that the employees form a committee to direct and sometimes appoint foundation trustee. [133]

The employees of the law-given right to influence the company through the shares transferred to their personal accounts. In private companies, these shares employees the right to vote on important issues concerning, for example closures, liquidation and acquisition of other companies, however, require the company does not give employees the right to elect the board of directors. In listed companies, the employees have a right to vote on all matters, including the election of Directors. [134] If a company design their ESOP more democratic, it is perfectly permissible. Some ESOP programs are designed so that employees have the main power even over the shares in the collection account. [135]

132 Rosen 2014a, s. 7.

133 Rosen. "Choosing Consultants and Trustees". i Understanding ESOPs, Tredje upplagan. National Center for Employee Ownership: 2014. E-bok.

134 Rosen 2014a, s. 15 f.

135 Hansen & Adams, s. 17 ff.

4 Effects of employee ownership: stakeholder perspectives

We have seen in the previous chapter how an ESOP is structured and how the fiscal framework in the US adapted to promote such programs. In this chapter we will look at the impact of employee ownership at the individual and company level. In recent decades, an entire field of research has emerged that reviewed the various effects resulting from financial participation and employee ownership. As an illustration of this is organized in the United States every six months, with various universities and financiers as the initiator, a conference on employee ownership with more than a hundred researchers and practitioners present. Outside the United States organizes the International Association for the financial part the economy of [136] conferences
every two years by leading scientists from around the world in the same field. [137] This
chapter will mainly be based on empirical studies conducted in the area.

The chapter is divided into four parts, based on the four different parties - or stakeholders, if you will - that are directly concerned by a staff of acquisition: owners, businesses, employees and lenders. [138] Reduced to "hisspitchar" - that is, short idépresentationer to be able to catch someone's attention during an elevator ride - the benefits can be described as follows.

- Owner: Can a willing buyer at an exit, rewards its employees and sees his life's work live on.
- Company: increases productivity, lower staff turnover and enterprises survive longer.

136 The English title is the International Association for the Economics of Participation, shortened IAFEP.

137 The author himself has participated in these conferences where the latest research on
the impact on both employees and companies of employee stock options, profit sharing and ownership sharing are presented and discussed in a few days. Much of the research presented in this chapter comes from researchers who attended these conferences, especially Richard Freeman, Douglas Kruse and Joseph Blasi.

138 The distinction is somewhat forced because the effects are not always limited to one party. The
is still useful to facilitate the understanding of employee ownership from different perspectives.

- Employees: Building a savings, secure jobs and influence over their working life.

- Lender: A safe borrowers to lend to.

4.1 Personal ownership from the owner's perspective

In cases where a business owner wants to make an exit, but lacks an heir who wants to take over, says he often faced with a difficult choice. If the entrepreneur spent much of his life to building up the company, or self inherited it from their parents, will find he or she is often a value in the company lives on. Today it is common for small and medium sized companies are bought without the aim to push the long term, either by a short-term owners who want to milk it for assets [139] or by a competitor who wants to put it down. Such företagsöde can for the previous owner, even if it gives plenty of money, be highly unsatisfactory. A sentimental value will be lost. The preliminary study *Together*from Värmlandskooperativen reflected an entrepreneur about his time after retirement: "I want to pass my walker, see my life's work, it is still there and developed." [140]

An ESOP means creating an additional market for owners to sell shares . Because of the tax advantages introduced in the United States is often a ESOP- exit the economically most advantageous option for an owner who wants to retire. There is also a handy option if you want to divest a minority stake in the company. [141] American studies suggest that many of the owners decided to sell to an ESOP been motivated by non-monetary factors, to hand over the company to those who helped build it. [142]

As will be discussed in Chapter 5 is making great generational shift among the Swedish companies, some owners forced to liquidate their business in a lack of interested buyers. Many US small and medium-sized family business

139 A milking strategy means putting short-term profits over long-term, often by quickly trying to extract as much profit as possible from the existing assets and workforce, at the expense of long-term investments.

140 Leif Tyrén, Yngve Karlsson & Gordon Hahn (2014). "Together: a preliminary study based on cooperative models as alternatives for business closures and generational. "Värmlandskooperativen. p. 29.

141 Rodrick 2014a, s. 24.

142 Mackin, s. 16.

undergo the same process, and there has been an ESOP exit has become a popular option. About 75 percent of all ESOP's in unlisted companies have come at a generational change. [143]

It is not only the generational changes that employee ownership can be interesting for the owners. An incentive program for staff can also affect how the company is performing and how the working environment, which is of interest to an owner.

4.2 Personal ownership of the company's perspective

Probably the most frequent criticisms of employee-owned companies is that they do not perform as well as conventional-owned enterprises in economic terms. As evidence for this claim usually critic referring to the low number of employee-owned companies in modern economies, "If they are so good, it should be more." [144] Much of the empirical research has therefore focused on how employee ownership affect business productivity, sales and survival.

Research in this area is quite agrees that financial participation in general and ESOP's in particular, have a positive impact on corporate performance. [145] In a large meta-analysis, which reviewed 129 studies on employee ownership and its impact on performance and employee attitudes, concluded that "two-thirds ... found positive effects of employee ownership, while the tenth was found negative effects." [146] In another surveying concluded that "research on ESOP's and employee ownership is overwhelmingly positive and very reliable." [147] in another broad meta-analysis of 102 studies, which together covered 57,000 companies, it was concluded that employee ownership was a small but significant positive effect on business performance.[148] Meta-analyzes of studies on the

143 The rest has served as benefit programs for employees or to provide the company with cheap loans. Rosen 2014A, p. 5.

144 See examples of this in Erdal 2011, p. 46 f.

145 Se exempelvis sammanfattningen i Jens Lowitzsch & Iraj Hashi (2014). *The Promotion of Employee Ownership and Participation*. Inter-University Centre for European Commission's DG MARKT, s. 103. 146 Eric Kaarsemaker (2006). Employee Ownership and Its Consequences: Synthesis Generated Evi- dence for the Effects of Employee Ownership and Gaps in the Research Literature. York: University of York i Kurtulus & Kruse, s. 9. [Min översättning].

147 Steven Freeman (2007). "Effects of ESOP Adoption and Employee Ownership: Thirty Years of

Research and Experience." Organizational Dynamics Working Paper No. 07-01. Philadelphia: Univer- sity of Pennsylvania i Kurtulus & Kruse, s. 9. [Min översättning].

148 E. O'Boyle, P. Patel, & E. Gonzalez-Mulé. "Employee ownership and firm performance: A

broader concept of financial participation points to similar results. [149] An interesting observation is that the positive correlation has strengthened in recent studies, possibly because companies have become better at implementing efficient staff ownership program. [150] One study found that implementation of the ESOP-related programs in Japan resulted in a 4-5 percent increase in productivity. [151] International studies of worker cooperatives has come to the conclusion that they organize their production more efficiently than conventionally owned companies. [152]

According to an often-cited study from 1987 found that a combination of employee ownership and a strong ownership culture, where employees are involved in management decisions, resulting in the highest productivity. [153] A company with a strong ownership culture still has a professional management team, but the structures are in place to enable employees to influence the company in both large and small matters.

In the economic literature is pointed out occasionally to employee-owned companies, especially larger ones, suffer from a "friåkarproblem". Because each employee's personal effort can only have a negligible impact on the collectively generated profits, it can increase the temptation to cast or lounging on the job. [154] The above empirical studies that depict human ownership positive impact on productivity does not support this theoretical reasoning. Possibly it so that other motivating factors weigh up, as the joy of working for his own company as well as a sense of control and team spirit. For example, answer employees with a shareholding greater extent that their colleagues are working hard. [155] Studies also show that employees in employee-owned companies in the increasingly monitor their colleagues and make sure that no friåker. [156] To that extent, this is true, it can help reduce the often

meta-analysis." Human Resource Management Journal (kommande) i Kruse (2016) "Does Employee Ownership Improve Performance?" IZA World of Labor.

149 Lowitzsch & Hashi, s. 117.

150 Kruse 2016, s. 3.

151 Derek Jones & Takao Kato (1995). "The Productivity Effects of Employee Stock-Ownership Plans and Bonuses: Evidence from Japanese Pandel Data." American Economic Review 85(3), s. 391-414 i

Kurtulus & Kruse, s. 10.

152 Pérotin, s. 18.

153 Michael Quarrey & Corey Rosen (1987). How Well is Employee Ownership Working, Harvard Busi- ness Review, Vol. 65.

154 Lowitzsch & Hashi, s. 121.

155 Kurtulus & Kruse, s. 9.

156 Freeman, m.fl. 2010, s. 77-102.

extensive costs associated with the performance and target monitoring and middle managers whose task is to ensure that all executing their duties. [157]

Another criticism raised by the theorists is that employee-owned companies lack sufficient incentives to make reinvestments, which starves the company in the long term, and that there is no incentive to hire more people. [158] There is not space to dive deeper into these issues, however, there is plenty of empirical studies that point to the opposite outcome in reality. [159] For example, one study found that companies that implemented an ESOP employee 2.3 percent more people per year than was expected but an ESOP. [160]

Another theory that has been used as an explanation for the increased productivity is that when employees have a greater impact given the greater opportunity to address problems and develop solutions they are affected by. This observed US employers are already in the 20's for experimental trials of factory councils.

They [employees] till two heads and hands, which previously only used his hands. Because they know the details as to how the plant functions much more intimately than we ever could hope to do it themselves, it is quite natural that they be able to both find and really find more ways to improve it than we are. [161]

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[157] Edward Greenberg found in studies of the American plywood industry they work cooperatives where only hired a third as many foremen ('supervisors') as a comparable conventional businesses. See Edward S. Greenberg (1986). *Workplace Democracy: The Political Effects of Participation.* Ithaca, NY: Cornell Uni. Press, Ben Craig & John Pencavel (1993). "The Objectives of Worker Cooperatives." Journal of Comparative Economics 17, p. 291st

[158] As an example of an almost entirely theoretical analysis of financial participation, see Economics professor Nils Gottfries study by the State Treasury. State Treasury 2000: 28th *Profit-sharing foundations.* Appendix 2.

[159] Many of these arguments by Douglas Kruse. "Research Evidence on Prevalence and Effects of Employee Ownership. "2002. For a dose theoretical solutions to the labor cooperative problem, see David Ellerman (1986). "Horizon Problems and Property Rights in Labor-Managed Firm." Journal of Comparative Economics 10, pp. 62-78.

[160] Blasi, Kruse & Dan Weltmann (2013). "Firm Survival and Performance in Privately-Held ESOP Companies," i *Sharing Ownership, Profits, and Decision-Making in the 21st Century*. Red. Kruse. Emerald Group Publishing Limited, s.109-124.

[161] National Industrial Conference Board. "Erfarenhter of factory councils in the United States." 1922 SOU 1923: 29th *The industrial problem of democracy. 1: Report together with the draft law on operational committees.* Stockholm: A.-B Hasse W. Tullberg's Boktryckeri, p.40 .

The phenomenon is explained by the Swedish proverb "he who wears the shoes knows best where it pinches."

The recent economic crisis gave researchers a good opportunity to see how the employee-owned company managed a proper recession. In the book *How Did em- ployee Ownership Firms Weather the Last Two Recessions?* (2016), the authors show that listed companies with an ESOP were less likely to go bankrupt, and that they had a stable staff number of cycles, in comparison with similar businesses without an ESOP. Studies of workers' cooperatives have found similar results. [162] The authors therefore believe that political reform to promote employee ownership can be justified by its ability to stabilize employment during economic downturns. [163]

Further studies indicate that employees of companies with financial participation have fewer absences, [164] firms ranked higher by its clients [165] and have lower staff turnover, leading to reduced costs associated with hiring. [166] We have also seen that when employees are involved in corporate finance increases their willingness to make suggestions and implement them. [167] According to an empirical study revealed that staff ownership program makes business investment in research and development more efficient. [168]

The statement "if they are so good, it should be more" are treated in an academic article by economist Erik Olsen. He believes that the low number of worker cooperatives is not due to the ownership structure as such, competition is weak. As many studies show, it is more likely that labor cooperatives have a higher productivity and survive slightly longer than conventionally-owned competitors. Olsen believes instead that the reason labor cooperatives are so rare is because they are established

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[162] Marcelo Vieta (2015). "The Italian Road to Creating Worker Cooperatives from Worker Buyouts: Italy's Worker-Recuperated Enterprises and the Legge Marcora Framework." Euricse Working Papers, 78(15), s. 5 och *Co-operative news*, "CICOPA report looks at the state of industrial and service co- operatives". Voinea Anca. 29/7 2015.

[163] Kurtulus & Kruse, s. 67-68.

[164] Robinson, A.M., & Zhang, H. (2005). "Employee share ownership: Safeguarding investments in human capital." British Journal of Industrial Relations, 43(3), 469-488. i Lowitzsch & Hashi. s. 118. [165] Erdal 2011, s. 22.

[166] Lowitzsch & Hashi, s. 118

[167] Erika Harden, m.fl. "Who Has a Better Idea?" i Freeman m.fl. 2010 & Karlson & Malm Lindberg, s. 27.

[168] Robert Garrett (2010). "Does Employee Ownership Increase Innovation?". New England Journal of Entreprenurship, Vol 13(2).

- in the sense of new beginning or through acquisitions - to a much lesser extent than conventionally owned companies. It depends but not on productivity issues, but other obstacles, such as lack of capital among employees. [169]

Economist Avner Ben-Ner writes that "a mercenary contractor will not choose to establish a arbetarägt company and share the entrepreneurial profits with others if it is possible to establish a capitalist enterprise." [170] Similarly, a self-interested shareholders or family businesses do not sell their shares to employees if you can earn more by selling to a third party. The wide spread of the ESOP program in the US is based precisely on that made it relatively profitable to sell shares to employees. [171]

4.3 Personal ownership of the employees' perspective

Job security is one of the main reasons why an increase in employee ownership should interest people. As mentioned survives employee-owned business longer and have a more stable staffing levels across business cycles. The survey also reveals that employees in companies with ESOP's experiencing the risk of being dismissed as less than employees without such. [172]

Although the Spanish co-operative Mondragon managed to navigate relatively well through the recent financial crisis, was one of the companies - appliance manufacturer Fagor Electrodomésticos - bankrupt. Mondragon chose to relocate several employees to other companies in the consortium. [173] In other activities in Mondragon chose the employees during the recession to reduce working hours rather than lay off people. [174]

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169 Erik Olsen. "The Relative Survival of Worker Cooperatives and Barriers to Their Creation" i Kruse m.fl. Sharing Ownership, Profits, and Decision-Making in the 21st Century. Publicerad online: 21/8 2014, s. 83-107.

170 Avner Ben-Ner (1988). "The life cycle of worker-owned firms in market economies: A theoretical analysis "Journal of Economic Behavior & Organization, Vol 10 (3) p. 290. [My translation].

171 Although ideological and cultural factors play a role in decision-making, as well as how society's legal, tax, financial and political institutions are designed. More on this in Chapter 6. For a further explanation for the low number of employee-owned enterprises, see Tej Gonza (2016). "From Paucity to inefficiency: The Case of Democratic Economic Governance". Reciew of Economics and Economic Methodology Vol. 1 (1).

172 Kurtulus & Kruse, s. 13.

173 *Fortune*. "Defiant Spanish workers stage lock-in, resist layoffs." Ian Mount. 27/11 2013.

174 *Today's work* . "This determines the workers everywhere." Harald Street . March 2011.

In the Swedish employee-owned IT company Omegapoint avoided also dismiss employees during the crisis, this by lowering the pension provisions. The company's CEO, Johan Malmliden, described the situation as follows:

> Suddenly we had too many employees. But we decided to lower pension provisions and pull together all could keep working. It helped us through the crisis. Had we been a conventionally owned companies, the problem had been solved completely different [175]

Several studies have confirmed that the employee-owned company, to a greater extent than conventionally owned companies choose to lower wages in front to terminate employees at the falling demand. [176]

What is the situation with wages in employee-owned companies? A study from Washington State University showed that employees had a 5-12 percent higher wages in companies with ESOP's than employees in similar businesses without. [177] One included study that looked at all the listed companies that have implemented ESOP's between 1982 and 2001 found that employees' salaries grew at the same or slightly higher rate than if the company implemented an ESOP. [178] When it comes to worker cooperatives are the international mixed. [179]

The studies mentioned above is therefore only if the salary. The main economic merit of the employees are the assets built up through a stake in the company . How a partnership economically affected people between 28-

34 was investigated in a recent study by the NCEO. [180] compared the

Household net worth - that is a household all assets minus liabilities - found that employees with a stake lived in households with almost twice as high net worth as employees without a stake in their companies. Also found

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175 *Colleague* . "Cooperative ownership can save jobs." Olle Agebro . 11/11, 2015.

176 Pérotin, s. 18 f.

177 Peter Kardas, Jim Keogh & Adria Scharf (1998). "A. Wealth and Income Consequences of Employee Ownership, National Center for Employee Ownership." The Journal of Employee Ownership Law and Finance, 10(4).

178 E. Han Kim och Paige Ouimet (2014). "Broad-based employee stock ownership: Motives and out- comes." The Journal of Finance Vol: 69(3), s.1273−1319.

179 Kruse 2016, s. 6.

180 NCEO. "Employee Ownership & Economic Well-Being: Household Wealth, Job Stability, and Em- ployment Quality among Employee-Owners Age 28 to 34." Maj 2017.

that employees co-owners increasingly enjoying the benefits pension schemes and flexible working hours.

The same result was also true for households in an overwhelming majority of the studied subgroups, such as employees who were single women, lacked college degree or had a child between 0-8 years in the household. When it came to the 'employee-owners of Color' showed that households have 79 per cent greater net worth than the 'non-employee owners of Color'. Perhaps the most interesting observation is to see how the net worth are pulling apart between owners and non-owners over time.

Other studies have confirmed that employees of ESOP companies build up a larger pension than employees of companies without an ESOP. [181] As in Handelsbanken's profit-sharing foundation Oktogonen can thus ESOP programs often create a substantial savings for employees. In a report commissioned by the European Commission pointed to the impact of employee ownership that is particularly relevant today, as governments find it difficult to maintain current levels of pension. [182]

A complaint from a löntagarperspektiv been brought against the profit and ownership sharing is that such programs means an increased risk for the employees. The economist Richard Freeman, who wrote a report on the financial participation of the Swedish LO believes that this concern is legitimate in situations where an unprofitable business

181 NCEO. "ESOPs as Retirement Benefits".

182 Lowitzsch & Hashi, s. 118.

sell shares in order to get the workers to invest part of their savings in the company or if employees buy shares in the hope of saving jobs. Freeman believes, however, that such cases are exceptional when it comes to ESOP- programs. [183]

How is the job satisfaction of employee ownership? In the book, *What Workers Want?* (1999) emerged from extensive surveys of American workers that their dissatisfaction with their work situation was directly related to whether they feel they can influence decision-making or not. [184] Small opportunities to influence their work situation has also been shown to be closely linked to stress, cardiovascular diseases and back pain. [185] Robert Karasek, professor of health and safety research, has indicated that the combination of high demands and low influence can cause fatigue after work, depression, anxiety and poor sleep. [186] These observations are particularly relevant today as more and more - especially women - become sick due to stress.[187] In Sweden, the number of young women who have been sick with severe stress related diagnoses increased by 400 percent in five years, for men, the increase of 500 percent. [188] The reasons are multifaceted, but newspaper articles with headlines like "The Swedes have never felt inferior at work" portrays certainly parts of the development. [189]

Some simple solutions are difficult to ascertain, but evidence suggests that the issue of employee influence can not be ignored. The employees feel that they participate in decision-making often has a positive effect on their attitude to their work - regardless of whether they are shareholders or not. [190] Extensive empirical studies have indicated that the influence and trust in the workplace leads to higher life satisfaction. [191] In a

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183 Freeman 2015a, s. 12.

184 Richard Freeman & Joel Rogers (1999), *What Workers Want.* Ithaca, NY: Cornell University Press, s. 44 ff.

185 Goran Kecklund, Michael Ingre & Torbjörn Åkerstedt (2010). "Working hours, health and safety - an update of current research." Stress Research Report No. 322. Stress Research

University of Stockholm. p. 59 ff. and the Swedish Council on Technology Assessment. "The working environment for back pain: A systematic literature review". October 2014, pp. 102-109.

186 Robert Karasek (1979). “Job demands, job decision latitude, and mental strain: Implications for job redesign”. Administrative Science Quarterly, Vol. 24, s. 285-308.

187 insurance agency. Department for analysis and forecasting. "Short assays" 2016: 2nd

188 *Occupational* . "Strong growth of exhausted young". See Calle von Scheele. 22/5 2017;

189 *Daily News* . "The Swedes have never felt worse on the job." Cecilia Thomsson . 10/12, 2015.

190 Gates & Saghir, s. 6.

191 Rothstein 2012, s. 19-20.

study from the UK revealed that employees at employee-owned companies experience a higher level of job satisfaction and that they have a greater degree of control over their work than employees of conventionally owned companies. [192]

When it comes to the ESOP's pointing to studies carried out on a fairly even distribution between neutral and positive effects on employees' well-being. [193] The modest results is possibly a consequence of the major power in many ESOP companies - as described in Chapter 3 - does not necessarily lie with the employees. Job satisfaction among ESOP employees is higher among those who feel they have a greater degree of influence. [194] An interesting finding is that about financial participation is not combined with real influence employees may experience a lower level of job satisfaction than employees who only have a fixed salary. According to staff ownership researcher Douglas Kruse, this may be because the employees feel that they are getting conflicting messages when on the one hand, is expected to be more productive because of various bonus systems, but on the other hand can not make their voices heard. [195]

The employee-owned companies have lower employee [196] could
interpreted as a sign that they feel better, but could also be explained by the staff waits to qualify for their shares.

In the book *The Citizen's Share* point the authors of studies where American employees with financial participation reported a greater degree of loyalty and pride towards their businesses, better working conditions and that they feel less supervised than employees without financial participation. [197]

4.4 Personal ownership of the lender's perspective

When the ESOP Foundation, in most cases purchasing shares through borrowed money needed a lender. Initially, the US banks are often skeptical to lend money to the ESOP trusts. At one time learning a bank employee responded to a

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[192] Ronal McQuaid, mfl. (2012). "Fit for work? Health and Wellbeing of Employees in Employee Owned Business." Final Report to Employee Ownership Association.

[193] Kruse 2002.

[194] Kruse & Blasi (1995). "Employee Ownership, Employee Attitudes, and Firm Performance." Nation- al Bureau of Economic Research. Working Paper 5277 September, s. 13.

[195] Kruse 2016, s. 7.

[196] Kurtulus & Kruse, s. 11.

[197] Blasi, m.fl. 2014, s. 178-182.

loan application from a group of employees who wanted to buy the company Vermont Asbestos Group with the comment: "Oh my God, the monkeys run zooet?". [198]

To overcome the initial suspicion of lenders introduced tax benefits for ESOP loans, but these were removed over time. This was due to loans to the ESOP's found to have a low rate of failed repayments. Of the 1232 loan to the ESOP's recession between 2009-2013 failed only 1.3 percent of companies with repayment. It is difficult to make relevant comparisons, but evidence suggests that it is very good figures in relation to likbördiga business loans without ESOP's. [199] It is perhaps not very surprising, since the loan to the ESOP often involves the acquisition of established and profitable companies, which also tend to be even more profitable for staff acquisition.

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[198] Daniel Zwerdling (1980). *Workplace Demoracy: A Guide to Workplace Ownership, Participation and Self-Management Experiments in the United States and Europe.* New York: Harper and Row i Chris Doucouliagos (1990) "Why Capitalist Firms Outnumber Labor-Managed Firms". Review of Radical Political Economics, Vol. 22(4), s. 1.

[199] Corey Rosen & Loren Rodgers. "Default Rates on Leveraged ESOPs, 2009-2013." NCEO. 2014.

5 Personal ownership of a societal perspective

In the previous chapter we have seen how the ESOP's and employee ownership could affect owners, businesses, employees and lenders. This chapter is a more purely social approach of staff ownership and a line of reasoning about its effects on a broader level. The first section focuses on whether a Swedish model for staff acquisition could be a concrete measure to bridge the generational challenge that the Swedish society is facing. The other two sections is about whether increased employee ownership can help to create a more equitable distribution of income and wealth, as well as a longer-term ownership in Swedish companies. The last two sections are more speculative in nature and aims to contribute new perspectives and ideas for a long-term discussion on equality and ownership in Sweden.

5.1 A tomorrow outside the big city?

In companies where ownership is concentrated in a few people, such as in a family, there is an inherent exit problems. Unlike companies with many shareholders as listed or employee-owned, forced many private companies often abrupt changes of ownership. Previously, the usual choice for an owner of a family business to hand over to an heir. However, this becomes increasingly rare. The economist Karin Dahlström who researched ownership writes that "until a few decades ago, ownership shifted almost any small business to the enterprise owner's children, but today children only over 25-40 per cent of companies - figures that seem to continue down." [200] This fact, combined with the aging of the entrepreneurial population, means that Sweden today is facing a major generational challenge. Today added manicured and

[200] Karin Dahlstrom (2013). "Ownership in Small Business: A study focusing on Jämtland and Västernorrland." SESPA My University, p. 5.

profitable business down because the owners of these companies do not find someone to take over. [201] This in turn leads to a number of tangible effects.

5.1.1 The owner may not charge for his life's work, the money might have been used for retirement.

5.1.2 Employees lose their jobs.

5.1.3 Other business decrease because of lower purchasing power and service in the region.

5.1.4 Tax revenue.

5.1.5 Expenditure on unemployment benefits and social assistance increases.

5.1.6 Small towns, where failed business transfers are common, depopulated. In dramatic cases, this means that expensive investments in infrastructure, schools and health centers become obsolete. They "throw-away communities." [202]

The European Commission pointed out the problem of failed transfers of ownership in Europe during the 1990s and has rehearsed this over the years. [203] 2011 it was estimated that over 150 000 businesses and 600 000 jobs in danger of disappearing every year in the Union as a result of failed ownership. [204] Because of the significant costs which may result for the owners, employees and their communities, the Commission has supported the government's efforts to facilitate the transfer of ownership of small businesses. [205]

While it is important for a region's economic development to promote new business, it is also useful to protect the already established companies. Studies in the European Commission and others have shown that on average retained five jobs in

201 Dahlström, s. 2.

202 Begreppet kommer från Gar Alperovitz (2015) i boken *America Beyond Capitalism: Reclaiming our Wealth, Our Liberty, and Our Democracy*. Hoboken, NJ: John Wiley & Sons.

203 Dahlström, s. 4.

204 C. Calogirou, K. Fragozidis, E. Houdard-Duval och H. Perrin-Boulonne (2010). "Business Dynamics: Start-ups, Business Transfers and Bankruptcy". PLANET S.A., CCIP, DTI och GFA,

Published by the European Commission, DG Enterprise and Industry, Section 4.2.3.1.

205 Dahlström, s. 4.

each smaller businesses undergoing a change of ownership, while on average only two jobs are created for every new, and that the company shifted survive in a higher degree. [206]

Generational Challenge has received a more serious nature in recent years when the so-called baby boom generation [207] started to reach retirement age. In Sweden, this is of particular importance when the entrepreneurs here are said to belong to the oldest. [208] The report *worrying signs*, written by Nima Sanandaji for small entrepreneurs Association, shows that entrepreneurs are getting older the farther from the cities venturing.

The more sparsely populated region, the more marked is the phenomenon of aging entrepreneurial population. In Upper Norrland is almost three-quarters of entrepreneurs over 50 years. Almost half of the region's entrepreneurs have actually passed the retirement age. The risk is obvious that companies retire with the entrepreneurs who run them, because so few young passenger arranges itself in running businesses. [sic] [209]

Looking at the whole of Sweden is over 60 per cent of entrepreneurs over 50 years. 29 percent have passed the retirement age. [210]

What, then, these entrepreneurs themselves in the future? According to a survey Enterprises published in 2016 counted more than one in five small business owners in Sweden to withdraw from their business over the next five years. This is about 200 000 companies, of which 60 000 to employees. A third of all business owners believe themselves that their businesses will be closed. [211] The risks of this was evident in the SVT article.

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206 Dahlström s. 3 f.

207 Baby Boom Generation includes the large generation born decades after World War II.

208 Entreprenörskapsforum. "Thulin tables: Swedish entrepreneurs among the oldest in Europe."

209 Nima Sanandaji (2017). "Worrying signs: A report on business conditions around Sweden." Small businesses Riksförbund, pp. 43-44.

210 Sanandaji, p.4. Cf. Enterprises. "Ownership and generation of Swedish companies - transfer or termination?". Report is November 2017.

211 These figures do not include all of the companies that bought up and closed down for a few years.
See entrepreneurs. "Enterprises survey on ownership and generation change in 2015." January 2016, p.
8. See also the Entrepreneurs 2017.

Thousands of northerners risk losing their jobs because there is no one to take over when the business owner is retiring, and the problem is particularly acute in northern Sweden inland./.../ Only in Skellefteå, there are 843 companies with an owner who is over 60 years, and the companies work 3,500 employees. But when the older end, it is very few people want to take over. [212]

Sanandaji writing because of "not young people significantly encouraged to start new businesses or take over companies currently run by older people, there is a clear risk that Sweden soon encounter a företagardöd." [213]

A företagardöd is rarely a good thing, but it seems to be a particularly bad time right now because the gap between city and country have already risen sharply in the past three decades, and this would hit hardest the remote and rural areas. The report *Regional inequality in Sweden* describes economic historian Kerstin Enflo how the growing regional inequalities "threatens social cohesion and to create political unrest and social conflict." [214] As an illustration of the existing contradictions accounted for only 39 percent of respondents in the four northernmost counties that in a referendum on an independent northern Sweden would vote against. 41 percent said they would vote for. [215]

We return to the generational challenge, there is a smart solution? The already mentioned Karin Dahlström described in his research 16 reasons for failure of ownership. Two of these was that nobody in the family or the personal network wants to take over and that the company is located in the rural area. [216] When Dahlstrom had to take part of Värmlandskooperativens feasibility study *Together*, dealing with personnel acquisitions of companies, she said the authors:

> When I relate the content of this preliminary study, the results of my study appears clear picture of the employee takeover as an ownership option should have a good chance of

212 *SVT News Vasterbotten* . "Personal matching save the company" 20/3 2012 in Sanandaji, p. 23.

213 Sanandaji, s.8.

214 Kerstin Enflo (2016). "Regional inequality in Sweden. A historical analysis. "SNS Analysis No. 33, p. 2.

215 *SVT News* . "Many want to see an independent Norrland". Kolbjörn Lindberg . 13/9, 2016.

216 Dahlström, s. 5 f.

> overcome each of the above described problems pictures to why ownership often fail. [217]

Staff Acquisition may thus be an important part of the solution to the generational problems. [218] It is for this purpose that the ESOP model is primarily used in the United States. Sometimes an ESOP in the absence of another buyer, sometimes as an alternative to selling to a competitor or an investment company without a long term interest in the business. [219]

Do staff take over then? Of course, this may sound strange to an employee who has never seen himself as something other than just an employee. This attitude, however, is not set in stone. As the employee-owned company is unusual in Sweden and there are no clear models for how a staff acquisition will be carried out, it is quite natural if employees think the idea of taking over the company feels alien. Being the owner is often associated with great responsibility and risk. While this is true for many entrepreneurs it does not mean that all employees, simply because they become shareholders, would have to have a very different role in the company. Employee owned companies still have a professional management team. The difference is that, in varying degrees, is ultimately responsible for the employees.[220]

While surveys suggest that today there is a huge untapped resource of business owners and entrepreneurs in Sweden. While interest in becoming entrepreneurs have fallen slightly in recent years, says that about half of all

217 Tyrén m.fl., s. 7

218 Personnel Acquisition as an alternative to failed generational aired already in SOU 1980: 36, p. 46.

219 For an overview of the various US exit strategies, see Alex Brill. "Employee Stock Ownership Plans as an Exit Strategy for Private Business Owners." Matrix Global Advisors. March 2017.

220 In a study of over 40 000 Americans showed that most employees would like to have shares, profit sharing or stock options as part of their remuneration package, a preference that even

shared by a majority of the risk averse workers. Kruse and Blasi Rhoekun Park. "Shared Capitalism in the US Economy" in Freeman et al 2010. p. 64 ff.

Swedes that they are willing to become entrepreneurs. [221] One could speak of a sleeping entrepreneur reserve.

However, it is important to point out that the staff acquisition should not be used to rescue unprofitable operations - at least not in the first place. Such use has received critics to speak of a kind of "lemon socialism," which means that workers acquire the acidic, dysfunctional parts of the economy. Would you rather that staff acquisitions to function well and spread the focus should be on transforming profitable companies. Per Ahlström, who studied ESOP model in the late 90s, gave the following recommendation:

If Sweden is investing in löntagarägande so it should be an aggressive move, for anchoring ownership of profitable businesses in the local community, in order to secure an aggressive investment policy, to develop both the company and staff. [222]

Although there are examples where staff acquired companies at the verge of bankruptcy, and turned the trend, it is usually difficult and risky to take on such projects. The main point of this section is rather that there are currently functioning businesses that could easily be sold to the workers - for both the owner, the employees and the local community gain. A standard model for this and any legislation to be because of the challenge width have good opportunities to find allies from both trade and industry, and across the political spectrum.

5.2 Sustainable inequalities

The growing inequality has become an increasingly hot topic of discussion, especially since the financial crisis of 2007-2008. In several countries, protest movements criticized the unequal distribution of the mean mainly benefited the richest percent of the population. 2013 chose the then US President Barack Obama to call "

221 Sanandaji, s. 31.

222 Åhlström, s. 195 f.

dangerous and growing inequality "for" our time critical challenge ". [223] International Monetary Fund Director Christine Lagarde said ahead of international politics and the business world top layer in Davos that "excessive inequality is debilitating for growth; it is debilitating to society. " [224]

In an international poll from 2014, published by the research institute Pew Research Center, on what people saw as the biggest dangers in the world, became the "inequality" the most common response option in the US and Europe. [225] In Sweden, there is also a strong public opinion in order to reduce the economic gaps between people. [226] Some of the consequences in the social sciences linked to economic inequality is rising crime, [227] less social mobility, [228] loss of confidence between people [229] and increased risk of financial crises [230]. One for Nordic bill particularly important occasion to discuss increased inequalities is that such a development could weaken what has been called "Nordic gold", namely social trust. [231]

Inequality Scientists Jesper Roine and Daniel Waldenström in a study looking at how the wealth concentration evolved over time in Sweden. While the richest percent owned about 17 percent of the private wealth in 1978, took

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223 *The Guardian*. "Obama: income inequality is 'defining challenge of our time' –live". Jim Newell 4/12 2013.

224 Tal av Christine Lagarde vid Davos. "A New Global Economy for A New Generation".

The International Monetary Fund. 23/1 2013. [My translation]. For a discussion of the relationship between inequality and growth, see Federico Cingano (2014). "Trends in Income Inequality and Its Impact on Economic Growth". OECD Social, Employment and Migration Working Papers No. 163. Paris: OECD Publishing. and see Galina Kolev & Judith Niehues (2016). "The Inequality-Growth Relationship - An Empirical Reassessment." Beiträge zur Jahrestagung des Vereins für Social policy: Demographischer Wandel - Session: Growth and Inequality, No. G09-V3.

225 Pew Research Center. "Greatest Dangers in the World". 2014.

226 According to a poll union idéinstitutet Catalysis and Equality Fund sounded

Novus do in 2017 said 78 percent of respondents said that it is very or somewhat important to the government tries to reduce economic disparities. See Per Sundgren. "Solid support for equality policies. Equality Survey 2017. "Catalysis & Equality Fund, p. 12.

227 Pablo Fajnzylber, Daniel Lederman & Norman Loayza (2002). "Inequality and Violent Crime".

Journal of Law and Economics, vol. XLV, april.

228 Robert D. Putnam (2015). *Our Kids: The American Dream in Crisis*. New York: Simon & Schuster.

229 Eric D. Gould and Alexander Hijzen (2016). "Growing Apart, Losing Trust? The Impact of Inequality on Social Capital." IMF Working Paper 16/176, augusti.

230 Michael Kumhof, Romain Renciére och Pablo Winant (2013). "Inequality, Leverage and Crises: The Case of Endogenous Default". IMF Working Paper 3/249.

231 The term comes from a report by the Nordic Council of Ministers, the Nordic governments' official coordinating body, which indicates how the Nordic countries have the world's highest levels of social trust,

which benefits both the economy and citizens. See Ulf Andreasson (2017). "Trust - Nordic gold." NMR analysis.

the 21 per 2006. Depending on the assumptions made in the calculation of Swedes foreign assets may, however, the richest Proc the share to rise to up to 40 percent of the fortunes. At the same time inclusion of the assets in the pension and social security concentration less. [232] In a recent study says Waldenstrom and Jacob Lundberg that wealth concentration probably increased further since then, although it has become more difficult to measure for wealth tax abolition in 2007. [233]

In Sweden measured the fastest increase in income inequality across the OECD, between 1985 and 2010. [234] According to the World Wealth and Income Database [235] increased the richest percent in Sweden, its share of the total revenue from 4.1 percent in 1980 to 8.7 percent in 2013 . It's an equal share accruing to the richest percentage 1947. [236] According Roine, this trend has been driven more by increased investment income and realized capital gains than by rising wage differentials. [237] Sweden is nevertheless still one of the countries with the most equal income distribution in the world. [238]

From a global perspective, the economic differences between people is much greater. Charity Oxfam, which each year publishes an acclaimed report on the international wealth concentration, counted in 2018 out of 61 people own as much as the poorer half of the world population together. [239] how to reduce such inequalities dispute, as we know they learned about. Oxfam has in common with the noted French economist Thomas Piketty proposes national and international tax reforms solution. [240] It is an equality strategy to

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232 Jesper Roine & Daniel Waldenström (2009). "Wealth Concentration over the Path of Development: Sweden, 1873-2006." The Scandinavian Journal of Economics 111(1).

233 Jacob Lundberg och Daniel Waldenström (2016): "Wealth inequality in Sweden: What can we learn from capitalized income tax data? ". Institute of Industrial Research, Working Paper 1131st

234 OECD Income Inequality data update: Sweden (January 2015).

235 The World Wealth and Income Database is a website in a clear manner compiled inequality data with the help of hundreds of scientists from different countries.

236 World Wealth and Income Database. "Sweden".

237 Jesper Roine (2014). *Thomas Piketty Capital in the Twenty-First Century: Summary, Swedish perspective* . Stockholm: Volante, p. 29 ff. For a different view, see Tino Sanandaji. "Has the Labor- Share of factor income falls in Sweden?" Entries 15/2, 2013.

238 CIA, The World Factbook. "Country Comparison: Distribution of family income – gini index."

239 Oxfam. "Reward Work, not Wealth". Oxfam Briefing Paper. January 2018, s. 19.

240 Roine, s. 92 ff.

largely about the redistribution of already *divided* fortunes. An additional approach is via what in English is called 'predistribution'. [241] It is a strategy that aims to avoid inequalities occurring in the first position, instead of afterwards reducing inequality through taxes and transfers. It is within this strategy that a wider employee ownership comes in. [242]

We saw in Chapter 4 of the staff of the ESOP companies tend to build a substantial savings through its ownership in the company. Particularly interesting from a gender perspective, this is significant even among social groups that are often located near the poverty line. By making broad groups of staff to the owners of capital, the return of capital in increasingly accrue to individuals with lower income and wealth.

David Erdal, a Scottish entrepreneur who in 1994 sold his family business Tullis Russell to employees, have pointed to the increased employee ownership can reduce inequalities. He compared the two retail companies of the same size to see what happened to each company's dividend payments: Marks and Spencer (M & S), which is a conventionally-owned company, and John Lewis Partnership (JLP), which is owned by its employees. M & S is shared over a five-year period, 1.33 billion pounds to its shareholders while the JLP in the same period handed out 929 million pounds to their owners. In M & A cases, the money ended up in large part of the already wealthy managers and financial institutions. The JLP's case, the money went to the employees, who largely used the money to shop in their local areas. [243]

If this model is scaled up - where corporate dividends and stock values greater degree goes to employees - would thus be able to contribute to a more equal income distribution. The vision that the authors of the book *The Citizen's Share* pleading for the ESOP inventor Louis Celsus spirit. Something that could be

241 A fördistributiv strategy need not be in conflict with a redistributive. See Policy Network. "Pre-distribution and the crisis in living standards".

242 Oxfam has also called employee-owned companies as a strategy to spread it created wealth more equitably. See Oxfam. "An Economy for the 99%". Oxfam Briefing Paper. January 2017, p. 31 ff.

243 David Erdal. “Some wider economic effects of employee ownership”. *WPART*. 14/3 2016. [Min translation, emphasis in original].

increasingly topical as robots can perform more and more tasks previously performed by humans. [244]

Furthermore, increased employee ownership, insofar as employees get a real influence, possibly helping to restrain wage disparities between groups within firms. However, this is speculation as no empirical studies have examined it. [245] An interesting result however emerged in a study of the Spanish work cooperatives is that the pay gap between women and men is nonexistent. [246]

Many of the effects that have already been described, such as employee-owned businesses tend to hire more people and survive in a higher degree, the course also effects on equality. Even personnel acquisitions as an alternative for generation changes could contribute to a more equitable distribution of wealth by saving jobs and distribute future dividends and share values of broad groups. [247] Because employee-owned company is not as mobile as conventionally owned companies, they can also possibly serve as a counterforce to the so-called "race to the bottom ', meaning that countries and regions compete with each other to market it to large companies most advantageous tax environment in order to attract investments. [248] Among others, Oxfam has pointed to this phenomenon as a leading cause for the increasing inequality in the world. [249]

Overall, there is reason to believe that a greater employee ownership, properly designed, could contribute to greater economic equality. Such a development could also result in a more fundamental change in the economy in the long term, where the wealth created already at the company level is allocated to broader groups.

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[244] Richard Freeman writes that "we all will benefit from robots in the workplace or on the robots will enhance income inequality between the super rich and the rest of society depends on who owns the robot." [My translation]. Richard Freeman. "The Future of Work: Who Owns the Robot in Your Future Work Life?" *Pacific Standard* . 17/8, 2015.

245 Confirmed in mail conversation with Douglas Kruse, US personnel ownership researchers, 2018-01-18.

246 *Co-operative News*. "Equality in Spanish Worker co-ops." 12/5 2016.

247 See Jens Lowitzsch comparison between acquisitions of ESOP vs. Private-equity companies. Jens Lowitzsch (2009). Financial participation of employees in the EU-27. Basingstoke: Palgrave Macmil- lan, pp. 57-60.

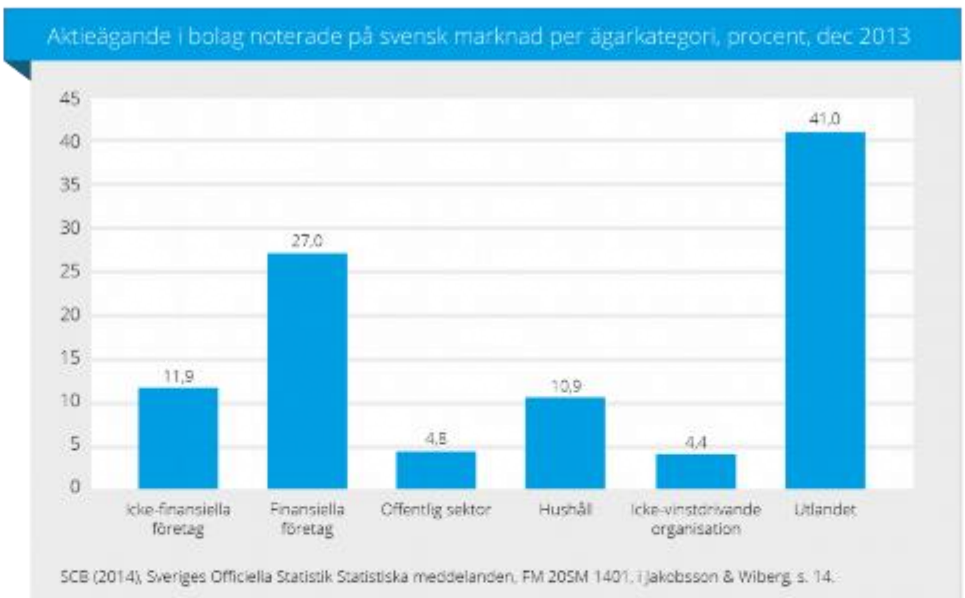
248 The Centre for Research on Multinational Corporations. "Tax Games: the Race to the Bottom – Europe's role in supporting an unjust global tax system 2017".

249 Oxfam. "Tax Battles: The dangerous global Race to the Bottom on Corporate Tax". Oxfam Policy Paper 12 December 2016, s.2.

5.3 Future owners

An extensive employee ownership can be interesting for those who want to see a future economy in which investor operating and companies are more entrenched in their home countries and act more in the long term. [250]

The past 25 years have ownership over the Swedish economy had an increasingly international character. 1993 abolished the widespread restrictions that previously existed on foreign ownership in Swedish companies. Foreign ownership on the Stockholm Stock Exchange has increased from 8 percent in the early 90s, to 39 percent today. [251] At the same time, we, like other OECD countries, witnessed a trend toward companies in the lower level are owned by private individuals and a higher degree of so-called institutional investors , such as pension funds, life insurance companies and investment funds. [252] In the 1950s, owned half of the shares on the Stockholm Stock Exchange



250 From the EU Commission has staff ownership potential to mitigate the short-termism and speculation has been a major reason for the growing interest, especially after the recent financial crisis. See Lowitzsch & Takahashi, pp. 103rd

251 Ulf Jakobsson and Daniel Wiberg (2014). "Who should control the Swedish companies?". Report No. 8 to project companies and ownership. Swedish business. Stockholm, p. 9 & Statistics Sweden and Finansinspektionen 2016: 197th "Share statistics, June 2016".

252 Serdar Celik & Mats Isaksson (2013). "Institutional Investors as Owners: Who are They and What Do They Do?". OECD Corporate Governance Working Papers nr 11.

by private Swedish investors, 2013 was the only one-tenth. [253] Foreign investors, who are primarily insitutionella investors, and Swedish fund owns nearly 70 percent of the Stockholm Stock Exchange. [254]

Institutional owners often lack the incentive to engage actively in the governance of the companies in their portfolio. It is common to employ counseling consultants to administer voting in the individual companies. [255] This new ownership landscape has, in collaboration with several other factors, not least the financial sector increased size helped companies become more focused on generating short-term profits, often at the expense of long-term investments. [256] A development with critics to speak of a "quarterly capitalism". [257]

Economists Ulf Jacobsson and Daniel Wiberg argues that institutional ownership emergence, along with changes in regulations concerning the control of listed companies, also resulted in the traditional Swedish ownership model, with a clear controlling shareholder , is being replaced by an ownership vacuum. They write that anyone "who should take the responsibility to exercise general control and take on the costs that this entails is an important issue for the future." [258]

Trade economist Sophie Nachemson-Ekwall, specializing in issues of corporate governance, believes that there is good reason to review the employee's ability to shoulder this responsibility. She believes that the new Swedish ownership architecture, partially characterized by extensive foreign and institutional ownership, risks weakening the country's value creation in the long term. To come to grips with that required under Nachemson-Ekwall, a more pluralistic ownership in companies, and to values other than short-term profit maximization guide managerial

[253] Sophie Nachemson-Ekwall (2014). *Hostile Bid: Theories, power play, short-termism* . Stockholm: SNS, p. 49.

[254] Nachemson-Ekwall 2014, s. 49.

[255] Jacobsson & Wiberg 2014, s. 48-59.

[256] For an international perspective on the increased focus on short-term shareholder value, see H. Chang, pp. 300-310.

[257] A concept that presidential candidate Hillary Clinton used during his election campaign to

criticizing the short-sightedness of the US business. See *Business Insider* . "HILLARY: Corporate America is obsessed with 'quarterly capitalism' - here's how I'd change that." Myles World coins quarter in 2016.

[258] Jacobsson & Wiberg 2014, s.11.

Decision. She suggests including strengthening the cooperative sector and that "[t] open up employee ownership in various forms, including ESOP program." [259]

Because employees co-owners often have other primary interests than the maximum return in the short term - such as a meaningful job, a prosperous local community and a long-term source of income - may be a wider employee ownership strengthen management's ability to act uifrån both a longer time horizon and a more diverse set of values. Employees also possesses a lot of company-specific knowledge that can be both costly and time consuming for an external owner to entrench itself. This is of particular importance in the expanding knowledge-intensive sector. Because employees befinnner themselves inside the corporate walls, as opposed to external shareholders,[260]

Political scientist Bo Rothstein has pointed out how today's capitalism evolved in a direction where an increase in employee ownership and staff governance should fall ever more natural.

> Capitalism was traditionally an economic system in which those who took equity hired labor and thus decided over production and over those who worked in it. Now we are in a different phase of capitalism. The old industrial capitalism, where the owners took a long-term responsibility for the production and for the employees, is about to end. Today we have a financial capitalism which those who own capital usually have neither the time, desire or interest to control or take responsibility for the production. They are interested in yield level, period. However, there is nothing to prevent the throwing of the lease agreement between capital and labor. Just as capital can hire labor, then labor hire capital. [261]

The idea that work can rent the capital has a prominent place in the former World Bank economist David Or's theory building. He believes that the US

[259] Sophie Nachemson-Ekwall (2016). *Sustainable ägararktitektur for Sweden* . Global Challenge, p. 64

[260] Lowitzsch & Hashi, s.17 ff.

[261] Bo Rothstein. "Unions can buy Ericsson's factory". *Dagens Nyheter* debate 4/5 1997.

listed companies whose shares are often scattered in many small owners without any individual the opportunity to influence the management, lack of active and long-term governance. The so-called "Wall Street rule" comes from the owners: you are dissatisfied with the company sells its shares. This is according to Ellerman been one of the reasons that the US economy has undergone extensive deindustrialization and the country's middle class is shrinking. To reverse this trend should listed companies be restructured so that the people working there are eligible voters. The old owners' shares would be converted into a kind of corporate bonds, which Ellerman says that today shares in principle already since the ownership power can rarely be used. The contract between capital and labor would thus be reversed in such a scenario.[262]

In summary, speaks to a wider employee ownership has the potential to play an increasingly important role in future business. The main driver behind this development is possible, as depicted in this section, running from the lack of long-term owners of companies.

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262 David Ellerman (2011). "Ice-Wall Street Capitalism really 'The Model'?". Gustaf Lindencrona pulled virtually the same conclusion from the same problem in 1961, see Lindencrona, pp. 89-90.

6. Sweden: Conditions for staff acquisition

In the previous chapter, the potential social impacts of an expanded employee ownership in the Swedish economy is discussed. In this chapter, we foresee the possibilities and obstacles to achieving such an expansion. The focus is previously mainly on the personnel acquisition or conversion, if you will, of conventional businesses.

The chapter begins with a section on the public discussion conducted over the past few years regarding the various forms of employee ownership. After a discussion of the legal and fiscal opportunities for staff acquisition today, then other obstacles that might stand in the way of a broader employee ownership. Finally, a number of suggestions on how to through initiatives and legislative changes to strengthen the staff ownership.

6.1 The discussion of employee ownership

Although the discussion of employee ownership has been relatively modest over the past decade, there are players who have chosen to highlight the issue. Above all, if we include the broader concept of financial participation.

Interestingly, the proposals largely come from the new business spearheads. 2015 wrote six senior managers a debate article in *Dagens Nyheter* on "the new business needs." The first picture of the problem they highlighted were:

> ... the lack of opportunity to share ownership with employees. In capitalist bastion the United States it is possible to completely free hand out shares to the employees. At the favorable development taxed as capital gains. But the country that launched the wage-earner funds, it is paradoxically not allowed to share ownership with employees without unreasonable and unclear tax consequences. Even if employees buy in, so there is not a lawyer with the prevailing uncertainty in the matter, would vouch for the Tax Agency in the future still can not find the technical reason that one could see it as a perk though, with dire consequences for both employer and employee. [263]

[263] Richard Båge, Daniel Daboczy, Dinesh Nayar, Jens Nilsson, Sebastian Siemiatkowski, Jessica Stark. "Long-term rules needed for good ideas to grow." *Today's news* 13/3, 2015.

2016 wrote, for similar reasons, the two founders of the music company Spotify an open letter to the Swedish politicians. There, stressed that they were considering expanding outside Sweden due to some political obstacles in the country. In addition to issues related to housing and education pointed to the founders of the tax thresholds to make employees part owners.

In the US tax options for the employee as income from capital at a rate of 15-20 per cent, in Germany the level is 25 percent. In Sweden it is counted today as income from employment and thus taxed at 70 percent. In Sweden, the employer must pay social security costs on the option's entire value creation. In the US the corresponding cost 0th

/.../ Imagine how amazing it would be if the right Sweden was the country where employees became a partner in the companies where they work. It suits us and our culture perfectly. We as owners are willing to share with us. The ownership spread and create solidarity ought of any policy promoting. The economic benefits resulting from that young people are part of the value they create is huge because many since both the expertise and money to develop new ideas and start new businesses. [264]

264 Daniel Ek and Martin Lorentzon. "We must act or be overtaken !: An open letter from Daniel Ek och Martin Lorentzon, grundare av Spotify”. 11/4 2016. Även om ambitionen verkar tydlig är beskrivningen om delägande medarbetare en aning missvisande eftersom Spotify-grundarna fokuserar på personaloptioner i brevet. Som författarna till Ratio-rapporten Finansiellt Deltagande uttrycker det: ”Personaloptioner ger i sig inget delägarskap utan optionen ger innehavaren en rätt att i framtiden få köpa aktier till ett i förväg bestämt pris.” Karlson & Lindberg, s.4. Utformningen av dessa sytem gör att innehavarna ofta säljer aktierna samma dag som de utnyttjar optionen, en så kallad ”same day sale”.

Spotify letter attracted much attention. [265] After approval by the European Commission, the Government proposed in its budget for 2018 that they want to remove the fringe benefit tax on employee stock options and the exercise of the option to be taxed as capital gains rather than income from services as before. The proposal is limited to companies established for more than 10 years ago, has fewer than 50 employees and an annual turnover below 80 million. [266]

When it comes to the academic discussion released anthology *Together: a viable economic democracy* at SNS publishers 2012. The book is the most comprehensive book on employee-owned enterprises in decades. The book's editor, political scientist Bo Rothstein, said that it aimed to revive two questions:

> Why are people's right to democratically influence both possible and entirely legitimate in terms of the municipality they live in, but not the company where they work? What is the factual basis for the claim that democracy can not work in the production of goods and services? [267]

2015 was an LO report written by the American economist Richard Freeman of ownership and profit sharing from a Swedish trade union perspective. [268] 2016 released the industry's research Ratio a report on financial participation. [269] 2016 also released the Global Challenge idéskriften *sustainable shareholder architecture of Sweden* , written by the already quoted Economist Sophie Nachemson-Ekwall. There, she put forward 50 suggestions for how to stabilize and improve the ownership of the Swedish economy. Among other things, she advocates ESOP's and more cooperative enterprises as a solution to this.

Politically, it was proposed in 2016, in a motion from two members of the Green Party, to review how the ESOP-like system can be introduced in Sweden, which was rejected. [270]

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[265] See, eg *Breakit* . "Parliamentary Debate: Spotify's letter is a warning to take seriously." Johanna Ekström. 17/5, 2016.

[266] Release Government Offices. "The government proposes reducing costs for the first employee and tax breaks for stock options. "5/9 2017.

[267] Rothstein 2012, s. 7.

[268] Freeman 2015a.

[269] Karlson & Lindberg Malm.

[270] Motion 2016/17: 2,633th "Democratized ownership of the company."

The cooperative rådgivarorganisationen Coompanion and the cooperative employer organization KFO launched in 2017 the project Transfertocoops, which after a kontintental model aims to facilitate the employee's acquisition of the company. [271]

In a report from Entrepreneurs, released in November 2017, they suggest - as a measure to facilitate ownership and generation change and improve business in the country - they want:

> Other measures to encourage more people to become entrepreneurs, including employees and others who plan to take over an existing business. This is increasingly important in a knowledge society where the individual's and the employees' skills form the foundation for the company's value creation. [272]

These are some of the fragments touched employee ownership and financial participation in recent years. Although one can hardly speak of a storm of interest, the sympathies expressed by diverse commentators and social actors interpreted as a sign that there is a potentially broad coalition that would push for increased employee ownership.

6.2 Tax and correct technical issues related to personnel acquisition

In this section, various tax and legal issues arising in connection with the staff acquisition will be discussed. The issues are complex and the legal situation is not always clear. Some concrete solutions thereof is not given, but the section intends rather to introduce some of the relevant tax and legal issues related to personnel acquisition in Sweden.

As already mentioned, the profit-sharing foundations a relatively common phenomenon in the Swedish economy. Such foundations often place the funds in their own company and can thus help to broaden staff ownership

271 Se www.transfertocoops.se

272 Företagarna 2017, s. 4 f.

economy. Taxation of profit foundations have not been any major discussion since at least the beginning of the millennium when the State Treasury conducted an extensive survey of the Swedish profit-sharing funds. [273] In Sweden, companies need not have to pay payroll taxes on the allocation to the profit-sharing fund, trust or other entity with similar purposes. However, companies since 1997 to pay a special payroll tax on the allocated funds, which currently stands at 24.26%. The employees pay income tax in connection with the payment. [274]

Allocations to the profit sharing is deductible under certain conditions. For example, "management of the funds [be] in such a way that the employees' right to payment is secured." [275] The parts of the avdagsgilla provisions may be used to buy shares in their own company is clear, as has been done in Handelsbanken. However, the practice is not entirely clear regarding the deductibility of full-scale ownership. In the right case RAW 1985: 1:11 granted deductibility of a company over a five year period, through provisions to a profit-sharing fund, intended to acquire all of the company's shares. The Supreme Administrative Court granted the right of deduction on the basis that the foundation had been given the right to place the funds also in securities outside of the company and therefore "can not be considered, the Foundation aims to ensure the control over the shares in the company."

In another similar legal cases, RAW 1,985 1:18, however denied deduction at a similar arrangement. The case concerned the company Rejmyre Metal Ornaments, where the previous owner was keen that the company stayed at the resort and therefore offered the employees through a profit-sharing fund to acquire all the shares. Metalworkers' Club of the company formed a foundation and occupied via a bank loan that financed two thirds of the acquisition, the last third was financed by a one-time transfer from the company to the foundation. The idea was that each year the company would make contributions to the foundation and that these could be used for principal and interest on the loan and payments to employees. The design is reminiscent therefore of the ESOP model.

273 SOU 1998:93, s. 22.

274 Statskontoret, s. 8-9.

275 Tax. "Deduction for employer expenses".

payment of the Fund will be secured. " [276] It is not entirely clear whether, and if so when, a full-scale staff acquired through a profit sharing can be done with tax deductions from the company, as in the US ESOP model. Note that this does not preclude a staff acquired through a profit-sharing foundation, only that it is not entirely clear whether the provisions of the Company to the Foundation may be tax deductible.

Another important question is how staff should have access to an acquisition loan. In order to avoid that the staff is personal återbetalningsskydliga should this loan can reasonably be taken by a legal entity, such as a profit-sharing foundation, civil or limited companies. Whether the loan is granted in practice depends on the bank's assessment of future repayment capacity. In addition, this also requires some form of security, that is an asset that goes to the bank if the loan can not be repaid. It is entirely possible for its personnel legal entity to set the acquired company - the target company - the shares as collateral for förvärsvlånet. However, these are not particularly attractive to the bank because shareholders are the last to receive dividends from a possible bankruptcy. [277]Banks are particularly disinterested in the shares of closely held companies, as they often are difficult and expensive to sell. Banks therefore prefer physical assets as collateral. However, there are legal obstacles to this in connection with the acquisition loan.

In the so-called Small Business Advisory Board set up in 1996 this was taken in the sixth report in connection with a discussion of the ESOP model. [278] There was allegedly such a leveraged staff acquisitions to challenge the Swedish rules on loan prohibition of its related owners. [279] In Chapter 21 of the Companies Act, we find the so-called acquisition loan prohibition.

276 The two right cases discussed in connection to the ability of a Swedish ESOP model in Mattias Göthbergs degree of law at Uppsala University.

277 Almi. "Acquisitions: Knowledge and working before the purchase of the company," p. 22 f.

278 The delegation was chaired by the Socialist councilor Mats Johansson and consisted of small entrepreneurs, researchers and representatives from trade and näringslivsorganiationer. See

Nachemson-Ekwall 2016, p. 64 and SOU 1998: 93rd Small Business Advisory Board. *To capital for small businesses. R* report 6, p. 35 ff.

279 This contributed to the commission's conclusion that "ESOP in American bottling is tainted with so

many disadvantages that they should be removed from discussion. "Of the other three concerns raised in the report was no evidence for two and the third required that a Swedish ESOP would have to be part of the pension. For this reason, out here no detailed discussion on the study's conclusions. See SOU 1998: 93, p. 37 f.

A company may not advance funds, make loans or provide security for the loan to the debtor or his related natural or legal person referred to in § 1 will acquire shares in the company or the parent company in the same group. [280]

This means that it is not permissible for someone - either a natural or legal person, employed or not - to borrow money to buy shares and use the target company's assets as collateral for the acquisition loan. This prohibition has been added to protect creditors and minority shareholders, and therefore seems to hinder the Swedish ESOP- model. However, there is a discussion about whether it is permissible to use the target company's assets as collateral for förvärsvlånet through a kind for funding. [281] Tax Agency can grant exemptions if called for by special circumstances, an opportunity that has arisen to facilitate just generational. [282]

In this context it should be mentioned that it provided an exception for the acquisition loan prohibition in the Companies Act, which expressly allows employees to borrow up to two basic amounts of the target company's assets as collateral, in order to acquire shares in the company. [283] This means that an employee would be able to borrow around 90 000, which could possibly be included as a small part of a provisional Swedish ESOP model. However, this is not particularly helpful in most cases, because the employees then personally take the loan, not a legal person, its personnel. This would mean that employees, unlike in the US ESOP model, becomes personal repayable at a corporate bankruptcy.

You can also use the company's assets as collateral for the loan if the borrower simply buy the assets and liabilities, ie the content, of the company. A so-called inkråmsköp. The employees would then be able to set up a legal entity and take out a loan to buy the assets of the old company and use the assets and liabilities as collateral. Such an approach might be appropriate in some cases, but certainly too tedious

280 21 Sec. 5 § ABL.

281 Erik Nerep, Johan Adestam and Per Samuelsson Companies Act (2005: 551) Chapter 21. § 5, Lexino 2015-09-22.

282 Prop. 2004/05:85, s. 433 f.

283 21 kap. 6 § ABL

method for the efficient standard model as a new corporate structure must be set up at every staff acquisition.

Whatever the approach remains a question mark regarding the loan. The size of loans the bank is willing to provide given the collateral available and with what conditions? The United States is almost always the old owner with säljarfinansierar and parts of the personnel acquisition. This means that the selling owner will accept a partial payment over time, usually with a market-based interest charges, after repayment of the bank loan completed. The owner works since then as lenders. This is quite possible and even common at Swedish company sales and therefore can be used even in personnel acquisition. However, the Swedish owner who sells to the staff usually not offered a less favorable interest rate on the borrowed capital as American owners, something made possible by the tax benefits available in the United States.

One can also imagine that key suppliers lends or provides security for part of the acquisition loan in exchange for a supply contract in the coming years. Is the company an important customer to a particular place and likely to move or close down, there may be a strong incentive for Two suppliers to support the staff's acquisition of the company. Furthermore, so-called market complementary business loans from state actors Almi, which does not require as much security, also help to facilitate the fundings. [284] guarantee associations and micro funds could contribute to provide guarantees for loans. [285]

On a fiscal plan, the so-called 3: 12 Rules [286] hinder the staff's acquisition of closely held [287] in Sweden. As the rules are designed, it can now be fiscally unfavorable for a business owner, who did not sell any shares directly, to remain active in the company. This makes it difficult for the staff to get a bank loan because the bank often want the owner stays with the company for a period to ensure continuity of economic activity. [288]

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284 See Almi. "If Almi loans".

285 For more ideas on how the funding would look like, see Tyrén Others, p. 33 ff.

286 3: 12 rules found in Chapter 56-57 of the Income Tax Act.

287 According to the Tax Agency is "a closely held joint stock company or a cooperative in which four or fewer shareholder owns shares representing more than half of the votes in the company." Other Tax. "Close companies".

288 Företagarna 2017, s. 18-21.

Overall, there are several legal and fiscal matters related to personnel acquisition of companies whose complexity requires review by experts in the field. The European Commission in 2012 included the promotion of employee ownership in their "Action Plan for the reform of European company law and corporate governance". [289] There may possibly lead to specific exemptions, or special legislation, which makes it easier for a European ESOP model.

6.3 Ignorance and other obstacles

The technical problems mentioned in the previous section occurs only when an owner is willing to sell to the employees and the employees are willing to continue operating the company in-house. To get to this phase requires, however, that the owner and employees see such a transaction is realistic, which in turn implies that they heard about the employee-owned company.

At a meeting during the writing of this report, the author met a business owner of a medium-sized IT company in Stockholm. Lately, he had begun to study the forms of organization where employees had a significant influence. The entrepreneur said: "If we had known the staff-owned company when we started, we had certainly tried to design something like that."

The Liberal MP and cooperative advocate Gerhard Halfred von Koch wrote already at the turn of the century that "ignorance ... proved to be the biggest and most difficult opponent of the cooperative movement spread." [290] von Koch spoke mainly about consumer cooperative, but the same can probably be said of workers' cooperatives and employee ownership in general. Ignorance of alternative corporate and ownership structures are the result of what we learn in school and at university, what is portrayed in the media and popular culture, what is being discussed among politicians and in the trade unions and the business community. Ignorance means that people generally do not know or have prejudices about employee ownership, and that the necessary ecosystem of lawyers, economists, business brokers and other specialists lack the skills and interest in working with staff acquisition. This leads to a negative spiral where such companies are rare and

289 Lowitzsch & Hashi, s. 1

290 von Koch, s. 24.

hard established, making the knowledge and interest from both professionals and general further enhanced. Consequently, - in addition to technical and financial solutions - a comprehensive civic education of the spiral must be broken and staff ownership strengthened, as has occurred in countries such as Italy, the United States and parts of Spain.

In the EU Commission commissioned the report *The promotion of employee ownership and participation* ranked one of the 28 EU countries along the extent of the tax, legal and political promotes profit sharing and employee ownership. When it came to profit, Sweden was in a shared seventh place. When it came to employee ownership Sweden placed second at the bottom along with Portugal and Denmark, with only Estonia in. When it came to the political support and social dialogue about employee ownership and profit-sharing, Sweden was at the bottom. [291]

To facilitate increased employee ownership in Sweden there are several other obstacles that need to be examined more closely. For example, Värmlandskooperativen in a feasibility study lifting that there are uncertainties concerning certain employee shareholder entitled to unemployment benefit in case of unemployment and the Unemployment Insurance Act therefore need to be reviewed. [292] Furthermore, the unions often negative attitude towards employee ownership stated as the reason for the ownership structure does not become more widespread in Sweden. [293] A striking example of this has been described by political scientist Bo Rothstein. In the late 90s, when the sale of Volvo Cars was on the agenda, suggested Rothstein in a debarttartikel in Göteborgs-Posten that employees could buy the car manufacturer.

If it was true that the union representatives and the company management as expressed, namely that it was in possession of all that was needed for the business going forward could carry out economically in terms of new car models, technology, marketing, etc., arose in me the following question. Namely: Why did you all a new owner? /.../ If only capital they needed could the employees form a

291 Lowitzsch & Hashi, s. 25.

292 Tyrén, et al "Appendix 2. How does unemployment insurance for employees who own and run the company together?".

293 SOU 1980:36, s. 61.

economic association and borrow the necessary capital. /.../ In particular, a reaction I got on this article was interesting - it came from a representative of the engineer corps at Volvo. It turned out that they themselves brought these discussions to be had even formed a business association for this purpose, but that it had all fallen on the metal union said absolutely no to even discuss such a solution. [294]

Instead of being an example of a large Swedish employee-owned company - with all the marketing and competence-building, it would have meant for staff ownership that idea - Volvo Cars was sold instead to the US Ford, who later sold it to Chinese Geely. [295]

The unions could be a strong incentive to encourage greater employee ownership by providing knowledge and advice to employees who wish to acquire part or all companies. The American equivalent of the IF Metall union, the United Steelworkers, for example, has signed an agreement with Mondragon to promote labor cooperatives in North America. [296] The already quoted economist David Ellerman has written about how the unions in employee-owned companies - in addition to continuing to defend workers' rights against management - could play the important role of the "legitimate opposition". Such would guarantee a functioning corporate democracy by example make independent evaluations of management, providing discussion spaces for staff and easier for employees to set up the election of directors and management team. Ellerman says that just as in the political sphere, long-term and stable institutions needed to ensure the functioning of democracy, even in business. [297]

Overall, it appears that Swedish climate in a number of areas to improve for the owners and employees increasingly choose to switch companies to employee-owned. This climate is revealed, however, only when the owners come up with the idea

294 Rothstein, s. 42-43.

295 It was at the same time, criticism of the personnel acquisition as an alternative to the closure or sale of major Swedish companies also from business elsewhere. In particular, the idea of using pension funds and union funds to finance personnel acquisition. See Hans-Goran Myrdal. "Löntagarägt nothing for unions to focus on." *Dagens Nyheter* . 18/5 1997.

296 Tower Branch Wartin, August (2012). "To map the terrain", in Rothstein 2012, p. 59 f.

297 David Ellerman (1988). "The Legitimate Opposition at Work: the Union's Role in Large Democratic Firms." Economic and Industrial Demcoracy 9: 437-53.

to sell to employees, or the employees come up with the idea to buy the company. For this reason, at the discussion of such possibilities is an important starting point for an expanded employee ownership.

6.4 Suggestions

We have seen that the Swedish society faces a number of major problems - or challenges, if you will - closely linked to the lack of employee ownership and simple models for personnel acquisition. Especially at risk the ongoing generational change among the parts of the Swedish entrepreneurial population will lead to closures and short-term owner, with the risk of after-effects such as unemployment, reduced tax revenues and increased economic disparities between its regions.

What should be done to facilitate personnel acquisitions of businesses in Sweden? Based on the American experience, as well as the discussion which took place in this chapter on Swedish obstacles, proposed three projects that could be launched.

6.4.1 Pilot project. Launch a pilot project with an identified business, where the owner and the employees want to conduct a staff acquisition, preferably via a leveraged up. Lenders, brokers, lawyers and others involved in the process increase their competence in the matter. The project will contribute to increased knowledge of how an arrangement might look like, and thereby facilitate personnel acquisitions by other companies.

6.4.2 Information projects. Start a project over three years working knowledge dissemination, policy work and training of professionals in the relevant sectors. In the previously cited report commissioned by the European Commission, press the awareness actions central to broaden staff ownership. [298] In France such projects in recent years have resulted in a significant

[298] Lowitzsch & Hashi, s.48 ff.

increase knowledge about work cooperatives, and later increase the number of personnel acquisition. [299]

6.4.3 Regional staff ownership center. Starting a regional center staff ownership which supports the region's small and medium enterprises facing generational selling to employees. In the US, there are several examples of this. One example is the Ohio Employee Ownership Center (OEOC), linked to the University of Kent State. It was after the steel crisis that hit the city of Youngstown in the late 70's. Between 1990-1998 was OEOC involved in 33 personnel acquisition. In 1998 these companies employed 9200 people. The state's cost of operation cost over the same period of $ 900 000, roughly $ 100 per job. [300]

In the legislative area the following measures should be reviewed in order to improve opportunities for staff acquire the ownership and broaden staff ownership in general. A government public inquiry would be best suited to investigate this.

- Allow the exception of the acquisition loan prohibition on personnel acquisition. To make it easier for staff to obtain acquisition loans, it is important that they can use the target company's assets as collateral, in the same way as in the US ESOP model. Therefore, the possibility to derogate from the acquisition loan prohibition on personnel acquisition to be reviewed. In the preparatory work for the latest Companies Act is to be able to apply for exemption from the acquisition loan prohibition to facilitate generation changes.
- Grant a deduction for provisions for profit-sharing in order to acquire the company in ownership. The practice is not unique in terms of the ability of companies to deduct allocations to

299 Participant observation, Swedish Riksdag 3/7 2017 lecture by Catherine Friedrich, CG Scop.

300 Åhlström, 143 f.

profit-sharing fund buys a significant portion of the company's shares. Deductibility should be granted for the provision to the foundation in order to buy out the old owner. The right to deduct should also apply to deposits used for payment of principal and interest on acquisition loans foundation raised.

- Remove the special payroll tax on the provision for profit sharing trusts. When the tax treatment of stock options in smaller companies now eased considerably, one can reasonably argue that even taxation of profit foundations should be eased. Allocations to the profit-sharing foundation is currently beset with a special payroll tax of 24.26%. [301] Between 1992 and 1997 added no such charge resulting in an increase in the number of foundations. [302] Removing it would increase incentives for employers to make contributions to profit-sharing foundations, which in turn can buy shares in their own company, such as Handelsbanken.

On an institutional level can välsinnigt set foundations, investment funds and credit institutions to facilitate personalförväven by acting as lenders, or by providing guarantees for loans. [303] In the long term, even parts of the pension capital used for this purpose. The argument for such a use would be to risk taking involved in the loan is weighed against the number of jobs that can be preserved - as well as other positive economic effects recognized in this report - and thereby contribute to the pensions as a whole. The lower the interest on acquisition loans, the more can the old owner to get paid and the more interesting it becomes to sell to staff. [304] In the style of Mondragonkooperativens system with a godfather, an employee of the Fund, with the expertise of staff acquisition and democratic structure construction, able to support staff in over two years on

301 Statskontoret, s. 22.

302 Karlson & Malm Lindberg, s. 22.

303 The so-called micro Funds available today in 12 regions around the country and provides guarantees for bank loans, primarily to companies in the social economy or working with local development.

304 As discussed in Chapter 4, a self-serving business owners just to sell their shares to the personnel if it is the most profitable option.

ownership. This may be remunerated by the Fund, but if the business is viable once the company pays this to the fund.

These are some sketches of possible measures and projects that can be initiated to Sweden as in many other countries to have an economy where employee-owned companies are a natural feature of the economy.

Summary and closing words

This report aims to raise awareness among both professionals and the general public about employee-owned companies, and how employees can become owners of their companies. There are many international examples of success on large employee-owned company. In the US, 10.6 million Americans in 6700 company owned wholly or partly by themselves. The so-called ESOP model has thousands of owners sold their company to the employees, but staff had to place a crown. Regulation at both the federal to the state level have been introduced to make the ownership structure attractive to the parties concerned. There are good reasons for it.

30 years of empirical research has shown that companies perform better than their conventionally-owned competitors in many areas. Employee owned companies in the study showed higher productivity, they live longer, have lower employee turnover, hiring more people, more motivated employees, do not say the same number of employees during crises and helps employees build an often significant savings. Viewed from the perspective of society can contribute to the company lives on in remote and rural areas, that we get a more equitable distribution of the wealth created and more long-term value creation. With that said, there are potential problems with staff ownership. For example, if employees use their own savings to rescue unprofitable enterprises.

Sweden has, according to a report commissioned by the European Commission, one of the least favorable climates in Europe for employee ownership and profit-sharing programs. It should not be an impossible task for Sweden to climb on the list. Is it true that we are a country where the spirit of consensus and compromise are at the center of decision-making that will employee ownership work especially well here.

For some people let it all strange and associated with risks and problems. Business as usual is perhaps still best. The snag is that business as usual is also capsized with several of the society's behalf, risks and issues. Today we see how efficient companies closed down because of the failure of generational change, we have a rapid development of stress-related illnesses, growing economic inequalities and the increasingly short-term ownership that could weaken the Swedish competitiveness in the long term. Another financial crisis in all of this - hardly an impossible scenario given its periodic comebacks in recent decades - can quickly lead to pre unforeseen dilemmas. A greater diversity among our owners, where various forms of ownership are encouraged to co-exist and compete, can contribute to greater stability in the economy when the rapid social changes taking place.

1918 was carried out on major constitutional reform in the history books usually get to select the step to a democratic form of government in Sweden. Would not 2018, exactly 100 years later, a fitting year to introduce a discussion of staff ownership or may not be in our country?

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